

SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017

SELINGSGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2017

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S 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, 2017, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Board of School Directors
Selinsgrove Area School District
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Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2017 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", Statement No. 77, "*Tax Abatement Disclosures*", Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*", and certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". 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, the statement of revenues, expenditures, and changes in fund balance budget and actual – General Fund, 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 – pension plan on pages 4 through 18 and pages 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis 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.

Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District
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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 15, 2018 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 15, 2018

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

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, 2017. Please read it in conjunction 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 (2016-17) and the prior year (2015-16) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net Position decreased by \$855,055. Total revenues were \$43,586,611 and total expenses were \$44,441,666.
- The General Fund surplus for the year was \$1,401,156.
- The District was able to transfer an additional \$305,000 into the Debt Service Fund to offset debt payments and an additional \$1,000,000 into the Capital Reserve Fund to offset future capital expenses.
- Total General Fund Reserves (total fund balances) at year end stand at 26.5% of budgeted expenses.
- The Food Service Account ran a profit of \$85,026.
- Governmental Accounting Standards Board Statement No. 68 was implemented as of 6/30/15 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 6/30/17 is \$71.81 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four 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.

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis

Year Ended June 30, 2017

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates as a business, such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

District-wide Statements

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

The two district-wide statements report the District's net 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.

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

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.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was (\$38,805,671), on June 30, 2017.
(See Table A-1).

**Table A-1
Selinsgrove Area School District
Net Position as of
June 30, 2017**

	Governmental		Business-type			
	Activities		Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$16,344,319	\$16,346,892	\$370,845	\$483,635	\$16,715,164	\$16,830,527
Capital assets and restricted cash	35,140,029	36,336,179	651,093	619,524	35,791,122	36,955,703
Total Assets	\$51,484,348	\$52,683,071	\$1,021,938	\$1,103,159	\$52,506,286	\$53,786,230
Deferred Outflow of Resources	\$8,258,525	\$16,784,823	\$0	\$0	\$8,258,525	\$16,784,823
Long term debt outstanding	\$31,531,395	\$30,298,898	\$50,828	\$59,148	\$31,582,223	\$30,358,046
Other liabilities	6,499,047	6,568,646	56,157	44,032	6,555,204	6,612,678
Net Pension Liability	60,208,000	71,808,000	0	0	60,208,000	71,808,000
Total Liabilities	\$98,238,442	\$108,675,544	\$106,985	\$103,180	\$98,345,427	\$108,778,724
Deferred Inflow of Resources	\$370,000	\$598,000	\$0	\$0	\$370,000	\$598,000
Net investment in capital assets	\$2,636,262	\$4,596,532	\$651,093	\$619,524	\$3,287,355	\$5,216,056
Restricted net position	2,406,748	2,406,748	0	0	2,406,748	2,406,748
Unrestricted net position	(43,908,579)	(46,808,930)	263,860	380,455	(43,644,719)	(46,428,475)
Total Net Position	\$(38,865,569)	\$(39,805,650)	\$914,953	\$999,979	\$(37,950,616)	\$(38,805,671)

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

**Table A-2
Selingsgrove Area School District
Fiscal Year Ended June 30, 2017
Change in Net Position**

	Governmental Activities		Business-type Activities			Total
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues						
Charges for services	\$380,395	\$339,701	\$641,225	\$654,934	\$1,021,620	\$994,635
Operating Grants & Contributions	7,901,487	8,676,513	766,606	757,378	8,668,093	9,433,891
Capital Grants & Contributions	0	528,132	0	0	0	528,132
General Revenues						
Property Taxes	16,472,398	16,648,951	0	0	16,472,398	16,648,951
Other Taxes	7,489,746	7,463,749	0	0	7,489,746	7,463,749
State formula aid	8,143,142	8,406,639	0	0	8,143,142	8,406,639
Investment earnings	52,680	106,478	478	1,228	53,158	107,706
Other	0	2,908	0	0	0	2,908
Total Revenues	40,439,848	42,173,072	1,408,309	1,413,540	41,848,157	43,586,611
Expenses						
Instruction	28,286,833	27,741,411	0	0	28,286,833	27,741,411
Instruction Student Support	4,166,415	4,501,083	0	0	4,166,415	4,501,083
Administration	3,656,393	4,382,282	0	0	3,656,393	4,382,282
Operation & Maint of facilities	2,873,562	3,074,544	0	0	2,873,562	3,074,544
Pupil Transportation	1,717,305	1,824,937	0	0	1,717,305	1,824,937
Student Activities	725,140	764,386	0	0	725,140	764,386
Community Services	33,118	26,702	0	0	33,118	26,702
Interest on Long term debt	946,619	797,807	0	0	946,619	797,807
Food Service	0	0	1,352,568	1,328,514	1,352,568	1,328,514
Total Expenses	42,405,385	43,113,152	1,352,568	1,328,514	43,757,953	44,441,666
Increase/(Decrease) in Net Position	(1,965,537)	(940,081)	55,741	85,026	(1,909,796)	(855,055)

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

Changes in net position. The District's total revenues were \$43,586,612 for the year ended June 30, 2017 (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 \$24,112,700 or 55.3% of total revenues. Another 19.3% or \$8,406,639 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 22.9% or \$9,962,023 came from operating grants and contributions and capital grants and contributions, with the remainder of \$1,105,249 or 2.5% coming from fees charged for services and investment earnings.

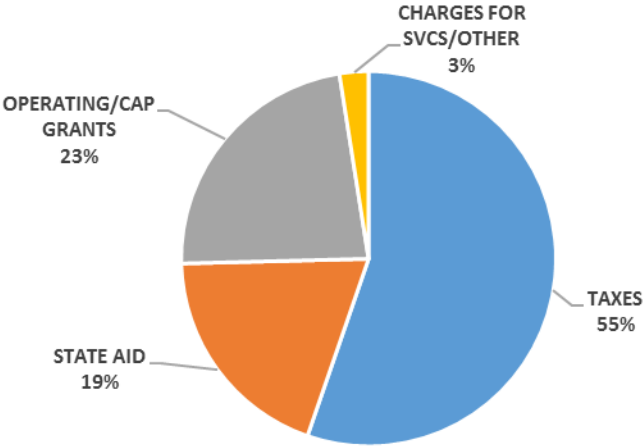
The total cost of all programs and services was \$44,441,666 (see Table A-2). The District's costs related to educating and servicing students were \$34,831,817 or 78.4% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 9.9% of total expenses or \$4,382,282 and operation of the District's facilities accounted for 6.9% of total expenses or \$3,074,544. Finally, food service costs made up 3.0% of total costs or \$1,328,514 and all other expenses (including interest on long term debt) accounted for 1.8% or \$824,509.

Total expenses exceeded revenues, decreasing net position by \$855,055.

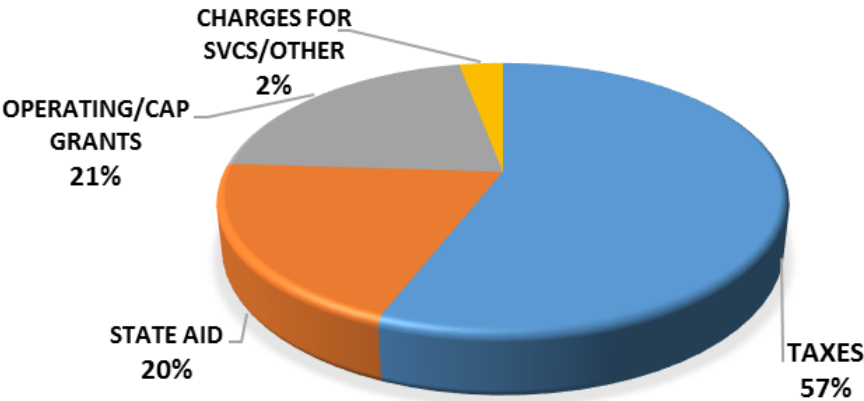
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2017

SOURCES OF SELINGROVE AREA SCHOOL
DISTRICT REVENUES FOR FY 2017

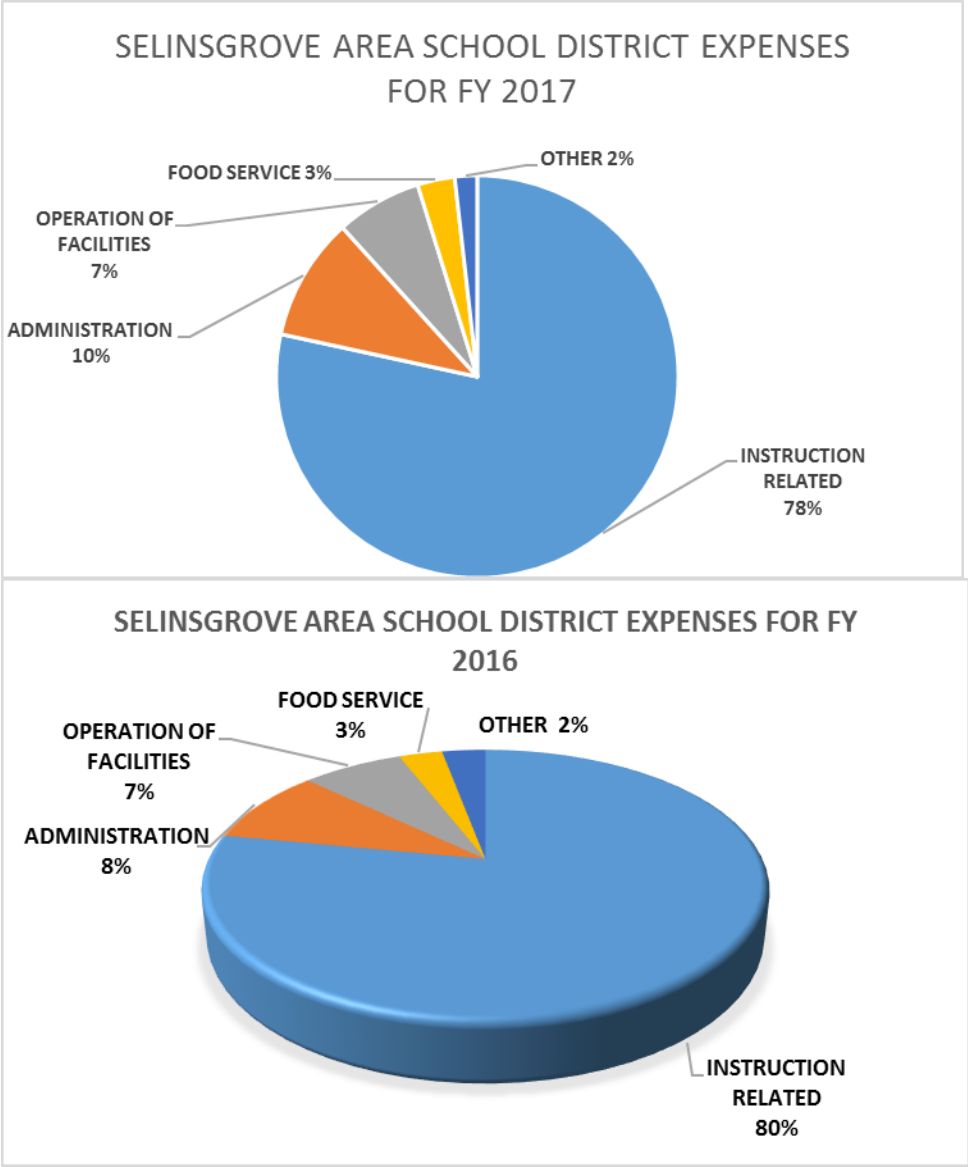


SOURCES OF SELINGROVE AREA SCHOOL
DISTRICT REVENUES FOR FY 2016



SELINGROVE AREA SCHOOL DISTRICT

Management’s Discussion & Analysis
Year Ended June 30, 2017



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

The cost of all District activities was \$44,441,666. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$994,635).
- Federal and state governments subsidized certain programs with grants and contributions (\$9,962,023).
- Most of the District's costs (\$33,485,008), however, were paid for by District taxpayers and taxpayers of our state.
- This portion of governmental activities was paid for with \$24,112,700 in taxes, \$9,372,308 of state aid based on the statewide education aid formula, investment earnings, other general revenues, and reserves.

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

	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2016	2017	2016-17	2016	2017	2016-17
Instruction	\$28,286,833	\$27,741,411	(1.9%)	\$21,999,018	\$20,958,409	(4.7%)
Instruction Student Support	4,166,415	4,501,083	8.0%	3,733,645	3,939,629	5.5%
Administration	3,656,393	4,382,282	19.9%	3,442,400	4,115,251	19.5%
Operation & Maint of facilities	2,873,562	3,074,544	7.0%	2,481,926	2,697,622	8.7%
Pupil Transportation	1,717,305	1,824,937	6.3%	932,368	982,561	5.4%
Student Activities	725,140	764,386	5.4%	555,304	579,891	4.4%
Community Services	33,118	26,702	(19.4%)	32,223	25,768	(20.0%)
Interest on Long term debt	946,619	797,807	(15.7%)	946,619	269,675	(71.5%)
Food Service	1,352,568	1,328,514	1.8%	(55,263)	(83,798)	51.6%
Total Expenses	\$43,757,953	\$44,441,666	1.6%	\$34,068,240	\$33,485,008	(1.7%)

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$14,358,728, a net increase of \$2,497,297 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2016 and 2017.

	Fund Balance	Fund Balance	Increase/ (Decrease)
	6/30/2016	6/30/2017	
General	\$9,539,842	\$10,940,998	\$1,401,156
Capital Projects	728,815	1,821,276	1,092,461
Debt Service	1,592,774	1,596,454	3,680
Total Fund Balances	\$11,861,431	\$14,358,728	\$2,497,297

Revenues and net other financing sources/uses for the District's governmental funds were \$42,210,348, while expenses were \$39,713,051.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

	2016	2017	Increase/ (Decrease)	% Change
Local Sources	\$24,821,844	\$25,004,057	\$182,213	0.8%
State Sources	14,166,171	15,293,962	1,127,791	8.0%
Federal Sources	1,416,953	1,746,525	329,572	23.3%
Financing Sources:				
Other Financing Sources	0	2,908	2,908	-
Total Revenue	40,404,968	42,047,452	1,642,484	4.1%

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

Total General Fund revenue increased by \$1,642,484 or 4.1% from the previous year. Local revenue sources increased \$182,213 or 0.8% from the previous year mainly due to increases in earned income tax collections. State sources were up by \$1,127,791 or 8.0% due mostly to an increase in the retirement subsidy, reimbursement for prior year debt service, and basic education funding. Federal sources increased \$329,572 or 23.3% due to the timing of receipt of Keystone Opportunities funds.

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

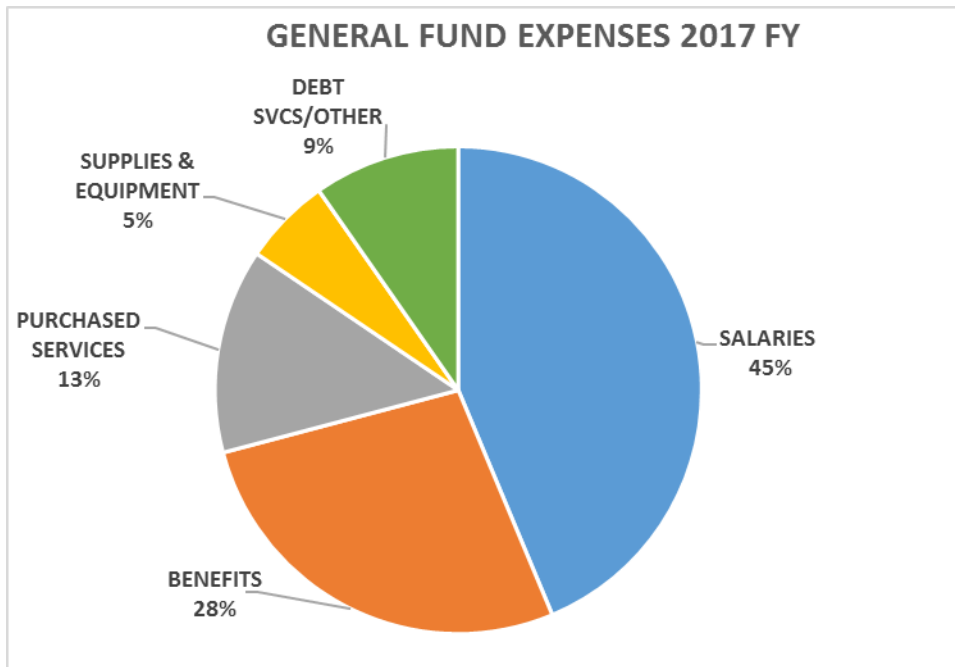
	2016	2017	Increase/ (Decrease)	% Change
Salaries	\$18,986,752	\$18,086,100	\$(900,652)	(4.7%)
Employee Benefits	10,753,328	11,151,870	398,542	3.7%
Purchased Services	6,507,308	5,416,219	(1,091,089)	(16.8%)
Supplies, Materials, Equipment	1,704,365	2,188,957	484,592	28.4%
Debt Service	0	0	0	-
Other Expenditures/Financing Uses	2,316,189	3,803,150	1,486,961	64.2%
Total Expenditures/Financing Uses	\$40,267,942	\$40,646,296	\$378,354	0.9%

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

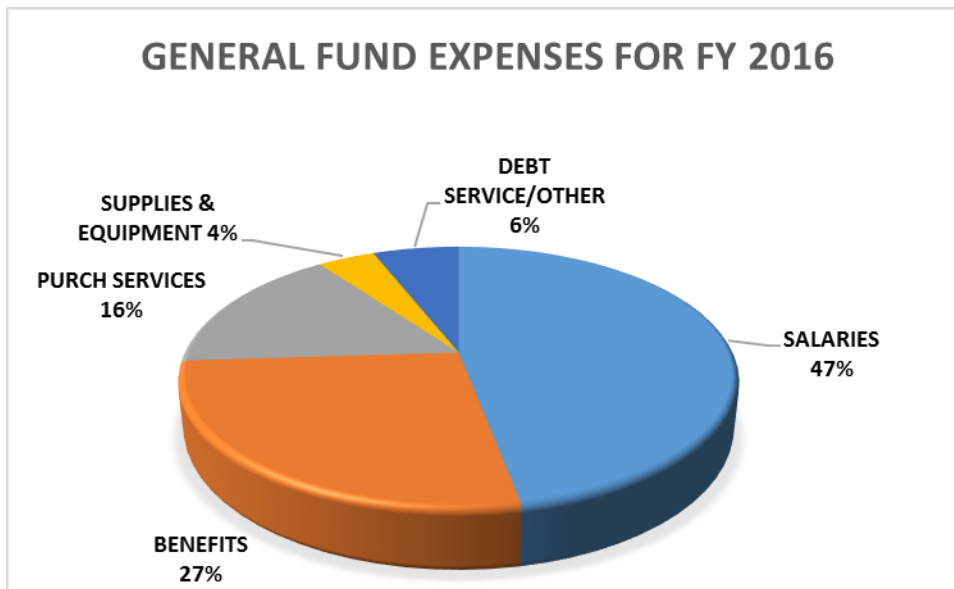
Total General Fund expenditures and financing uses increased \$378,354 or 0.9% from the previous year. Salary costs actually decreased by \$900,652 or 4.7% from 2015-16. This was due to a new teacher contract that started in 2016-17 with no salary increases. Also, the District replaced 20 teacher retirements from the prior year with less expensive personnel. Employee benefits increased by \$398,542 or 3.7% due to an increase in the employer retirement rate. Purchased service costs decreased by \$1,091,089 from the prior year. This was due to in 2015-16 the District paid \$1.457 million to SUN Tech for its share of SUN Tech's capital building project. Supplies, materials, and equipment costs increased by a total of \$484,592 or 28.4% because of increased federal grant (Keystone Opportunity Grant) spending on technology equipment and textbooks from a year ago. Other Costs/Financing Uses were \$1,486,961 or 64.2% more than the prior year because of increased transfers out to the debt service and capital reserve funds from surplus monies at year end.

In 2016-17, General Fund revenues and financing sources exceeded expenses and financing uses by \$1,401,156. This increased the fund balance to \$10,940,998 at June 30, 2017. This number represents a healthy 26.5% of 2016-17 budgeted expenses.



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017



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 original budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$599,311, actual results show that revenues and other financing sources exceeded expenses and other financing uses by \$1,401,156. Overall expenses/financing uses came in \$526,027 or 2.0% under budget. Major variances in expenses were in the following areas: personnel expenses (salaries and benefits) came in \$2,261,821 or 7.2% under budget. Supplies and equipment expenses were \$445,131 or 25.6% over budget due to the expenditure of carry-over federal grant funds. Purchased Services were under budget by \$230,620 or 4.1%. Finally, other expenses/financing uses were over budget by \$1,237,121 because of excess funds being transferred to the capital reserve and debt service funds at year end. The overall net actual result added \$1,401,156 to the fund balance.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

CAPITAL ASSETS

The District has invested \$75,365,153 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, 2017 totaled \$41,825,947.

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

Table A-4
Selingsgrove Area School District
Capital Assets

	2016	2017	Increase/ (Decrease)	% Change
Land	\$501,269	\$501,269	\$0	0
Building and Building Improvements	54,820,898	55,009,982	189,084	0.4%
Furniture and Equipment	13,768,803	14,786,282	1,017,479	7.4%
Site Improvements	5,033,923	5,067,620	33,697	0.7%
Construction in Progress	0	0	0	0
Less: Accumulated Depreciation	(39,185,974)	(41,825,947)	2,639,973	6.7%
Total	34,938,919	33,539,206	(1,399,713)	(4.0%)

LONG-TERM LIABILITIES

At year-end, the District had \$29,654,241 in debt outstanding and \$3,570,340 of accrued compensated absences and other post-employment benefits (OPEB), a decrease of \$1,102,900 from the previous year (see table A-5).

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2017

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

			Increase/ (Decrease)	% Change
	2016	2017		
General Obligation Bonds/Other Debt	\$31,165,958	\$29,654,241	\$(1,511,717)	(4.9%)
Compensated Absences/OPEB	3,161,523	3,570,340	408,817	13.0%
Total	\$34,327,481	\$33,224,581	\$(1,102,900)	(3.2%)

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

There are several major factors that will have a significant influence on the District's financial future. First, Act 1 of 2006, which became effective with the 2007-08 fiscal year, will limit future real estate tax increases to an inflation factor each year. Another factor that will have an impact on future district finances is the continued financial problems at the state level due to stagnant revenues, demographic trends, 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 30.03% of total payroll in 2016-17, to 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, Selinsgrove Area School District, 401 North 18th St., Selinsgrove, PA 17870.

BASIC FINANCIAL STATEMENTS

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,785,395	\$ 321,615	\$ 11,107,010
Taxes receivable, net	3,243,135	-	3,243,135
Intergovernmental receivables	2,256,942	2,980	2,259,922
Internal balances	(103,167)	103,167	-
Other receivables	85,664	-	85,664
Inventories	16,770	55,873	72,643
Prepaid expenses	62,153	-	62,153
TOTAL CURRENT ASSETS	<u>16,346,892</u>	<u>483,635</u>	<u>16,830,527</u>
NON-CURRENT ASSETS			
Restricted cash	3,416,497	-	3,416,497
Land	501,269	-	501,269
Building and building improvements (net of acc. dep.)	28,298,401	472,871	28,771,272
Furniture and equipment (net of acc. dep.)	2,353,433	146,653	2,500,086
Site Improvements (net of acc. dep.)	1,766,579	-	1,766,579
TOTAL NON-CURRENT ASSETS	<u>36,336,179</u>	<u>619,524</u>	<u>36,955,703</u>
TOTAL ASSETS	<u>\$ 52,683,071</u>	<u>\$ 1,103,159</u>	<u>\$ 53,786,230</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 15,453,732	\$ -	\$ 15,453,732
Deferred Charge on Refunding	1,331,091	-	1,331,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 16,784,823</u>	<u>\$ -</u>	<u>\$ 16,784,823</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 2,121,265	\$ 10,268	\$ 2,131,533
Accrued salaries and benefits	1,170,677	-	1,170,677
Payroll deductions and withholdings	102,785	-	102,785
Accrued interest	232,974	-	232,974
Current portion of bonds payable	1,855,000	-	1,855,000
Current portion of compensated absences	15,000	-	15,000
Current portion of other post employment benefits	996,535	-	996,535
Unearned revenue	-	33,764	33,764
Other current liabilities	74,410	-	74,410
TOTAL CURRENT LIABILITIES	<u>6,568,646</u>	<u>44,032</u>	<u>6,612,678</u>
NON-CURRENT LIABILITIES			
Bonds payable, net	27,799,241	-	27,799,241
Long-term portion of compensated absences	811,950	5,685	817,635
Other post employment benefits	1,687,707	53,463	1,741,170
Net pension liability	71,808,000	-	71,808,000
TOTAL NON-CURRENT LIABILITIES	<u>102,106,898</u>	<u>59,148</u>	<u>102,166,046</u>
TOTAL LIABILITIES	<u>\$ 108,675,544</u>	<u>\$ 103,180</u>	<u>\$ 108,778,724</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 598,000	\$ -	\$ 598,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 598,000</u>	<u>\$ -</u>	<u>\$ 598,000</u>
NET POSITION			
Net investment in capital assets	\$ 4,596,532	\$ 619,524	\$ 5,216,056
Restricted	2,406,748	-	2,406,748
Unrestricted	(46,808,930)	380,455	(46,428,475)
TOTAL NET POSITION	<u>\$ (39,805,650)</u>	<u>\$ 999,979</u>	<u>\$ (38,805,671)</u>

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

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)/Revenue Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activites	Total
Governmental Activities							
Instruction	\$ 27,741,411	\$ 114,944	\$ 6,668,058	\$ -	\$ (20,958,409)	\$ -	\$ (20,958,409)
Instructional Student Support	4,501,083	-	561,454	-	(3,939,629)	-	(3,939,629)
Administrative & Financial Support Svcs	4,382,282	-	267,031	-	(4,115,251)	-	(4,115,251)
Operation & Maintenance of Plant Svcs	3,074,544	105,653	271,269	-	(2,697,622)	-	(2,697,622)
Pupil Transportation	1,824,937	-	842,376	-	(982,561)	-	(982,561)
Student Activities	764,386	119,104	65,391	-	(579,891)	-	(579,891)
Community Services	26,702	-	934	-	(25,768)	-	(25,768)
Interest on Long Term Debt	797,807	-	-	528,132	(269,675)	-	(269,675)
Total Governmental Activities	43,113,152	339,701	8,676,513	528,132	(33,568,806)	-	(33,568,806)
Business-Type Activities							
Food Service	1,328,514	654,934	757,378	-	-	83,798	83,798
Total	\$ 44,441,666	\$ 994,635	\$ 9,433,891	\$ 528,132	\$ (33,568,806)	\$ 83,798	\$ (33,485,008)
General Revenues							
Taxes:							
Property taxes levied for general purposes, net					16,648,951	-	16,648,951
Other taxes					7,463,749	-	7,463,749
Grants, subsidies, & contributions not restricted					8,406,639	-	8,406,639
Investment Earnings					106,478	1,228	107,706
Sale of Capital Assets					2,908	-	2,908
Total General Revenues					32,628,725	1,228	32,629,953
Change in Net Position					(940,081)	85,026	(855,055)
Net Position, Beginning					(38,865,569)	914,953	(37,950,616)
Net Position, Ending					\$ (39,805,650)	\$ 999,979	\$ (38,805,671)

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

SELINGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,785,395	\$ -	\$ -	\$ 10,785,395
Restricted cash	-	1,822,776	1,593,721	3,416,497
Taxes receivable, net	3,243,135	-	-	3,243,135
Due from other funds	-	-	2,733	2,733
Intergovernmental receivables	2,256,942	-	-	2,256,942
Other receivables	85,664	-	-	85,664
Inventories	16,770	-	-	16,770
Prepaid expenses	62,153	-	-	62,153
TOTAL ASSETS	<u>\$ 16,450,059</u>	<u>\$ 1,822,776</u>	<u>\$ 1,596,454</u>	<u>\$ 19,869,289</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 105,900	\$ -	\$ -	\$ 105,900
Accounts payable	2,119,765	1,500	-	2,121,265
Accrued salaries and benefits	1,170,677	-	-	1,170,677
Payroll deductions and withholdings	102,785	-	-	102,785
Other current liabilities	74,410	-	-	74,410
TOTAL LIABILITIES	<u>3,573,537</u>	<u>1,500</u>	<u>-</u>	<u>3,575,037</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - taxes	<u>1,935,524</u>	<u>-</u>	<u>-</u>	<u>1,935,524</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,935,524</u>	<u>-</u>	<u>-</u>	<u>1,935,524</u>
FUND BALANCE				
Assigned	106,891	-	-	106,891
Nonspendable				
Supplies	16,770	-	-	16,770
Prepaid exepenses	62,153	-	-	62,153
Restricted				
Special education ACCESS	474,651	-	-	474,651
Capital projects	-	1,821,276	-	1,821,276
Debt service	-	-	1,596,454	1,596,454
Committed				
Retiree healthcare	2,318,334	-	-	2,318,334
Middle school project	2,000,000	-	-	2,000,000
PSERS	3,214,716	-	-	3,214,716
Educational resources	306,389	-	-	306,389
Unassigned	2,441,094	-	-	2,441,094
TOTAL FUND BALANCE	<u>10,940,998</u>	<u>1,821,276</u>	<u>1,596,454</u>	<u>14,358,728</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 16,450,059</u>	<u>\$ 1,822,776</u>	<u>\$ 1,596,454</u>	<u>\$ 19,869,289</u>

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

SELINGSGROVE AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 14,358,728

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	74,353,156	
Less: accumulated depreciation	<u>(41,433,474)</u>	
		32,919,682

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, 2017 are:

General obligation debt	(29,485,000)	
Less: Deferred charge on refunding	1,331,091	
Unamortized bond premiums/(discounts)	(169,241)	
Compensated absences	(826,950)	
Accrued interest on bonds	(232,974)	
Net pension liability	(71,808,000)	
Pensions - Deferred Outflows of Resources	15,453,732	
Pensions - Deferred Inflows of Resources	(598,000)	
Unfunded postemployment benefits	<u>(2,684,242)</u>	
		(89,019,584)

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.

1,935,524

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (39,805,650)

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

SELINGSGROVE AREA SCHOOL DISTRICT

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

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 25,004,057	\$ 4,503	\$ 10,010	\$ 25,018,570
State sources	15,293,962	-	-	15,293,962
Federal sources	1,746,525	-	-	1,746,525
TOTAL REVENUES	<u>42,044,544</u>	<u>4,503</u>	<u>10,010</u>	<u>42,059,057</u>
EXPENDITURES				
Instruction	23,902,754	-	-	23,902,754
Support services	12,259,764	-	148,383	12,408,147
Operation of non-instructional services	754,810	-	-	754,810
Capital outlay	-	186,010	-	186,010
Debt service	-	-	2,461,330	2,461,330
TOTAL EXPENDITURES	<u>36,917,328</u>	<u>186,010</u>	<u>2,609,713</u>	<u>39,713,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,127,216	(181,507)	(2,599,703)	2,346,006
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds	-	-	9,710,000	9,710,000
Payments to escrow agent	-	-	(9,847,313)	(9,847,313)
Bond premiums on refunding	-	-	285,696	285,696
Sale of fixed assets	2,908	-	-	2,908
Transfers in	-	1,273,968	2,455,000	3,728,968
Transfers out	(3,728,968)	-	-	(3,728,968)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,726,060)</u>	<u>1,273,968</u>	<u>2,603,383</u>	<u>151,291</u>
NET CHANGE IN FUND BALANCES	<u>1,401,156</u>	<u>1,092,461</u>	<u>3,680</u>	<u>2,497,297</u>
FUND BALANCES - BEGINNING	<u>9,539,842</u>	<u>728,815</u>	<u>1,592,774</u>	<u>11,861,431</u>
FUND BALANCES - ENDING	<u>\$ 10,940,998</u>	<u>\$ 1,821,276</u>	<u>\$ 1,596,454</u>	<u>\$ 14,358,728</u>

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

SELINSGROVE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	2,497,297
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net book value of disposed capital assets in the current period.

Capital outlays	\$ 1,279,445	
Depreciation expense	<u>(2,647,589)</u>	
		(1,368,144)

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 6/30/16 to 6/30/17.

111,107

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	\$ 28,350	
Other postemployment benefits expense	(428,847)	
Bond premium	(331,674)	
Amortization of debt premium/discount	48,391	
Amortization of deferred interest from refunding	(6,815)	
Pension benefit expense	(3,304,576)	
Accrued interest on long-term debt	<u>19,830</u>	
		(3,975,341)

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

Principal payments		<u>1,795,000</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(940,081)</u>
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See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2017

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 321,615
Due from other funds	103,167
Intergovernmental receivables	2,980
Inventories	<u>55,873</u>
TOTAL CURRENT ASSETS	483,635
NON-CURRENT ASSETS	
Building improvements (net)	472,871
Furniture and equipment (net)	<u>146,653</u>
TOTAL NON-CURRENT ASSETS	619,524
TOTAL ASSETS	\$ <u><u>1,103,159</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 10,268
Unearned revenues	<u>33,764</u>
TOTAL CURRENT LIABILITIES	44,032
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	5,685
Other postemployment benefits	<u>53,463</u>
TOTAL NON-CURRENT LIABILITIES	59,148
TOTAL LIABILITIES	\$ <u><u>103,180</u></u>
NET POSITION	
Net investment in capital assets	\$ 619,524
Unrestricted	<u>380,455</u>
TOTAL NET POSITION	<u><u>999,979</u></u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>1,103,159</u></u>

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

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>
OPERATING REVENUES	
Food service revenues	\$ 592,180
Other operating revenues	<u>62,754</u>
TOTAL OPERATING REVENUES	<u>654,934</u>
OPERATING EXPENSES	
Salaries	428,441
Employee benefits	213,376
Purchased services	48,147
Supplies	562,855
Depreciation	49,384
Other operating expenses	<u>26,311</u>
TOTAL OPERATING EXPENSES	<u>1,328,514</u>
OPERATING LOSS	(673,580)
NON-OPERATING REVENUES	
Earnings on investments	1,228
State sources	112,054
Federal sources	<u>645,324</u>
TOTAL NON-OPERATING REVENUES	<u>758,606</u>
CHANGE IN NET POSITION	85,026
NET POSITION - BEGINNING OF YEAR	<u>914,953</u>
NET POSITION - END OF YEAR	<u><u>\$ 999,979</u></u>

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

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2017

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 593,059
Cash received from other operating revenue	59,776
Cash payments to employees for services	(633,499)
Cash payments to suppliers for goods and services	(657,320)
Cash payments for other operating expenses	(44,612)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(682,596)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	112,054
Federal sources	645,324
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>757,378</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	(17,814)
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	1,228
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,228</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,196
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>263,419</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>321,615</u></u>
OPERATING LOSS	\$ (673,580)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Changes in current assets and current liabilities	
Depreciation	49,384
Decrease in accounts payable	(13,002)
Increase in inventories	(7,004)
Increase in due from other governments	(2,980)
Increase in unearned revenue	878
Increase in due from other funds	(44,612)
Increase in compensated absences	139
Increase in OPEB	8,181
TOTAL ADJUSTMENTS	<u>(9,016)</u>
TOTAL CASH USED FOR OPERATING ACTIVITIES	\$ <u><u>(682,596)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Donated commodities	\$ <u><u>100,464</u></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, 2017

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 63,444	\$ 109,292	\$ 172,736
Accounts Receivable	28,325	-	28,325
TOTAL ASSETS	<u>\$ 91,769</u>	<u>\$ 109,292</u>	<u>\$ 201,061</u>
 LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 109,292	\$ 109,292
 NET POSITION			
Restricted	<u>91,769</u>	<u>-</u>	<u>91,769</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 91,769</u>	<u>\$ 109,292</u>	<u>\$ 201,061</u>

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

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
ADDITIONS	
Gifts and contributions	\$ 9,808
Other additions	1,729
TOTAL ADDITIONS	<u>11,537</u>
DEDUCTIONS	
Other deductions	4,357
Scholarships awarded	10,253
TOTAL DEDUCTIONS	<u>14,610</u>
CHANGE IN NET POSITION	<u>(3,073)</u>
NET POSITION - BEGINNING OF YEAR	<u>94,842</u>
NET POSITION - END OF YEAR	<u><u>\$ 91,769</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, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

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

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the 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 District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2017 for the SUN ATI are available at its business office.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised 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 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.

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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

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 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.

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 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 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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

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.

Proprietary Funds

The 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 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 District, these funds are not incorporated into the government-wide financial statements. The District's fiduciary funds are presented on the accrual basis of accounting.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the 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.
- The Debt Service Fund accounts for the accumulation of resources for the 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 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 District reports the following funds:

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

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

2. Restricted Assets

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

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered 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.

4. Inventories

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.

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

6. 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 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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

6. Capital Assets (Continued)

Capital assets of the 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
Building and Building Improvements	10-30 years
Furniture, Equipment, and Vehicles	5-15 years

7. 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 District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences.

8. 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 straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

9. Unearned Revenues

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

10. 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 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.
- 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 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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

10. Fund Balance (Continued)

- 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.

11. 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.

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

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

12. 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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

13. 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.

14. Deferred Inflows/Outflows of Resources

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

Deferred outflows on refunding bonds are the result of differences in the carrying value of the refunded debt and its reacquisition price. The 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 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.

15. 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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 77, "*Tax Abatement Disclosures*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The adoption of this statement had no effect on previously reported amounts.

The District adopted certain provisions of GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The adoption of this statement had no effect on previously reported amounts.

I. 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 District is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The 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 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 District is required to adopt the provisions of statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The District is required to adopt the provisions of statement No. 84 for its fiscal year 2020 financial statements.

In March 2017, the GASB issued Statement No. 85, "*Omnibus 2017*". The District is required to adopt the provisions of Statement No. 85 for its fiscal year 2018 financial statements.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

I. Pending Changes in Accounting Principles (Continued)

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The District is required to adopt the provisions of Statement No. 86 for its fiscal year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2021 financial statements.

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

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

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

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 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 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, 2017, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$14,696,243 and its bank balances were \$14,777,412. Of these bank balances, \$10,169,564 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. At June 30, 2017, the District had investments classified as cash equivalents in money market holdings and other short-term investments of \$3,607,715. The remaining balance of \$500,133 was invested in external investment pools as described in more detail below.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

At June 30, 2017, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$500,133. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by CliftonLarsonAllen LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

NOTE 4: RESTRICTED CASH

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

Governmental Funds

Restricted Cash

Cash restricted for future capital projects	\$1,822,776
Cash restricted for debt service payments	<u>1,593,721</u>
Total Restricted Cash	<u>\$3,416,497</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	\$17,122,618
Per Capita Tax – Act 511	\$5.00/person	62,000
Per Capita Tax – Section 679	\$5.00/person	62,000
Total Assessed Valuation		<u>\$17,246,618</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 District in the current year. Delinquent taxes receivable at June 30, 2017 were \$707,564. An allowance has been established to recognize the uncollectible portion in the amount of \$14,278.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: TAXES ASSESSED (CONTINUED)

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

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2017 as related to the District's governmental activities and business-type activities:

Governmental Activities:

Commonwealth of Pennsylvania	
State Sources	\$ 1,232,972
Federal Sources	657,022
Central Susquehanna Intermediate Unit	366,861
Snyder County TCC	87
Total	<u>\$ 2,256,942</u>

Business-Type Activities:

Commonwealth of Pennsylvania	
State Sources	\$ 187
Federal Sources	2,793
Total	<u>\$ 2,980</u>

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: CAPITAL ASSETS

A summary of capital assets for governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 501,269	\$ -	\$ -	\$ 501,269
Total capital assets, not being depreciated	501,269	-	-	501,269
Capital assets being depreciated				
Site Improvements	5,033,923	33,697	-	5,067,620
Buildings and Building Improvements	54,204,942	189,084	-	54,394,026
Furniture, Equipment, and Vehicles	13,389,577	1,056,664	56,000	14,390,241
Total capital assets being depreciated	72,628,442	1,279,445	56,000	73,851,887
Less accumulated depreciation:				
Site Improvements	3,032,262	268,779	-	3,301,041
Buildings and Building Improvements	24,443,788	1,651,837	-	26,095,625
Furniture, Equipment, and Vehicles	11,365,835	726,973	56,000	12,036,808
Total accumulated depreciation	38,841,885	2,647,589	56,000	41,433,474
Total capital assets being depreciated, net	33,786,557	(1,368,144)	-	32,418,413
Governmental activities, capital assets, net	<u>\$ 34,287,826</u>	<u>\$ (1,368,144)</u>	<u>\$ -</u>	<u>\$ 32,919,682</u>
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Business-Type Activities:				
Capital assets being depreciated				
Building and Building Improvements	\$ 615,956	\$ -	\$ -	\$ 615,956
Furniture and Equipment	379,226	17,814	999	396,041
Total capital assets being depreciated	995,182	17,814	999	1,011,997
Less accumulated depreciation:				
Building and Building Improvements	121,368	21,717	-	143,085
Furniture and Equipment	222,721	27,666	999	249,388
Total accumulated depreciation	344,089	49,383	999	392,473
Total capital assets being depreciated, net	651,093	(31,569)	-	619,524
Business-type activities, capital assets, net	<u>\$ 651,093</u>	<u>\$ (31,569)</u>	<u>\$ -</u>	<u>\$ 619,524</u>

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: CAPITAL ASSETS (CONTINUED)

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

Government Activities:

Instruction	\$ 1,705,633
Instructional Student Support	297,262
Administrative and Financial Support Service	278,809
Operation and Maintenance of Plant Service	191,035
Pupil Transportation	120,989
Student Activities	1,778
Community Services	52,083
Total Depreciation Expense	<u>\$ 2,647,589</u>

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2017, the District's long-term debt consisted of the following:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 31,280,000	\$ 9,710,000	\$ 11,505,000	\$ 29,485,000	\$ 1,855,000
Less: Bond Premium/(Discount)	(114,042)	331,674	48,391	169,241	-
Compensated Absences	855,300	-	28,350	826,950	15,000
Other Post Employment Benefits	2,255,395	1,379,382	950,535	2,684,242	996,535
Total Long Term Obligations	<u>\$ 34,276,653</u>	<u>\$ 11,421,056</u>	<u>\$ 12,532,276</u>	<u>\$ 33,165,433</u>	<u>\$ 2,866,535</u>
Business-Type Activities:					
Compensated Absences	\$ 5,546	\$ 139	\$ -	\$ 5,685	\$ -
Other Post Employment Benefits	45,282	27,113	18,932	53,463	-
Total Long Term Obligations	<u>\$ 50,828</u>	<u>\$ 27,252</u>	<u>\$ 18,932</u>	<u>\$ 59,148</u>	<u>\$ -</u>

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

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

General Obligation Debt:	Purpose	Amounts Issued	Amounts Outstanding
Series A of 2012	In 2012, the District issued General Obligation Bonds Series A of 2012 for the purpose of advance refunding the General Obligation Bonds Series of 2007 and General Obligation Bonds Series A of 2008. The bonds mature serially through 2025 with interest rates of 0.60% to 2.60%.	\$ 4,310,000	\$ 3,120,000
Series B of 2012	In 2012, the District issued General Obligation Bonds Series B of 2012 for the purpose of advance refunding a portion of the General Obligation Bonds Series B of 2008. The bonds mature serially through 2027 with interest rates of 0.60% to 2.85%.	\$ 5,490,000	5,435,000
Series of 2013	In 2013, the District issued General Obligation Bonds Series of 2013 for the purpose of currently refunding the General Obligation Bonds Series B of 2008 and advance refunding the General Obligation Bonds Series A of 2009. The bonds mature serially through 2028 with interest rates of 2.00% to 2.45%.	\$ 8,645,000	8,590,000
Series of 2014	In 2014, the District issued General Obligation Bonds Series of 2014 for the purpose of currently refunding the General Obligation Bonds Series B of 2009. The bonds mature serially through 2019 with an interest rate of 2.00%.	\$ 4,870,000	2,700,000
Series of 2016	In 2016, the District issued General Obligation Bonds Series of 2016 for the purpose of currently refunding a portion of the General Obligation Bonds Series of 2011. The bonds mature serially through 2024 with interest rates of 2.00% to 3.00%.	\$ 9,710,000	9,640,000
Total			<u>\$ 29,485,000</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds as of June 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,855,000	\$ 692,696	\$ 2,547,696
2019	2,085,000	657,770	2,742,770
2020	2,560,000	617,521	3,177,521
2021	2,605,000	566,188	3,171,188
2022	2,680,000	494,990	3,174,990
2023-2027	17,080,000	1,426,832	18,506,832
2028	620,000	15,190	635,190
	<u>\$ 29,485,000</u>	<u>\$ 4,471,187</u>	<u>\$ 33,956,187</u>

In December 2016, the District issued General Obligation Bonds Series of 2016, in the amount of \$9,710,000. The proceeds of the bond were used to currently refund a portion of the General Obligation Bonds Series of 2011. The bonds were issued at a premium in the amount of \$285,696 and paid issuance costs of \$148,479. The refunding transaction resulted in an estimated cash flow savings of \$238,810 for the District and an estimated economic gain of \$231,983.

NOTE 9: COMPENSATED ABSENCES

The changes in the District's compensated absences in 2017 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance, July 1, 2016	\$ 855,300	\$ 5,546	\$ 860,846
Additions/(Reductions)	(28,350)	139	(28,211)
Balance, June 30, 2017	\$ 826,950	\$ 5,685	\$ 832,635

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,160,732 for the year ended June 30, 2017

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%.

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

At June 30, 2017, the District reported a liability of \$71,808,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.1449 percent, which was an increase of 0.0059 from its proportion measured as of June 30, 2015.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$8,430,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 4,002,000	\$ -
Changes in assumptions	2,592,000	-
Changes in proportion	3,699,000	-
Difference between expected and actual experience	-	598,000
Contributions subsequent to the measurement date	5,160,732	-
Total	<u>\$ 15,453,732</u>	<u>\$ 598,000</u>

\$5.161 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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	\$ 2,302,000
2018	2,302,000
2019	3,070,000
2020	2,021,000

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in the Total Pension Liability beginning June 30, 2016

- Investment rate of return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective range of 5.50%, which was comprised of inflation 3.0%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100.0%	

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, 2016.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

(in Thousands)	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 87,840	\$ 71,808	\$ 58,336

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.pa.gov.

At June 30, 2017, the District reported a payable of \$1,352,562 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The 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 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.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

A. Plan Description (Continued)

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

B. Funding Policy

The contribution requirements of plan members and the 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 District. The District paid premiums of \$969,467 for the fiscal year ended June 30, 2017.

C. Annual OPEB Cost and Net OPEB Obligation

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

	Governmental Activities	Business-Type Activities	Total
Annual required contribution (ARC)	\$ 1,416,358	\$ 27,849	\$ 1,444,207
Interest on net OPEB obligation	101,508	2,022	103,530
Adjustment to ARC	(138,484)	(2,758)	(141,242)
Annual OPEB costs (expense)	1,379,382	27,113	1,406,495
Contributions made (estimated)	(950,535)	(18,932)	(969,467)
Increase in net OPEB obligation	428,847	8,181	437,028
Net OPEB obligation - beginning of year	2,255,395	45,282	2,300,677
Net OPEB obligation - end of year	<u>\$ 2,684,242</u>	<u>\$ 53,463</u>	<u>\$ 2,737,705</u>

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The 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, 2017, 2016, and 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Obligation</u>
June 30, 2017	<u>\$1,406,495</u>	69%	<u>\$ 2,737,705</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>

D. Funded Status and Funding Progress

As of July 1, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$12,826,187, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,826,187. The actuarial value of assets as a percentage of the actuarial accrued liability was 0%. The covered payroll was \$17,071,966, and the ratio of the UAAL to the covered payroll was 75.13%.

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 District's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2016, 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 District's deposits and investments, and an annual healthcare cost trend rate of 6.5% initially, reduced by .5% annually to a rate of 5.5% in 2018 through 2020. The rates decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of payroll over a thirty year period on an open basis.

NOTE 12: RISK MANAGEMENT

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

NOTE 13: CONTINGENT LIABILITIES

The 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 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 District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ -	\$ 105,900	\$ -	\$ 3,728,968
Capital Projects Fund	-	-	1,273,968	-
Debt Service Fund	2,733	-	2,455,000	-
Food Service Fund	103,167	-	-	-
Total	<u>\$ 105,900</u>	<u>\$ 105,900</u>	<u>\$ 3,728,968</u>	<u>\$ 3,728,968</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.

Transfers from the general fund are used to reimburse other funds for debt service payments and finance additional capital outlay.

REQUIRED SUPPLEMENTAL INFORMATION

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 24,628,064	\$ 24,628,064	\$ 25,004,057	\$ 375,993
State sources	14,823,524	14,823,524	15,293,962	470,438
Federal sources	1,405,588	1,224,332	1,746,525	522,193
TOTAL REVENUES	<u>40,857,176</u>	<u>40,675,920</u>	<u>42,044,544</u>	<u>1,368,624</u>
EXPENDITURES				
Instruction:				
Regular programs	17,835,123	17,446,080	16,914,245	531,835
Special programs	4,933,196	4,933,196	4,366,944	566,252
Vocational programs	2,291,560	2,291,460	2,207,323	84,137
Other instructional programs	260,612	324,112	322,396	1,716
Nonpublic school programs	8,192	2,377	2,376	1
Pre-Kindergarten services	-	89,481	89,470	11
Total Instruction	<u>25,328,683</u>	<u>25,086,706</u>	<u>23,902,754</u>	<u>1,183,952</u>
Support Services:				
Pupil personnel services	1,930,596	1,938,513	1,926,142	12,371
Instructional staff services	1,768,880	1,853,365	1,828,352	25,013
Administrative services	2,277,554	2,298,687	2,234,752	63,935
Pupil health	500,522	501,972	411,335	90,637
Business services	440,556	440,556	437,921	2,635
Operation and maintenance of plant services	3,029,073	2,982,507	2,677,162	305,345
Student transportation services	1,690,463	1,719,188	1,695,534	23,654
Central and other support services	1,080,941	1,077,032	1,048,566	28,466
Total Support Services	<u>12,718,585</u>	<u>12,811,820</u>	<u>12,259,764</u>	<u>552,056</u>
Operation of non-instructional services:				
Student activities	783,628	805,628	729,887	75,741
Community services	36,504	36,990	24,923	12,067
Debt service	100,000	100,000	-	100,000
Total Operation of non-instructional service	<u>920,132</u>	<u>942,618</u>	<u>754,810</u>	<u>187,808</u>
TOTAL EXPENDITURES	<u>38,967,400</u>	<u>38,841,144</u>	<u>36,917,328</u>	<u>1,923,816</u>
EXCESS REVENUES OVER EXPENDITURES	<u>1,889,776</u>	<u>1,834,776</u>	<u>5,127,216</u>	<u>3,292,440</u>
Interfund transfers	(2,282,368)	(2,282,368)	(3,728,968)	(1,446,600)
Budgetary reserve	(206,719)	(151,719)	-	151,719
Proceeds from sale of fixed assets	-	-	2,908	2,908
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,489,087)</u>	<u>(2,434,087)</u>	<u>(3,726,060)</u>	<u>(1,291,973)</u>
NET CHANGE IN FUND BALANCES	<u>(599,311)</u>	<u>(599,311)</u>	<u>1,401,156</u>	<u>2,000,467</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (599,311)</u>	<u>\$ (599,311)</u>	<u>\$ 1,401,156</u>	<u>\$ 2,000,467</u>

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 11,036,902	\$ 11,036,902	0.0%	\$ 15,517,194	71.13%
7/1/2014	\$ -	\$ 12,551,535	\$ 12,551,535	0.0%	\$ 15,894,019	78.97%
7/1/2016	\$ -	\$ 12,826,187	\$ 12,826,187	0.0%	\$ 17,071,966	75.13%

Selinsgrove Area School District

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

Required Supplemental Information

Measurement Period	2015	2016	2017
District's proportion of the net pension liability	0.1313%	0.1390%	0.1449%
District's proportionate share of the net pension liability	\$ 53,474,000	\$ 60,208,000	\$ 71,808,000
District's covered-employee payroll	\$ 17,242,979	\$ 17,886,984	\$ 18,762,341
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310%	337%	383%
Plan fiduciary net position as a percentage of the total pension liability	57%	54%	50%

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

Selinsgrove Area School District

Schedule of District Contributions - Last 10 Years

Required Supplemental Information

Fiscal Year End	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,622,331	\$ 4,645,586	\$ 5,160,732
Contributions in relation to the contractually required contribution	<u>3,622,331</u>	<u>4,645,586</u>	<u>5,160,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	17,886,984	18,762,341	17,827,828
Contributions as a percentage of covered - employee payroll	20%	25%	29%

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

OTHER SUPPLEMENTAL INFORMATION

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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</u> <u>Force</u>	<u>Total</u> <u>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	20,200	19,200	5.0	5.7	5.0
2017	20,500	19,600	4.4	4.8	4.2

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

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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>
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
2016	1,386,295,597	264,045,550	19.05

Source: Pennsylvania State Tax Equalization Board and School District Officials

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	\$11,311,890
Bre Re Monroe Monroe MP PA LP	Retail	7,385,400
Wal-Mart Real Estate Business	Retail	1,994,200
Re Selinsgrove 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	874,890
TOTAL		<u>\$30,259,180</u>

Source: Snyder County Assessment Office

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Local Tax Rates for the 2016-17 Fiscal Year

Real Estate Millage Rates (Based on 100% Assessment)	
Selinsgrove Area School District.....	64.9900
Snyder County	21.8125
Per Capita	\$10
Real Estate Transfer	
Selinsgrove Area School District.....	0.5%
Municipalities	0.5%
Earned Income Tax	
Selinsgrove 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>
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	17,158,503	16,431,921	95.8	17,062,470	99.5
2017-18 (1)	17,411,452	16,659,261	95.7	17,234,261	99.0

(1) Budgeted

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

Source: School District Officials

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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	2,598
2018-19 (1)	2,640

(1) Projected

Source: School District Official

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLB Title I	(I)	84.010	013-160377	\$ 581,659	7-1-15 / 9-30-17	\$ 116,809	\$ 96,184	\$ 20,625	\$ 20,625	\$ -	\$ -
NCLB Title I	(I)	84.010	013-170377	646,464	7-1-16 / 9-30-18	434,237	-	507,691	507,691	73,454	-
Total NCLB Title I						551,046	96,184	528,316	528,316	73,454	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-150377	-	7-1-14 / 9-30-15	-	-	-	-	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-170377	136,755	7-1-16 / 9-30-18	127,713	-	136,755	136,755	9,042	-
Total NCLB Title II Part A Improving Teacher Quality						127,713	-	136,755	136,755	9,042	-
Perkins - Secondary	(I)	84.048	380-150089	-	7-1-14 / 6-30-15	-	-	-	-	-	-
Perkins - Secondary	(I)	84.048	380-170089	21,355	7-1-16 / 6-30-17	21,355	-	21,355	21,355	-	-
Total Perkins - Secondary						21,355	-	21,355	21,355	-	-
Keystones to Opportunities - Striving Readers Grant	(I)	84.371	143-160377	561,265	10-1-16 / 9-30-17	187,088	-	272,630	272,630	85,542	-
Keystones to Opportunities - Striving Readers Grant	(I)	84.371	143-150377	953,080	10-1-15 / 9-30-16	374,276	(319,713)	693,989	693,989	-	-
Total Keystones to Opportunities - Striving Readers Grant						561,364	(319,713)	966,619	966,619	85,542	-
Total State Department of Education				2,900,578		1,261,478	(223,529)	1,653,045	1,653,045	168,038	-
Passed Through Central Susquehanna Intermediate Unit											
Special Education-Grants to States:											
IDEA B	(I)	84.027	N/A	357,490	7-1-16 / 6-30-17	-	-	357,490	357,490	357,490	-
IDEA B	(I)	84.027	N/A	334,670	7-1-15 / 6-30-16	334,670	334,670	-	-	-	-
IDEA 619	(I)	84.173	N/A	9,371	7-1-16 / 6-30-17	-	-	9,371	9,371	9,371	-
IDEA 619	(I)	84.173	N/A	1,281	7-1-15 / 6-30-16	1,281	1,281	-	-	-	-
Total Special Education Cluster						335,951	335,951	366,861	366,861	366,861	-
Total Cental Susquehanna Intermediate Unit				702,812		335,951	335,951	366,861	366,861	366,861	-
TOTAL DEPARTMENT OF EDUCATION				3,603,390		1,597,429	112,422	2,019,906	2,019,906	534,899	
U.S. DEPARTMENT OF TRANSPORTATION											
Passed Through State Department of Transportation:											
Highway Planning and Construction-Federal Safe Routes to Schools	(I)	20.205	33354	794,535	NONE	-	10,223	-	-	10,223	-
Total Highway Planning and Construction Cluster				794,535		-	10,223	-	-	10,223	-
TOTAL DEPARTMENT OF TRANSPORTATION				794,535		-	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	480,988	7-1-16 / 6-30-17	478,484	-	480,988	480,988	2,504	-
National School Lunch	(S)	N/A	1-29-54-080-3	33,469	7-1-16 / 6-30-17	33,299	-	33,469	33,469	170	-
School Breakfast	(I)	10.553	1-29-54-080-3	60,150	7-1-16 / 6-30-17	59,861	-	60,150	60,150	289	-
School Breakfast	(S)	N/A	1-29-54-080-3	3,728	7-1-16 / 6-30-17	3,711	-	3,728	3,728	17	-
Summer Food	(I)	10.559	1-29-54-080-3	3,722	7-1-16 / 6-30-17	3,722	-	3,722	3,722	-	-
Total State Department of Education				582,057		579,077	-	582,057	582,057	2,980	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	1-29-54-080-3	N/A	7-1-16 / 6-30-17	(A) 101,316	(B) (1,958)	100,464	(C) 100,464	(D) (2,810)	-
TOTAL DEPARTMENT OF AGRICULTURE				582,057		680,393	(1,958)	682,521	682,521	170	-
LESS: STATE FUNDS				37,197		37,010	-	37,197	37,197	187	-
Total Child Nutrition Cluster				544,860		643,383	(1,958)	645,324	645,324	(17)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 4,942,785		\$ 2,240,812	\$ 120,687	\$ 2,665,230	\$ 2,665,230	\$ 545,105	-

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1: REPORTING ENTITY

Selingsgrove Area School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1A to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the 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 District and is presented using the accrual basis of accounting, which is described in Note 1C to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2017 threshold for determining Type A and Type B programs is \$750,000. The District had one low-risk type A program.

The following Type B program was audited as major:

Child Nutrition Cluster

The amount expended under the program audited as a major federal program for the year ended June 30, 2017, totaled \$645,324 or 24.2% of total federal awards expended.

NOTE 4: CLUSTER PROGRAMS

The following CFDA's have been deemed a cluster of 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	\$ 60,150	84.027	\$ 357,490
10.555	581,452	84.173	9,371
10.559	3,722		
Total	\$ 645,324	Total	\$ 366,861

NOTE 5: MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.

Zelenkofske Axelrod LLC

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

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Selinsgrove Area School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

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

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

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

<i>Harrisburg</i>	<i>Philadelphia</i>	<i>Pittsburgh</i>	<i>Greensburg</i>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103	210 Tollgate Hill Road Greensburg, PA 15601 724.834.2151 Fax 724.834.5969

Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District

Compliance and Other Matters

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

Purpose of this Report

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, Pennsylvania
January 15, 2018

Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S 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's (the "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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District

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 15, 2018

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 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>
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10.553/10.555/10.559	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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