
SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2016

SELINGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, 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 accordance 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 2016 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 72, "*Fair Value Measurement and Application*", 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*", Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and Statement No. 79, "*Certain External Investment Pools and Pool Participants*". Our opinion is not modified with 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 60 through 62 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
Selinsgrove Area School District
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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 63 through 66 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 31, 2017 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
January 31, 2017

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2016

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, 2016. 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 (2015-16) and the prior year (2014-15) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net Position decreased by \$1,965,537. Total revenues were \$40,439,848 and total expenses were \$42,405,385.
- The General Fund surplus for the year was \$137,026.
- The Food Service Account ran a profit of \$55,741.
- The District was able to fund its share of the SUN Tech Institute's capital project in the amount of \$1,759,000 from current budgetary savings without having to borrow or draw from the fund balance.
- Governmental Accounting Standards Board Statement No. 68 was implemented as of June 30, 2015 requiring the District to recognize its share of the Pennsylvania School Employees' Retirement System's (PSERS) total accrued liability. The total District share of the liability at June 30, 2016 is \$60.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2016

- 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 position 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. 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.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2016

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.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was (\$37,950,616), on June 30, 2016. (See Table A-1).

**Table A-1
Selinsgrove Area School District
Net Position as of
June 30, 2016**

	Governmental		Business-type			
	Activities		Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	16,096,417	16,344,319	437,699	370,845	16,534,116	16,715,164
Capital assets	37,886,267	35,140,029	499,031	651,093	38,385,298	35,791,122
Total Assets	53,982,684	51,484,348	936,730	1,021,938	54,919,414	52,506,286
Deferred Outflow of Resources	6,396,878	8,258,525	0	0	6,396,878	8,258,525
Long term debt outstanding	33,116,799	31,531,395	42,171	50,828	33,158,970	31,582,223
Other liabilities	6,865,795	6,499,047	35,347	56,157	6,901,142	6,555,204
Net Pension Liability	53,474,000	60,208,000	0	0	53,474,000	60,208,000
Total Liabilities	93,456,594	98,238,442	77,518	106,985	93,534,112	98,345,427
Deferred Inflow of Resources	3,823,000	370,000	0	0	3,823,000	370,000
Net investment in capital assets	2,549,811	2,636,262	499,031	651,093	3,048,842	3,287,355
Restricted net position	3,784,691	2,406,748	0	0	3,784,691	2,406,748
Unrestricted net position	(43,234,534)	(43,908,579)	360,181	263,860	(42,874,353)	(43,644,719)
Total Net Position	(36,900,032)	(38,865,569)	859,212	914,953	(36,040,820)	(37,950,616)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

Table A-2
Selinsgrove Area School District
Fiscal Year Ended June 30, 2016
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenues						
Charges for services	454,819	380,395	612,929	641,225	1,067,748	1,021,620
Operating Grants & Contributions	7,297,864	7,901,487	677,152	766,606	7,975,016	8,668,093
Capital Grants & Contributions	474,616	0	0	0	474,616	0
General Revenues						
Property Taxes	15,918,164	16,472,398	0	0	15,918,164	16,472,398
Other Taxes	6,796,256	7,489,746	0	0	6,796,256	7,489,746
State formula aid	7,970,693	8,143,142	0	0	7,970,693	8,143,142
Investment earnings	56,055	52,680	356	478	56,411	53,158
Other	5,039	0	1,036	0	6,075	0
Total Revenues	38,973,506	40,439,848	1,291,473	1,408,309	40,264,979	41,848,157
Expenses						
Instruction	26,005,746	28,286,833	0	0	26,005,746	28,286,833
Instruction Student Support	3,971,816	4,166,415	0	0	3,971,816	4,166,415
Administration	3,637,056	3,656,393	0	0	3,637,056	3,656,393
Operation & Maint of facilities	2,687,128	2,873,562	0	0	2,687,128	2,873,562
Pupil Transportation	1,630,108	1,717,305	0	0	1,630,108	1,717,305
Student Activities	699,504	725,140	0	0	699,504	725,140
Community Services	30,620	33,118	0	0	30,620	33,118
Interest on Long term debt	1,334,889	946,619	0	0	1,334,889	946,619
Food Service	0	0	1,299,532	1,352,568	1,299,532	1,352,568
Total Expenses	39,996,867	42,405,385	1,299,532	1,352,568	41,296,399	43,757,953
Increase/(Decrease) in Net Assets	(1,023,361)	(1,965,537)	(8,059)	55,741	(1,031,420)	(1,909,796)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2016

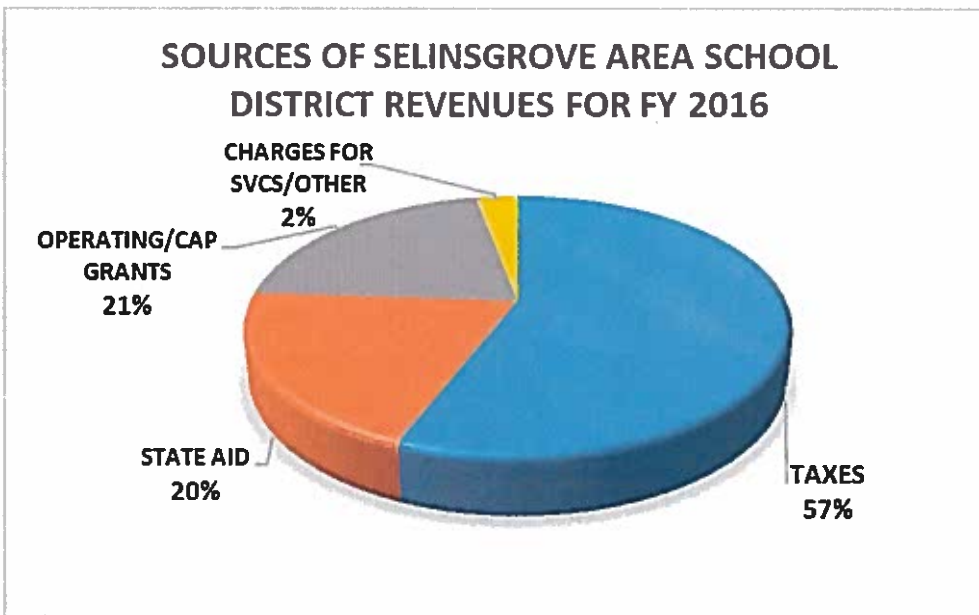
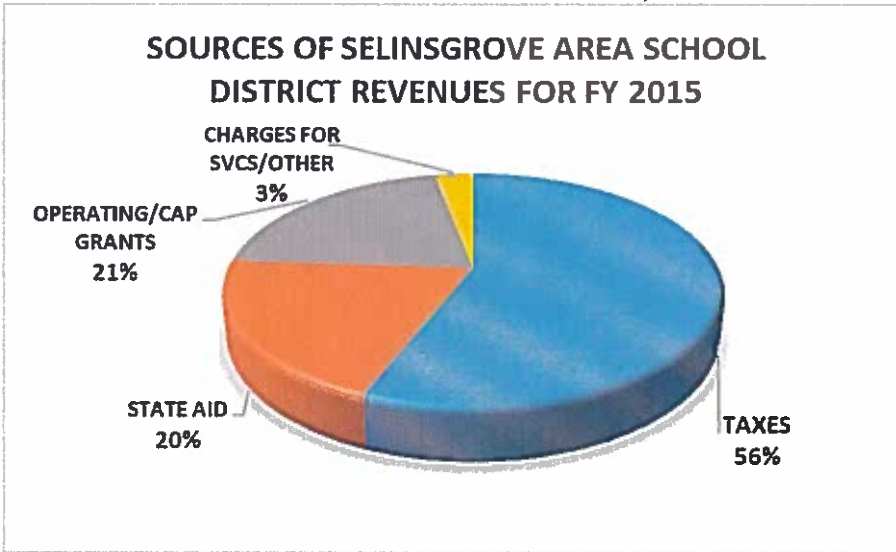
Changes in net position. The District's total revenues were \$41,848,157 for the year ended June 30, 2016 (see Table A-2). Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$23,962,144 or 57.3% of total revenues. Another 19.5% or \$8,143,142 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 20.8% or \$8,668,095 came from operating grants and contributions, with the remainder of \$1,074,777 or 2.6% coming from fees charged for services and investment earnings.

The total cost of all programs and services was \$43,757,953 (see Table A-2). The District's costs related to educating and servicing students were \$34,895,693 or 79.7% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 8.4% of total expenses or \$3,656,393 and operation of the District's facilities accounted for 6.6% of total expenses or \$2,873,562. Finally, food service costs made up 3.1% of total costs or \$1,352,568 and all other expenses (including interest on long term debt) accounted for 2.2% or \$979,737.

Total expenses exceeded revenues, decreasing net assets by \$1,909,796.

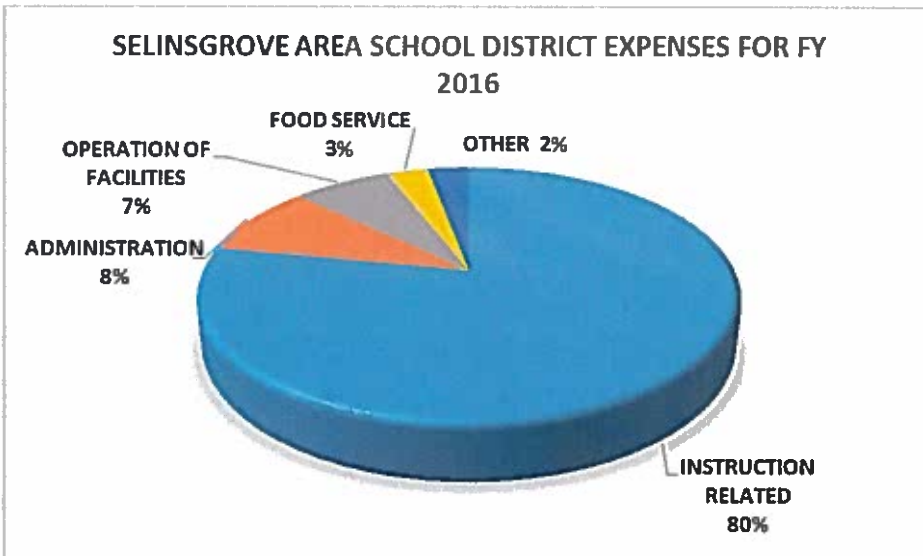
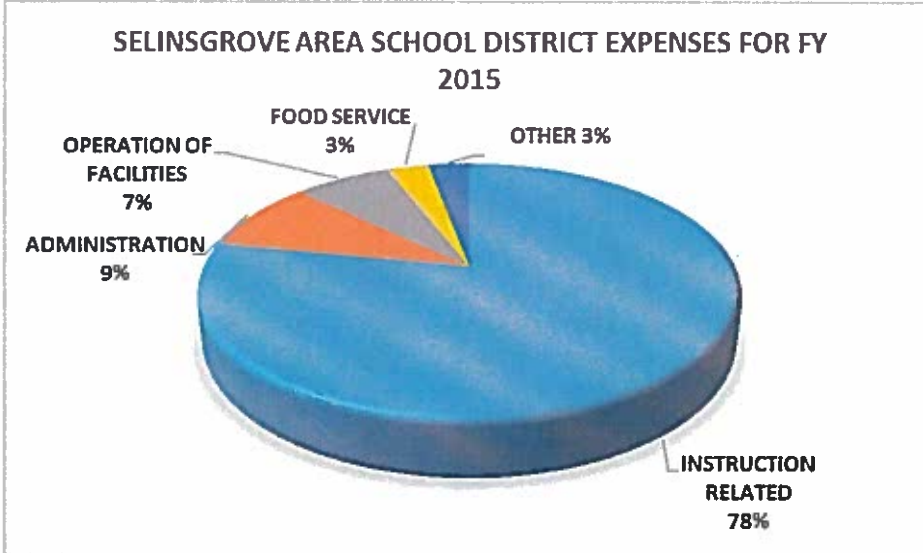
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016



SELINGROVE AREA SCHOOL DISTRICT

**Management's Discussion & Analysis
Year Ended June 30, 2016**

The cost of all District activities was \$43,757,953. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$1,021,620).
- Federal and state governments subsidized certain programs with grants and contributions (\$8,668,093).
- Most of the District's costs (\$34,068,240), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with \$23,962,144 in taxes, \$9,217,920 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
	2015	2016	2015-2016	2015	2016	2015-16
Instruction	26,005,746	28,286,833	8.8%	20,148,398	21,999,018	9.1%
Instruction Student Support	3,971,816	4,166,415	4.9%	3,612,172	3,733,645	3.8%
Administration	3,637,056	3,656,393	0.5%	3,463,068	3,442,400	(0.6%)
Operation & Maint of facilities	2,687,128	2,873,562	6.9%	2,374,075	2,481,926	4.5%
Pupil Transportation	1,630,108	1,717,305	5.3%	759,574	932,368	22.7%
Student Activities	699,504	725,140	3.7%	522,189	555,304	6.3%
Community Services	30,620	33,118	8.2%	29,819	32,223	8.1%
Interest on Long term debt	1,334,889	946,619	(29.1%)	860,273	946,619	10.0%
Food Service	1,299,532	1,352,568	4.1%	(9,451)	55,263	484.7%
Total Expenses	41,296,399	43,757,953	6.0%	31,779,019	34,068,240	7.2%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$11,861,430 a net decrease of \$923,499 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2015 and 2016.

	Fund Balance	Fund Balance	Increase/ (Decrease)
	June 30, 2015	June 30, 2016	
General	9,402,816	9,539,841	137,025
Capital Projects	1,504,240	728,815	(775,425)
Debt Service	1,877,873	1,592,774	(285,099)
Total Fund Balances	12,784,929	11,861,430	(923,499)

Revenues and net other financing sources/uses for the District's governmental funds were \$40,409,314, while Expenses were \$41,332,812.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

	2015	2016	Increase/ (Decrease)	% Change
Local Sources	23,689,857	24,821,843	1,131,986	4.8%
State Sources	13,832,323	14,166,171	333,848	2.5%
Federal Sources	1,522,267	1,416,953	(105,314)	(7.0%)
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	39,044,447	40,404,967	1,360,520	3.5%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

Total General Fund revenue increased by \$1,360,520 or 3.5% from the previous year. Local revenue sources increased \$1,131,986 or 4.8% 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 \$333,848 or 2.5% due mostly to an increase in the retirement subsidy and basic education funding. Federal sources decreased \$105,314 or 7.0% due to the District receiving less in Title I and Keystone Opportunities funds. The following schedule presents a summary of General Fund expenditures and other financing uses:

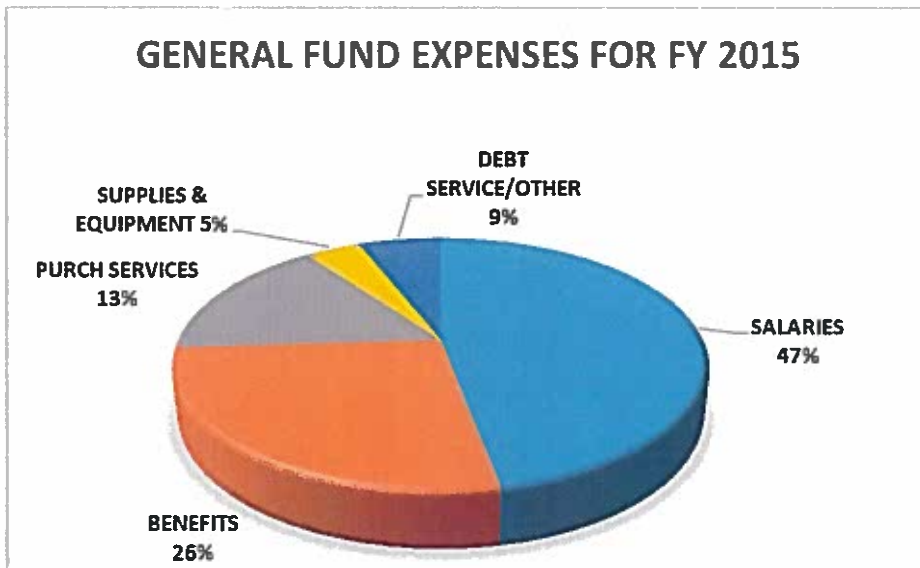
	2015	2016	Increase/ (Decrease)	% Change
Salaries	18,164,921	18,986,752	821,831	4.6%
Employee Benefits	9,947,739	10,753,328	805,589	8.1%
Purchased Services	5,046,193	6,507,308	1,461,115	29.0%
Supplies, Materials, Equipment	1,929,148	1,704,365	(224,783)	(11.7%)
Debt Service	0	0	0	-
Other Expenditures/Financing Uses	3,311,406	2,316,189	(995,217)	(30.1%)
Total Expenditures/Financing Uses	38,399,407	40,267,942	1,868,535	4.9%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

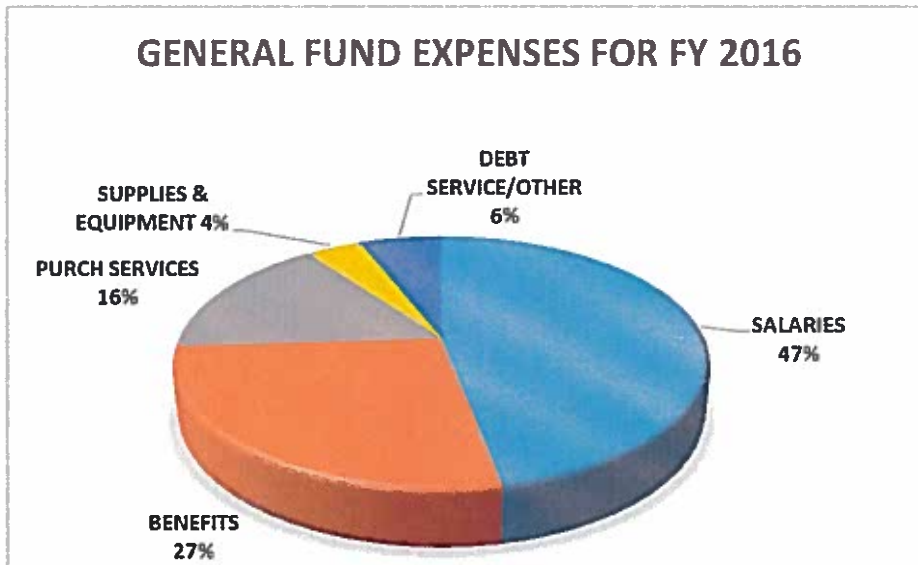
Total General Fund expenditures and financing uses increased \$1,868,535 or 4.9% from the previous year. Salary costs increased \$821,831 or 4.6% from 2014-15 due to scheduled contractual increases. Employee benefits increased by \$805,589 or 8.1% due to an increase in the employer retirement rate. Purchased service costs increased by \$1,461,115 or 29.0% mainly because of the District paying \$1.457 million to SUN Tech for its share of SUN Tech's capital building project. Supplies, materials, and equipment costs decreased by a total of \$224,783 or 11.7% because of less spending on technology equipment and textbooks from a year ago. Other Costs/Financing Uses were \$995,217 or 30.1% less than the prior year because of a decrease in transfers out to the capital projects fund and debt service fund.

In 2015-16, General Fund revenues and financing sources exceeded expenses and financing uses by \$137,026. This increased the fund balance to \$9,539,842 at June 30, 2016. This number represents a healthy 23.1% of 2016-17 budgeted expenses.



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016



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 \$1,275,377 actual results show that revenues and other financing sources exceeded expenses and other financing uses by \$137,026. Overall expenses/financing uses came in \$1,395,329 or 2.7% under budget. Major variances in expenses were in the following areas: personnel expenses (salaries and benefits) came in \$1,326,255 or 4.3% under budget. Supplies and equipment expenses were \$318,726 or 5.1% under budget. Purchased Services were over budget by \$867,059 due to the one-time payout to SUN Tech for their capital building project. Finally, the budgetary reserve amount of \$206,596 was not utilized. The overall net actual result added \$137,026 to the fund balance.

CAPITAL ASSETS

The District has invested \$74,124,893 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, 2016 totaled \$39,185,974.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2016

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

	2015	2016	Increase/ (Decrease)	% Change
Land	501,269	501,269	0	0
Building and Building Improvements	54,105,720	54,820,898	715,178	0.1%
Furniture and Equipment	13,136,145	13,768,803	632,658	4.8%
Site Improvements	4,774,182	5,033,923	259,741	5.5%
Construction in Progress	0	0	0	0
Less: Accumulated Depreciation	(36,538,767)	(39,185,974)	2,647,207	7.2%
Total	35,978,549	34,938,919	(1,039,630)	(2.8%)

LONG-TERM LIABILITIES

At year-end, the District had \$31,280,000 in debt outstanding and \$3,519,496 of accrued compensated absences and other post-employment benefits (OPEB), a decrease of \$1,384,325 from the previous year (see table A-5).

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

	2015	2016	Increase/ (Decrease)	% Change
General Obligation Bonds/Other Debt	32,929,707	31,165,958	(1,763,749)	(5.4%)
Compensated Absences/OPEB	3,254,114	3,161,523	(92,591)	(2.8)%
Total	36,183,821	34,327,481	(1,856,340)	(8.2%)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2016

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 25.84% of total payroll in 2015-16 to 30.03% in 2016-17, 32.57% in 2017-18, 34.18% in 2018-19 and increasing each year to 36.40% in 2021-22. 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, Selingsrove Area School District, 401 North 18th St., Selingsrove, PA 17870.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 11,044,818	\$ 263,419	\$ 11,308,237
Taxes receivable, net	3,464,941	-	3,464,941
Intergovernmental receivables	1,716,140	-	1,716,140
Internal balances	(58,555)	58,555	-
Other receivables	130,075	-	130,075
Inventories	31,063	48,871	79,934
Prepaid expenses	15,837	-	15,837
TOTAL CURRENT ASSETS	<u>16,344,319</u>	<u>370,845</u>	<u>16,715,164</u>
NON-CURRENT ASSETS			
Restricted cash	852,203	-	852,203
Land	501,269	-	501,269
Building and building improvements (net of acc. dep.)	29,761,154	494,588	30,255,742
Furniture and equipment (net of acc. dep.)	2,023,742	156,505	2,180,247
Site Improvements (net of acc. dep.)	2,001,661	-	2,001,661
TOTAL NON-CURRENT ASSETS	<u>35,140,029</u>	<u>651,093</u>	<u>35,791,122</u>
TOTAL ASSETS	<u>\$ 51,484,348</u>	<u>\$ 1,021,938</u>	<u>\$ 52,506,286</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 6,920,716	\$ -	\$ 6,920,716
Deferred Charge on Refunding	1,337,809	-	1,337,809
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,258,525</u>	<u>\$ -</u>	<u>\$ 8,258,525</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 2,160,670	\$ 23,271	\$ 2,183,941
Accrued salaries and benefits	1,110,811	-	1,110,811
Payroll deductions and withholdings	180,193	-	180,193
Accrued interest	243,115	-	243,115
Current portion of long-term liabilities	2,745,258	-	2,745,258
Unearned revenue	-	32,886	32,886
Other current liabilities	59,000	-	59,000
TOTAL CURRENT LIABILITIES	<u>6,499,047</u>	<u>56,157</u>	<u>6,555,204</u>
NON-CURRENT LIABILITIES			
Bonds payable	29,450,958	-	29,450,958
Long-term portion of compensated absences	835,300	5,546	840,846
Other post employment benefits	1,245,137	45,282	1,290,419
Net pension liability	60,208,000	-	60,208,000
TOTAL NON-CURRENT LIABILITIES	<u>91,739,395</u>	<u>50,828</u>	<u>91,790,223</u>
TOTAL LIABILITIES	<u>\$ 98,238,442</u>	<u>\$ 106,985</u>	<u>\$ 98,345,427</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 370,000	\$ -	\$ 370,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>
NET POSITION			
Net investment in capital assets	\$ 2,636,262	\$ 651,093	\$ 3,287,355
Restricted	2,406,748	-	2,406,748
Unrestricted	(43,908,579)	263,860	(43,644,719)
TOTAL NET POSITION	<u>\$ (38,865,569)</u>	<u>\$ 914,953</u>	<u>\$ (37,950,616)</u>

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Net (Expense)/Revenue Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 28,286,833	\$ 116,551	\$ 6,171,264	\$ -	\$ (21,999,018)	\$ -	\$ (21,999,018)
Instructional Student Support	4,166,415	-	432,770	-	(3,733,645)	-	(3,733,645)
Administrative & Financial Support Svcs	3,656,393	-	213,993	-	(3,442,400)	-	(3,442,400)
Operation & Maintenance of Plant Svcs	2,873,562	135,857	255,779	-	(2,481,926)	-	(2,481,926)
Pupil Transportation	1,717,305	-	784,937	-	(932,368)	-	(932,368)
Student Activities	725,140	127,987	41,849	-	(555,304)	-	(555,304)
Community Services	33,118	-	895	-	(32,223)	-	(32,223)
Interest on Long Term Debt	946,619	-	-	-	(946,619)	-	(946,619)
Total Governmental Activities	42,405,385	380,395	7,901,487	-	(34,123,503)	-	(34,123,503)
Business-Type Activities							
Food Service	1,352,568	641,225	766,606	-	-	55,263	55,263
Total	\$ 43,757,953	\$ 1,021,620	\$ 8,668,093	\$ -	\$ (34,123,503)	\$ 55,263	\$ (34,068,240)
General Revenues							
Taxes:							
Property taxes levied for general purposes, net					16,472,398	-	16,472,398
Other taxes					7,489,746	-	7,489,746
Grants, subsidies, & contributions not restricted					8,143,142	-	8,143,142
Investment Earnings					52,680	478	53,158
Total General Revenues					32,157,966	478	32,158,444
Change in Net Position					(1,965,537)	55,741	(1,909,796)
Net Position, Beginning					(36,900,032)	859,212	(36,040,820)
Net Position, Ending					(38,865,569)	\$ 914,953	\$ (37,950,616)

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

SELINGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 11,044,818	\$ -	\$ -	\$ 11,044,818
Restricted cash	-	846,929	5,274	852,203
Taxes receivable, net	3,464,941	-	-	3,464,941
Due from other funds	-	-	1,587,500	1,587,500
Intergovernmental receivables	1,716,140	-	-	1,716,140
Other receivables	130,075	-	-	130,075
Inventories	31,063	-	-	31,063
Prepaid expenses	15,837	-	-	15,837
TOTAL ASSETS	\$ 16,402,874	\$ 846,929	\$ 1,592,774	\$ 18,842,577
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 1,646,055	\$ -	\$ -	\$ 1,646,055
Accounts payable	2,042,556	118,114	-	2,160,670
Accrued salaries and benefits	1,110,811	-	-	1,110,811
Payroll deductions and withholdings	180,193	-	-	180,193
Other current liabilities	59,000	-	-	59,000
TOTAL LIABILITIES	5,038,615	118,114	-	5,156,729
 DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - taxes	1,824,417	-	-	1,824,417
TOTAL DEFERRED INFLOW OF RESOURCES	1,824,417	-	-	1,824,417
 FUND BALANCE				
Assigned	171,817	-	-	171,817
Nonspendable				
Supplies	31,063	-	-	31,063
Prepaid exepenses	15,837	-	-	15,837
Reserved for encumbrances	23,600	-	-	23,600
Restricted				
Special education ACCESS	445,210	-	-	445,210
Capital projects	-	728,815	-	728,815
Debt service	-	-	1,592,774	1,592,774
Committed				
Retiree healthcare	2,318,334	-	-	2,318,334
Middle school project	700,000	-	-	700,000
PSERS	3,214,716	-	-	3,214,716
Educational resources	306,389	-	-	306,389
Unassigned	2,312,876	-	-	2,312,876
TOTAL FUND BALANCE	9,539,842	728,815	1,592,774	11,861,431
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	 \$ 16,402,874	 \$ 846,929	 \$ 1,592,774	 \$ 18,842,577

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, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 11,861,431

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	73,129,711	
Less: accumulated depreciation	<u>(38,841,885)</u>	34,287,826

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, 2016 are:

General obligation debt	(31,280,000)	
Less: Deferred charge on refunding	1,337,809	
Unamortized bond discounts	114,042	
Compensated absences	(855,300)	
Accrued interest on bonds	(243,115)	
Net pension liability	(60,208,000)	
Pensions - Deferred Outflows of Resources	6,920,716	
Pensions - Deferred Inflows of Resources	(370,000)	
Unfunded postemployment benefits	<u>(2,255,395)</u>	(86,839,243)

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.

1,824,417

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (38,865,569)

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

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 24,821,844	\$ 2,228	\$ 2,118	\$ 24,826,190
State sources	14,166,171	-	-	14,166,171
Federal sources	1,416,953	-	-	1,416,953
TOTAL REVENUES	40,404,968	2,228	2,118	40,409,314
EXPENDITURES				
Instruction	25,770,852	-	-	25,770,852
Support services	11,539,027	-	-	11,539,027
Operation of non-instructional services	712,063	-	-	712,063
Capital outlay	-	873,653	-	873,653
Debt service	-	-	2,437,217	2,437,217
TOTAL EXPENDITURES	38,021,942	873,653	2,437,217	41,332,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,383,026	(871,425)	(2,435,099)	(923,498)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	96,000	2,150,000	2,246,000
Transfers out	(2,246,000)	-	-	(2,246,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,246,000)	96,000	2,150,000	-
NET CHANGE IN FUND BALANCES	137,026	(775,425)	(285,099)	(923,498)
FUND BALANCES - BEGINNING	9,402,816	1,504,240	1,877,873	12,784,929
FUND BALANCES - ENDING	\$ 9,539,842	\$ 728,815	\$ 1,592,774	\$ 11,861,431

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

SELINGROVE 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, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (923,498)

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	1,423,261	
Depreciation expense	<u>(2,614,953)</u>	(1,191,692)

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 6/30/15 to 6/30/16. 25,718

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	(3,650)	
Other postemployment benefits expense	(120,700)	
Amortization of debt premium/discount	6,932	
Amortization of deferred interest from refunding	(158,359)	
Pension benefit expense	(1,261,000)	
Accrued interest on long-term debt	<u>11,005</u>	(1,525,772)

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

Principal payments		<u>1,649,707</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (1,965,537)

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

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 24,366,463	\$ 24,367,318	\$ 24,821,844	\$ 454,526
State sources	14,223,167	14,222,312	14,166,171	(56,141)
Federal sources	1,610,745	1,388,633	1,416,953	28,320
TOTAL REVENUES	<u>40,200,375</u>	<u>39,978,263</u>	<u>40,404,968</u>	<u>426,705</u>
EXPENDITURES				
Instruction:				
Regular programs	18,744,861	18,517,488	17,528,979	988,509
Special programs	4,485,733	4,414,483	4,267,055	147,428
Vocational programs	2,360,348	2,360,348	3,687,270	(1,326,922)
Other instructional programs	283,824	373,224	236,351	136,873
Nonpublic school programs	8,192	2,208	2,108	100
Pre-Kindergarten services	-	-	49,089	(49,089)
Total Instruction	<u>25,882,958</u>	<u>25,667,751</u>	<u>25,770,852</u>	<u>(103,101)</u>
Support Services:				
Pupil personnel services	1,936,513	1,872,158	1,825,596	46,562
Instructional staff services	1,884,479	1,934,479	1,630,053	304,426
Administrative services	1,968,545	2,080,421	2,053,435	26,986
Pupil health	508,672	508,672	502,492	6,180
Business services	418,535	422,535	397,348	25,187
Operation and maintenance of plant services	2,853,087	2,837,521	2,632,787	204,734
Student transportation services	1,685,365	1,685,365	1,604,042	81,323
Central and other support services	986,343	986,343	893,274	93,069
Total Support Services	<u>12,241,539</u>	<u>12,327,494</u>	<u>11,539,027</u>	<u>788,467</u>
Operation of non-instructional services:				
Student activities	753,103	753,103	681,199	71,904
Community services	35,577	35,622	30,864	4,758
Debt service	110,000	17,074	-	17,074
Total Operation of non-instructional service	<u>898,680</u>	<u>805,799</u>	<u>712,063</u>	<u>76,662</u>
TOTAL EXPENDITURES	<u>39,023,177</u>	<u>38,801,044</u>	<u>38,021,942</u>	<u>762,028</u>
EXCESS REVENUES OVER EXPENDITURES	<u>1,177,198</u>	<u>1,177,219</u>	<u>2,383,026</u>	<u>1,188,733</u>
Interfund transfers	(2,246,000)	(2,246,000)	(2,246,000)	-
Budgetary reserve	(206,596)	(206,596)	-	206,596
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,452,596)</u>	<u>(2,452,596)</u>	<u>(2,246,000)</u>	<u>206,596</u>
NET CHANGE IN FUND BALANCES	<u>(1,275,398)</u>	<u>(1,275,377)</u>	<u>137,026</u>	<u>1,395,329</u>
FUND BALANCE - BEGINNING OF YEAR	<u>9,402,816</u>	<u>9,402,816</u>	<u>9,402,816</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,127,418</u>	<u>\$ 8,127,439</u>	<u>\$ 9,539,842</u>	<u>\$ 1,395,329</u>

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2016

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 263,419
Due from other funds	58,555
Inventories	48,871
TOTAL CURRENT ASSETS	<u>370,845</u>
NON-CURRENT ASSETS	
Building improvements (net)	494,588
Furniture and equipment (net)	156,505
TOTAL NON-CURRENT ASSETS	<u>651,093</u>
TOTAL ASSETS	<u>\$ 1,021,938</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 23,271
Unearned revenues	32,886
TOTAL CURRENT LIABILITIES	<u>56,157</u>
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	5,546
Other postemployment benefits	45,282
TOTAL NON-CURRENT LIABILITIES	<u>50,828</u>
TOTAL LIABILITIES	<u>\$ 106,985</u>
NET POSITION	
Net investment in capital assets	\$ 651,093
Unrestricted	263,860
TOTAL NET POSITION	<u>914,953</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,021,938</u>

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

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
OPERATING REVENUES	
Food service revenues	\$ 580,298
Other operating revenues	60,927
TOTAL OPERATING REVENUES	<u>641,225</u>
 OPERATING EXPENSES	
Salaries	417,647
Employee benefits	198,289
Purchased services	37,408
Supplies	604,699
Depreciation	52,929
Other operating expenses	41,596
TOTAL OPERATING EXPENSES	<u>1,352,568</u>
 OPERATING LOSS	 (711,343)
 NON-OPERATING REVENUES	
Earnings on investments	478
State sources	105,707
Federal sources	660,899
TOTAL NON-OPERATING REVENUES	<u>767,084</u>
 CHANGE IN NET POSITION	 55,741
 NET POSITION - BEGINNING OF YEAR	 <u>859,212</u>
 NET POSITION - END OF YEAR	 \$ <u><u>914,953</u></u>

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 644,544
Cash received from other operating revenue	25,850
Cash payments to employees for services	(257,426)
Cash payments to suppliers for goods and services	(678,940)
Cash payments for other operating expenses	(607,279)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(873,251)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	105,707
Federal sources	660,899
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>766,606</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	(204,991)
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(204,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	478
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>478</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(311,158)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>574,577</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 263,419</u>
OPERATING LOSS	\$ (711,343)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Changes in current assets and current liabilities	
Depreciation	52,929
Increase in accounts payable	17,491
Increase in inventories	(12,728)
Decrease in due from other governments	25,850
Increase in unearned revenue	3,319
Decrease in due to other funds	(198,871)
Increase in due from other funds	(58,555)
Increase in compensated absences	636
Increase in OPEB	8,021
TOTAL ADJUSTMENTS	<u>(161,908)</u>
TOTAL CASH USED FOR OPERATING ACTIVITIES	<u>\$ (873,251)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Donated commodities	<u>\$ 105,553</u>

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 63,054	\$ 107,999	\$ 171,053
Accounts Receivable	31,788	-	31,788
TOTAL ASSETS	<u>\$ 94,842</u>	<u>\$ 107,999</u>	<u>\$ 202,841</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 107,999	\$ 107,999
NET POSITION			
Restricted	<u>94,842</u>	<u>-</u>	<u>94,842</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 94,842</u>	<u>\$ 107,999</u>	<u>\$ 202,841</u>

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

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

		Private Purpose Trust
ADDITIONS		
Gifts and contributions	\$	30,759
Other additions		3,296
TOTAL ADDITIONS		<u>34,055</u>
DEDUCTIONS		
Other deductions		24,496
Scholarships awarded		10,357
TOTAL DEDUCTIONS		<u>34,853</u>
CHANGE IN NET POSITION		<u>(798)</u>
NET POSITION - BEGINNING OF YEAR		<u>95,640</u>
NET POSITION - END OF YEAR	\$	<u><u>94,842</u></u>

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 School District. The School 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 incorporates 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 segments 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, 2016

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016

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, 2016

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 Building Improvements	10-30 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, 2016

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 School District's financial statements. In the School 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 School 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, 2016

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, 2016

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 School 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, 2016

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 School 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, 2016

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. 72, "*Fair Value Measurement and Application*". The adoption of this statement had no effect on previously reported amounts.

The School District adopted the provisions of GASB 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 adoption of this statement had no effect on previously reported amounts.

The School District adopted the provisions of GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The adoption of this statement had no effect on previously reported amounts.

The School District adopted certain provisions of GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The adoption of this statement had no effect on previously reported amounts.

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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. 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 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 January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The School District is required to adopt Statement No. 80 for its fiscal year 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The School District is required to adopt Statement No. 81 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The School District is required to adopt certain provisions of Statement No. 82 for its fiscal year 2017 and 2018 financial statements.

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The School District is required to adopt the provisions of statement No. 83 for its fiscal year 2019 financial statements.

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

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, 2016, the School District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$12,331,493 and its bank balances were \$12,593,871. Of these bank balances, \$12,087,934 were exposed to custodial credit risk and they were collateralized with securities held by the pledging financial institutions and uninsured.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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	\$846,929
Cash restricted for debt service payments	<u>5,274</u>
Total Restricted Cash	<u>\$852,203</u>

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	64.99 mills	\$17,016,525
Per Capita Tax – Act 511	\$5.00/person	62,000
Per Capita Tax – Section 679	\$5.00/person	62,000
Total Assessed Valuation		<u>\$17,140,525</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 \$13,072.

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2016 as related to the School District's governmental activities:

Governmental activities:

Commonwealth of Pennsylvania	
State source revenue	\$ 1,143,461
Central Susquehanna Intermediate Unit	335,995
Federal source revenues	<u>236,684</u>
Total	<u>\$ 1,716,140</u>

NOTE 7: CAPITAL ASSETS

Capital asset of governmental activities for the year ended June 30, 2016, was as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>
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	4,774,182	259,741	-	5,033,923
Buildings and building improvements	53,666,030	538,912	-	54,204,942
Furniture and equipment	<u>12,774,344</u>	<u>624,608</u>	<u>9,375</u>	<u>13,389,577</u>
Total assets being depreciated.	<u>71,214,556</u>	<u>1,423,261</u>	<u>9,375</u>	<u>72,628,442</u>
Less accumulated depreciation:				
Site improvements	2,764,881	267,381	-	3,032,262
Buildings and building improvements	22,762,183	1,681,605	-	24,443,788
Furniture and equipment	<u>10,709,243</u>	<u>665,967</u>	<u>9,375</u>	<u>11,365,835</u>
Total accumulated depreciation	<u>36,236,307</u>	<u>2,614,953</u>	<u>9,375</u>	<u>38,841,885</u>
Total capital assets, being depreciated, net	<u>34,978,249</u>	<u>(1,191,692)</u>	<u>-</u>	<u>33,786,557</u>
Governmental activities, capital assets, net	<u>\$ 35,479,518</u>	<u>\$ (1,191,692)</u>	<u>\$ -</u>	<u>\$ 34,287,826</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 7: CAPITAL ASSETS (CONTINUED)

Capital asset of the business-type activities for the year ended June 30, 2016, was as follows:

	Balance July, 1 2015	Additions	Deletions	Balance June 30, 2016
Business-Type Activities:				
Capital Assets being depreciated:				
Buildings and Building Improvements	\$ 439,690	\$ 176,266	\$ -	\$ 615,956
Furniture and Equipment	361,801	28,725	11,300	379,226
Total assets being depreciated	801,491	204,991	11,300	995,182
Less accumulated depreciation:				
Buildings and Building Improvements	99,067	22,301	-	121,368
Furniture and Equipment	203,393	30,628	11,300	222,721
Total Accumulated Depreciation	302,460	52,929	11,300	344,089
Total capital assets, being depreciated, net	499,031	152,062	-	651,093
Business-Type, capital assets, net	\$ 499,031	\$ 152,062	\$ -	\$ 651,093

Depreciation expense was charged to functions/programs as follows:

Governmental:	
Instructional	\$ 1,772,386
Instructional student support	793,595
Operation and maintenance of plant services	48,972
Total Governmental depreciation expense	<u>\$ 2,614,953</u>
Business-Type:	
Food Service	\$ 52,929
Total Business-Type depreciation expense	<u>\$ 52,929</u>

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2016, the School District's long-term debt consisted of the following:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
General Obligation Debt	\$ 32,929,707	\$ -	\$ 1,649,707	\$ 31,280,000	\$ 1,715,000
Less: Bond Premium/(Discount)	(107,110)	6,932	-	(114,042)	-
Compensated Absences	856,560	9,832	5,546	860,846	20,000
Other Post Employment Benefits	2,171,956	1,308,117	1,179,396	2,300,677	1,010,258
Total Long-Term Obligations	<u>\$ 35,851,113</u>	<u>\$ 1,324,881</u>	<u>\$ 2,834,649</u>	<u>\$ 34,327,481</u>	<u>\$ 2,745,258</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

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

General Obligation Debt:	Interest Rate	Maturity Date	Amounts Issued	Amounts Outstanding
Series A of 2011	1.00% - 3.00%	2024	\$9,800,000	9,750,000
Series A of 2012	0.60% - 2.60%	2025	\$4,310,000	3,480,000
Series B of 2012	0.60% - 2.85%	2027	\$5,490,000	5,440,000
Series of 2013	2.00% - 2.45%	2028	\$8,645,000	8,595,000
Series of 2014	2.00%	2019	\$4,870,000	4,015,000
Total				<u>\$31,280,000</u>

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>
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	2,595,000	580,713	3,175,713
2022-2026	15,600,000	1,879,562	17,479,562
2027-2028	4,710,000	134,480	4,844,480
Total	<u>\$ 31,280,000</u>	<u>\$ 5,376,328</u>	<u>\$36,656,328</u>

NOTE 9: COMPENSATED ABSENCES

The changes in the School District's compensated absences in 2016 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance, July 1, 2015	\$ 851,650	\$ 4,910	\$ 856,560
Additions/(Reductions)	<u>3,650</u>	<u>636</u>	<u>4,286</u>
Balance, June 30, 2015	<u>\$ 855,300</u>	<u>\$ 5,546</u>	<u>\$ 860,846</u>

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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.

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.

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

Contributions

Employer Contributions:

The contribution policy is set by the Code. The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$4,645,716 for the year ended June 30, 2016

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.

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%.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

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

At June 30, 2016, the School District reported a liability of \$60,208,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.1390 percent, which was an increase of 0.0039 from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized pension expense of \$1,261,000. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 122,000
Changes in proportion	2,275,000	-
Difference between expected and actual experience	-	248,000
Contributions subsequent to the measurement date	4,645,716	-
Total	\$ 6,920,716	\$ 370,000

\$4.645 million reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	\$ 294,000
2018	294,000
2019	294,000
2020	1,019,000

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	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, 2015.

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School 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%
2015 District's share of the net pension liability	\$ 74,213	\$ 60,208	\$ 48,438

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, 2016, the School District reported a payable of \$1,768,205 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 \$821,423 for the fiscal year ended June 30, 2016.

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)	\$ 1,326,578	\$ 17,141	\$ 1,343,719
Interest on net OPEB obligation	96,467	1,271	97,738
Adjustment to ARC	(131,607)	(1,733)	(133,340)
Annual OPEB costs (expense)	1,291,439	16,678	1,308,117
Contributions made (Estimated)	(1,170,739)	(8,657)	(1,179,396)
Increase in net OPEB obligation	120,700	8,021	128,721
Net OPEB obligation - beginning of year	2,134,695	37,261	2,171,956
Net OPEB obligation - end of year	\$ 2,255,395	\$ 45,282	\$ 2,300,677

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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, 2016, 2015, and 2014 were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net <u>Obligation</u>
June 30, 2016	<u>\$1,308,117</u>	57%	<u>\$ 2,300,677</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>

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 efforts 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, 2016

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 School 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 School 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016 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, 2016 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,646,055	\$ -	\$ 2,246,000
Capital Projects Fund	-	-	96,000	-
Debt Service Fund	1,587,500	-	2,150,000	-
Food Service Fund	58,555	-	-	-
Total	<u>\$ 1,646,055</u>	<u>\$ 1,646,055</u>	<u>\$ 2,246,000</u>	<u>\$ 2,246,000</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.

NOTE 15: SUBSEQUENT EVENT

On December 7, 2016, the School District issued General Obligation Bonds, Series of 2016, in the amount of \$9,710,000. Proceeds of the bonds were used to refund the School District's remaining outstanding General Obligation Bonds, Series of 2011 and pay the costs of issuing the bonds.

SELINSGROVE 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)
1/1/2010	\$ -	\$ 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%

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>	<u>2016</u>
District's proportion of the net pension liability	0.1313%	0.1390%
District's proportionate share of the net pension liability	\$ 53,474,000	\$ 60,208,000
District's covered-employee payroll	\$ 17,242,979	\$ 17,886,984
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310%	337%
Plan fiduciary net position as a percentage of the total pension liability	57%	54%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only two years are present in the above schedule.

Selinsgrove Area School District
 Schedule of District Contributions - Last 10 Years

	2015	2016
Contractually required contribution	\$ 3,622,331	\$ 4,645,586
Contributions in relation to the contractually required contribution	3,622,331	4,645,586
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	17,242,979	18,760,569
Contributions as a percentage of covered - employee payroll	21.01%	24.76%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only two years are present in the above schedule.

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

THE ECONOMY

The trend in total employment rates in Snyder County, compared with the same rates for Pennsylvania and the United States, since 2000, is shown as follows:

<u>Year</u>	<u>Snyder County</u>			<u>PA</u>	<u>U.S.</u>
	<u>Civilian Labor Force</u>	<u>Total Employment</u>	<u>Percent</u>		
2000	18,900	18,200	3.7	3.8	3.7
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	19,000	18,100	4.5	4.6	5.4
2015	20,400	19,600	3.9	4.1	4.8
2016 (Sept)	20,200	19,200	5.0	5.7	5.0

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

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
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

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

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>
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	257,071,270	20.62
2014	1,316,720,980	259,669,020	19.72
2015	1,327,129,140	261,102,420	19.67

Source: Pennsylvania State Tax Equalization Board

Ten Largest Taxpayers in the School District

The ten largest real estate taxpayers in the School District and their 2016-17 assessed valuation of their real estate are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Value</u>
Susquehanna Valley Mall Assoc.	Retail	\$11,778,890
Bre Re Monroe Monroe MP PA LP	Retail	7,385,400
Wal-Mart Real Estate Business	Retail	1,994,200
Re Selingsrove LLC	Nursing Home/ Apts	1,864,890
Weis Markets	Retail	1,812,200
Target Corporation	Retail	1,710,000
Lowe's Home Centers Inc.	Retail	1,176,890
Plaza Shopping Center	Retail	1,117,870
Orchard Hills Shopping	Retail	1,010,950
National Beef Packing Company	Industrial	<u>874,890</u>
TOTAL		\$30,726,180

Source: Snyder County Assessment Office

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Local Tax Rates for the 2016-17 Fiscal Year

Real Estate Millage Rates (Based on 100% Assessment)	
Selingsrove Area School District.....	64.9900
Snyder County.....	21.8125
Per Capita	\$10
Real Estate Transfer	
Selingsrove Area School District.....	0.5%
Municipalities.....	0.5%
Earned Income Tax	
Selingsrove Area School District.....	1.6%
Municipalities.....	0.5%

Source: School District Officials

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
2015-16	17,016,525	16,188,072	95.2	16,801,544	98.8
2016-17 (1)	17,158,503	16,299,621	95.0	16,888,413	98.5

(1) Budgeted

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

Source: School District Officials

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

SCHOOL DISTRICT FACILITIES AND ENROLLMENTS

The School District presently operates two elementary schools, a middle school and a high school, all as described on the following table. Students in grades 10-12 may attend the SUN Tech, Snyder County Career Center. The School District currently owns the former Jackson-Penn Elementary building which is leased to a private company.

<u>School Facility</u>	<u>Original Construction Date</u>	<u>Renovations or Additions</u>	<u>Grades Served</u>	<u>Student Capacity</u>	<u>2016-17 Enrollment</u>
Elementary Schools:					
Selinsgrove Area Elementary	1962	2008	K-2	800	522
Selinsgrove Area Intermediate	1997	none	3-5	925	634
Middle School:					
Selinsgrove Area Middle School	1974	none	6-8	836	679
Secondary School:					
Selinsgrove Area High School	1936	1942/1954/1968 1969/1983/2008	9-12	1,274	<u>839</u>
Total Enrollment:					2,674
Source: School District Officials					

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>
2000-01	2,947
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	2,674
2017-18 (1)	2,678
2018-19 (1)	2,726

(1) Projected
 Source: School District Officials

SELINSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grants Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2015	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2016	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLEB Title I	(I)	84.010	013-150377	609,058	7-1-14/8-30-15	\$ 136,209	\$ 54,947	\$ 81,262	\$ 81,262	\$ -	\$ -
NCLEB Title I	(I)	84.010	013-160377	581,659	7-1-15/8-30-17	464,850	54,947	581,034	581,034	86,164	-
Total NCLEB Title I						601,059		642,296	642,296	86,164	
NCLEB Title II Part A Improving Teacher Quality	(I)	85.387	020-150377	140,283	7-1-14/8-30-15	27,948	(19,945)	47,893	47,893	-	-
NCLEB Title II Part A Improving Teacher Quality	(I)	84.387	020-160377	138,699	7-1-15/8-30-17	138,699	(19,945)	138,699	138,699	-	-
Total NCLEB Title II Part A Improving Teacher Quality						166,647		186,592	186,592		
Perkins - Secondary	(I)	84.048	380-150089	17,000	7-1-14/8-30-15	3,091	3,091	-	-	-	-
Perkins - Secondary	(I)	84.048	380-160089	28,554	7-1-15/8-30-16	28,554	3,091	28,554	28,554	-	-
Total Perkins - Secondary						29,645		28,554	28,554		
Keystones to Opportunities - Stiving Readers Grant	(I)	84.371	143-140377	672,618	10-1-14/9-30-15	280,258	25,706	254,552	254,552	(19,713)	-
Keystones to Opportunities - Stiving Readers Grant	(I)	84.371	143-150377	785,991	10-1-15/9-30-16	574,493	-	254,780	254,780	(19,713)	-
Total Keystones to Opportunities - Stiving Readers Grant						854,751	25,706	509,332	509,332	(39,426)	-
Total State Department of Education				2,951,672		1,652,102	63,789	1,384,774	1,384,774	(223,529)	-
Passed Through Central Susquehanna Intermediate Unit											
Special Education-Grants to States:											
IDEA B	(I)	84.027	N/A	330,987	7-1-14/8-30-15	168,775	168,775	-	-	-	-
IDEA B	(I)	84.027	N/A	334,670	7-1-15/8-30-16	-	-	334,670	334,670	334,670	-
IDEA 619	(I)	84.173	N/A	1,090	7-1-14/8-30-15	1,090	1,090	-	-	-	-
IDEA 619	(I)	84.173	N/A	1,281	7-1-15/8-30-16	169,865	169,865	1,281	1,281	1,281	-
Total Special Education Cluster						169,865	169,865	335,951	335,951	335,951	-
Total Central Susquehanna Intermediate Unit				666,038		169,865	169,865	335,951	335,951	335,951	-
TOTAL DEPARTMENT OF EDUCATION				3,619,910		1,821,967	233,654	1,700,725	1,700,725	112,422	-
U.S. DEPARTMENT OF TRANSPORTATION											
Passed Through State Department of Transportation:											
Highway Planning and Construction-Federal Safe Routes to Schools	(I)	20.205	33354	784,535	NONE	-	10,223	-	-	10,223	-
Total Highway Planning and Construction Cluster				784,535		-	10,223	-	-	10,223	-
TOTAL DEPARTMENT OF TRANSPORTATION				784,535		-	10,223	-	-	10,223	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
National School Lunch	(I)	10.555	1-29-54-080-3	482,986	7-1-15/8-30-16	482,986	-	482,986	482,986	-	-
National School Lunch	(S)	N/A	1-29-54-080-3	35,008	7-1-15/8-30-16	35,008	-	35,008	35,008	-	-
School Breakfast	(I)	10.553	1-29-54-080-3	68,847	7-1-15/8-30-16	68,847	-	68,847	68,847	-	-
School Breakfast	(S)	N/A	1-29-54-080-3	4,451	7-1-15/8-30-16	4,451	-	4,451	4,451	-	-
Summer Food	(I)	10.559	1-29-54-080-3	3,513	7-1-15/8-30-16	3,513	-	3,513	3,513	-	-
Total State Department of Education				594,805		594,805	-	594,805	594,805	-	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	1-29-54-080-3	N/A	7-1-15/8-30-16	(A) 105,896	(B) (1,615)	105,553	(C) 105,553	(D) (1,958)	-
TOTAL DEPARTMENT OF AGRICULTURE				594,805		700,701	(1,615)	700,358	700,358	(1,958)	-
LESS: STATE FUNDS				39,459		39,459	-	39,459	39,459	-	-
Total Child Nutrition Cluster				555,346		681,242	(1,615)	660,899	660,899	(1,958)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 4,969,791		\$ 2,483,209	\$ 242,272	\$ 2,361,624	\$ 2,361,624	\$ 120,607	\$ -

Source Code Legend:
(I) Indicates indirect funding
(S) Indicates State matching funding
* Denotes tested as a major program

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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. The School District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2016 threshold for determining Type A and Type B programs is \$750,000. The School District had no type A programs.

The following Type B program was audited as major for coverage:

Striving Readers CFDA #84.371

The amount expended under the program audited as a major federal program for the year ended June 30, 2016, totaled \$509,332 or 21.6% of total federal awards expended.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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:

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 68,847	84.027	\$ 334,670
10.555	482,986	84.173	1,281
10.559	3,513		
Total	\$ 555,346	Total	\$ 335,951

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 "School District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, PA
January 31, 2017

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 "School District") compliance with the types of compliance requirements described in the *OMB 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, 2016. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

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Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District

Report on Internal Control Over Compliance

Management of the School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 School District's internal control over compliance.

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

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

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, Pennsylvania
January 31, 2017

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.371	Striving Readers

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

SELINGROVE AREA SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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