

SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2018

SELINGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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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Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2018 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", Statement No. 81, "*Irrevocable Split-Interest Agreements*", certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*", Statement No. 85, "*Omnibus 2017*", and Statement No. 86, "*Certain Debt Extinguishment Issues*". Our opinion is not modified in respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget and actual – General Fund, the schedule of the district's proportionate share of the net PSERS OPEB liability, schedule of the district contributions – PSERS OPEB plan, schedule of changes in the total OPEB liability and related ratios, schedule of the district's contributions to the OPEB plan, 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 64 through 70 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 statistical schedules on pages 71 through 74 and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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



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such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
January 24, 2019

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management Discussion & Analysis (MD&A) is an element of the 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 (2017-18) and the prior year (2016-17) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The District issued \$9.995 million in general obligation bonds to help finance capital projects throughout the campus.
- The initial General Fund surplus (before extra year-end fund transfers) for the year was \$865,726.
- The District was able to transfer an additional \$100,000 into the Debt Service Fund to offset future debt payments and an additional \$2.3 million into the Capital Reserve Fund to help finance the District's five year capital plan.
- Total General Fund Reserves (total fund balances) at year-end totaled 21.6% of budgeted expenses.
- The Food Service Account ran a profit of \$87,464.

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.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

- 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, is 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.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

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 position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net position was (\$53,644,906), on June 30, 2018. (See Table A-1).

**Table A-1
Selinsgrove Area School District
Net Position as of
June 30, 2018**

	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$16,346,892	\$28,912,147	\$483,635	\$610,118	\$16,830,527	\$29,522,265
Capital assets	36,336,179	33,664,457	619,524	588,764	36,955,703	34,253,221
Total Assets	\$52,683,071	\$62,576,604	\$1,103,159	\$1,198,882	\$53,786,230	\$63,775,486
Deferred Outflow of Resources	\$16,784,823	\$14,751,388	\$0	\$0	\$16,784,823	\$14,751,388
Long term debt outstanding	\$30,298,898	\$53,331,311	\$59,148	\$5,836	\$30,358,046	\$53,337,147
Other liabilities	6,568,646	7,947,342	44,032	52,291	6,612,678	7,999,633
Net Pension Liability	71,808,000	66,032,000	0	0	71,808,000	66,032,000
Total Liabilities	\$108,675,544	\$127,310,653	\$103,180	\$58,127	\$108,778,724	\$127,368,780
Deferred Inflow of Resources	\$598,000	\$4,803,000	\$0	\$0	\$598,000	\$4,803,000
Net investment in capital assets	\$4,596,532	\$5,618,203	\$619,524	\$588,764	\$5,216,056	\$6,206,967
Restricted net position	2,406,748	2,406,748	0	0	2,406,748	2,406,748
Unrestricted net position	(46,808,930)	(62,810,612)	380,455	551,991	(46,428,475)	(62,258,621)
Total Net Position	\$(39,805,650)	\$(54,785,661)	\$999,979	\$1,140,755	\$(38,805,671)	\$(53,644,906)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2018

Table A-2
Selinsgrove Area School District
Fiscal Year Ended June 30, 2018
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues						
Charges for services	\$339,701	\$382,112	\$654,934	\$700,893	\$994,635	\$1,083,005
Operating Grants & Contributions	8,676,513	8,335,085	757,378	758,727	9,433,891	9,093,812
Capital Grants & Contributions	528,132	247,908	0	0	528,132	247,908
General Revenues						
Property Taxes	16,648,951	16,900,119	0	0	16,648,951	16,900,119
Other Taxes	7,463,749	7,573,343	0	0	7,463,749	7,573,343
State formula aid	8,406,639	8,526,180	0	0	8,406,639	8,526,180
Investment earnings	106,478	291,024	1,228	4,002	107,706	295,026
Other	2,908	957	0	0	2,908	957
Total Revenues	42,173,072	42,256,728	1,413,540	1,463,621	43,586,611	43,720,350
Expenses						
Instruction	27,741,411	27,641,285	0	0	27,741,411	27,641,285
Instruction Student Support	4,501,083	4,576,624	0	0	4,501,083	4,576,624
Administration	4,382,282	4,269,800	0	0	4,382,282	4,269,800
Operation & Maint of facilities	3,074,544	3,167,877	0	0	3,074,544	3,167,877
Pupil Transportation	1,824,937	1,843,172	0	0	1,824,937	1,843,172
Student Activities	764,386	816,512	0	0	764,386	816,512
Community Services	26,702	30,162	0	0	26,702	30,162
Interest on Long term debt	797,807	878,521	0	0	797,807	878,521
Food Service	0	0	1,328,514	1,376,158	1,328,514	1,376,158
Total Expenses	43,113,152	43,223,953	1,328,514	1,376,158	44,441,666	44,600,111
Increase/(Decrease) in Net Position	\$(940,081)	\$(967,225)	\$85,026	\$87,464	\$(855,055)	\$(879,761)

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

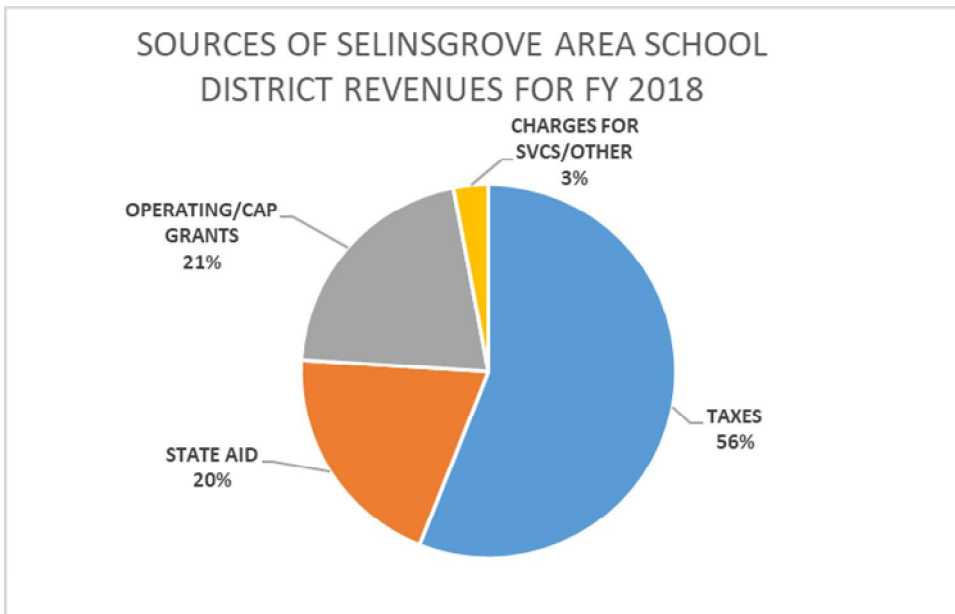
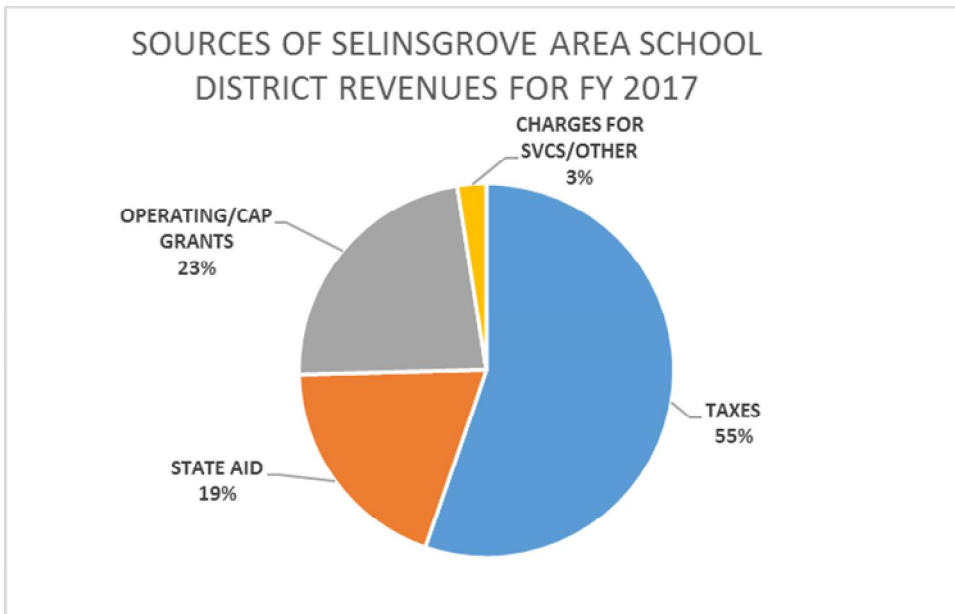
Changes in net position. The District's total revenues were \$43,720,350 for the year ended June 30, 2018 (see Table A-2). Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$24,473,462 or 56.0% of total revenues. Another 19.5% or \$8,526,180 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 21.4% or \$9,341,720 came from operating grants and contributions, with the remainder of \$1,378,988 or 3.1% coming from fees charged for services and investment earnings.

The total cost of all programs and services was \$44,600,111 (see Table A-2). The District's costs related to educating and servicing students were \$34,877,593 or 78.6% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 9.4% of total expenses or \$4,269,800 and operation of the District's facilities accounted for 7.0% of total expenses or \$3,167,877. Finally, food service costs made up 3.0% of total costs or \$1,376,158 and all other expenses (including interest on long term debt) accounted for 2.0% or \$908,683.

Total expenses exceeded revenues, decreasing net position by \$879,761.

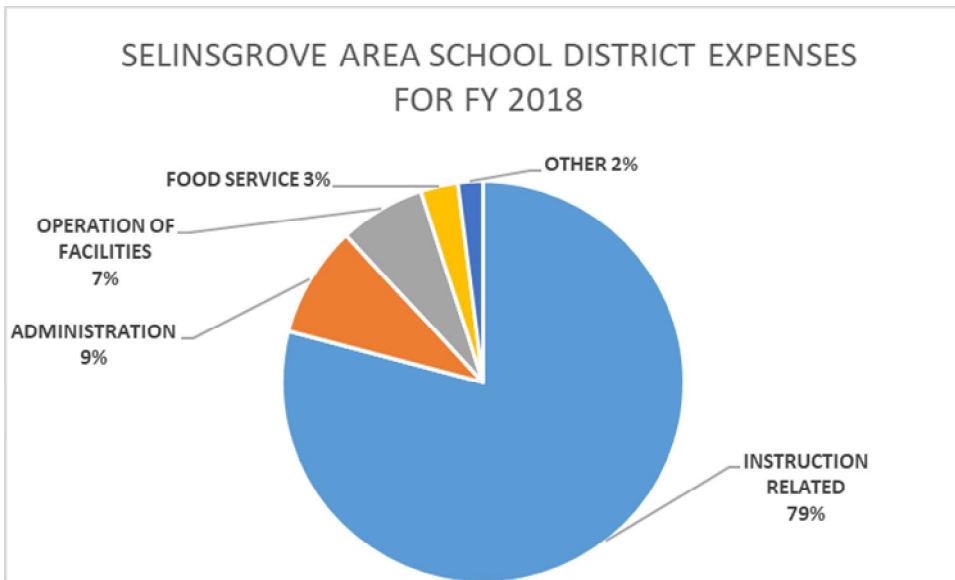
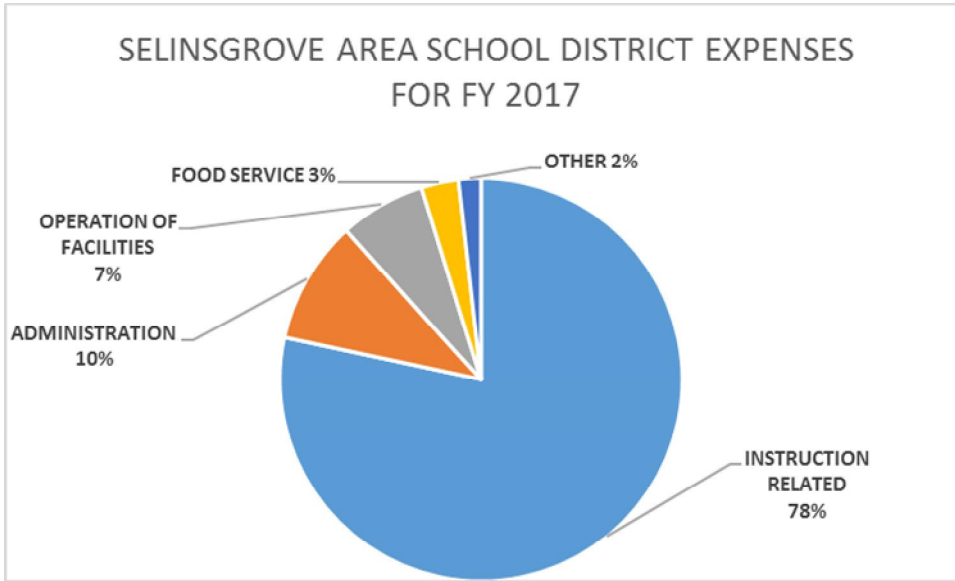
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2018



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2018



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

The cost of all District activities was \$44,600,111. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$1,083,005).
- Federal and state governments subsidized certain programs with grants and contributions (\$9,341,720).
- Most of the District's costs (\$34,948,849), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with \$24,473,462 in taxes, \$10,457,387 of state aid based on the statewide education aid formula, investment earnings, other general revenues, and reserves.

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

	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2017	2018	2017-18	2017	2018	2017-18
Instruction	\$ 27,741,411	\$ 27,641,285	(0.4)%	\$ 20,958,409	\$ 21,238,054	1.3%
Instruction Student Support	4,501,083	4,576,624	1.7%	3,939,629	3,982,890	1.1%
Administration	4,382,282	4,269,800	(2.6)%	4,115,251	3,981,738	(3.3)%
Operation & Maint of facilities	3,074,544	3,167,877	3.1%	2,697,622	2,777,831	3.0%
Pupil Transportation	1,824,937	1,843,172	1.0%	982,561	991,057	0.9%
Student Activities	764,386	816,512	6.9%	579,891	627,898	8.3%
Community Services	26,702	30,162	13.0%	25,768	28,767	11.7%
Interest on Long term debt	797,807	878,521	10.2%	269,675	630,613	133.9%
Food Service	1,328,514	1,376,158	3.6%	(83,798)	(83,462)	(0.4)%
Total Expenses	\$44,441,666	\$44,600,411	0.4%	\$33,485,008	\$34,258,848	2.3%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$22,485,060 a net increase of \$8,126,332 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2017 and 2018.

	Fund Balance 6/30/2017	Fund Balance 6/30/2018	Increase/ (Decrease)
General	\$10,940,998	\$9,406,725	\$(1,534,273)
Capital Projects	1,821,276	11,431,752	9,610,476
Debt Service	1,596,454	1,646,583	50,129
Total Fund Balances	\$14,358,728	\$22,485,060	\$8,126,332

Revenues and net other financing sources/uses for the District's governmental funds were \$52,298,055, while Expenses were \$44,171,723.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

	2017	2018	Increase/ (Decrease)	% Change
Local Sources	\$25,004,057	\$25,633,162	\$629,105	2.5%
State Sources	15,293,962	15,444,577	150,615	1.0 %
Federal Sources	1,746,525	1,163,587	(582,938)	33.4%
Financing Sources:				
Other Financing Sources	2,908	957	(1,951)	(67.1%)
Total Revenue	\$42,047,452	\$42,242,283	\$194,831	0.5%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
 Year Ended June 30, 2018

Total General Fund revenue increased by \$194,831 or 0.5% from the previous year. Local revenue sources increased \$629,105 or 2.5% from the previous year mainly due to increases in real estate and earned income tax collections. State sources were up by \$150,615 or 1.0% due mostly to an increase in the retirement subsidy. Federal sources decreased by \$582,938 or 33.4% because the end of the Keystone Opportunities funds in the first quarter of the 2017-18 fiscal year.

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

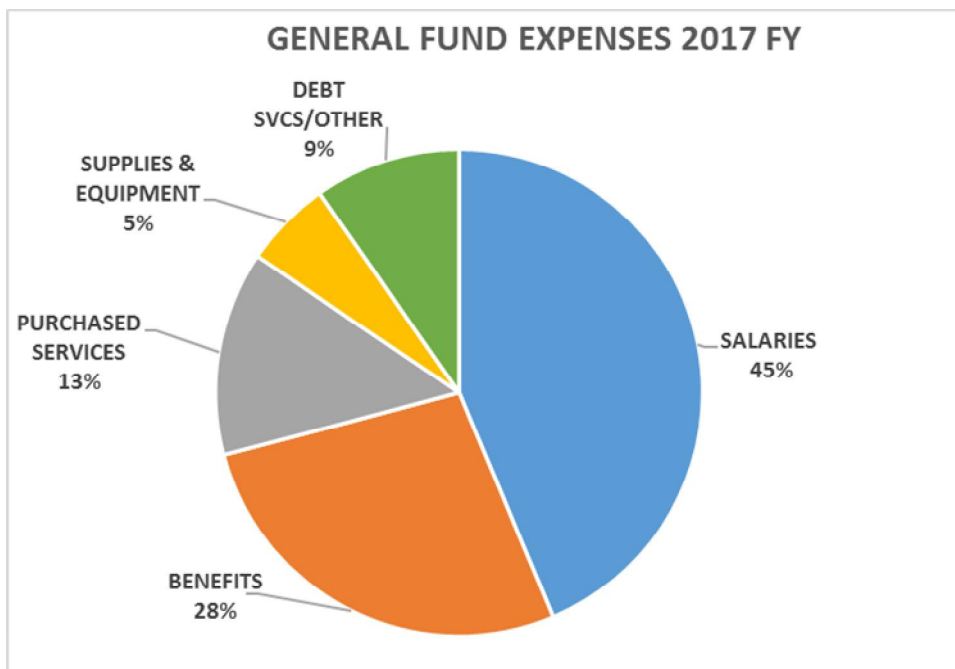
	2017	2018	Increase/ (Decrease)	% Change
Salaries	\$18,086,100	\$18,659,135	\$573,035	3.2%
Employee Benefits	11,151,870	12,063,566	911,696	8.2%
Purchased Services	5,416,219	6,175,868	759,649	14.1%
Supplies, Materials, Equipment	2,188,957	1,780,670	(408,287)	(18.7%)
Other Expenditures/Financing Uses	3,803,150	5,097,317	1,294,167	34.1%
Total Expenditures/Financing Uses	\$40,646,296	\$43,776,556	\$3,130,260	7.7%

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

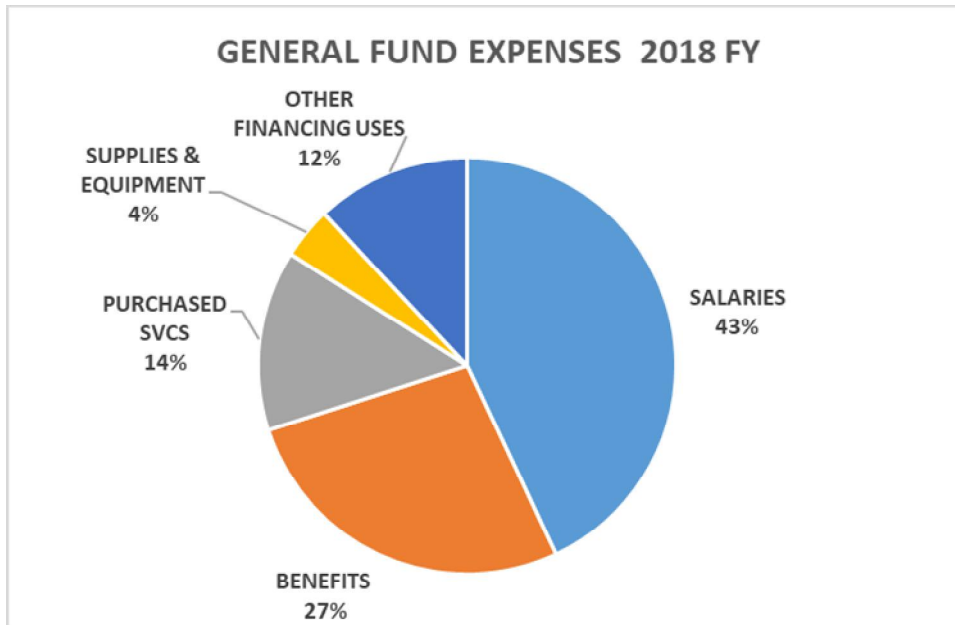
Total General Fund expenditures and financing uses increased \$3,130,260 or 7.7% from the previous year. Salary costs increased by \$573,035 or 3.2% from 2016-17. This was due to contractual increases in the teacher contract. Employee benefits increased by \$911,696 or 8.2% due to an increase in the employer retirement rate and medical insurance premiums. Purchased service costs increased by \$759,649 or 14.1% mainly because of an increase in special education costs from the prior year. Supplies, materials, and equipment costs decreased by a total of \$408,287 or 18.7% because of decreased federal funding for the Keystone Opportunity Grant which ended in September of 2017. Other Costs/Financing Uses were \$1,294,167 or 34.1% more than the prior year because of increased transfers out to the debt service and capital reserve funds from surplus monies at year end and also the transfer of \$2 million that was reserved in the fund balance for the middle school project.

In 2017-18, General Fund expenses and financing uses exceeded revenues and financing sources by \$1,534,273. This decreased the fund balance to \$9,406,725 at June 30, 2018. This number still represents a healthy 21.6% of 2018-19 budgeted expenses.



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018



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 \$539,634, actual results show that expenses and other financing uses exceeded revenues and other financing sources by \$1,534,273. Overall expenses came in \$962,532 or 2.3% under budget but when other financing uses (transfers out to other funds from the operating surplus) are added in that total was \$1,444,844 over the total budget. Major variances occurred in Personnel costs (salary and benefits) which were \$1,274,280 or 4.0% under budget. Purchased Services which were \$356,808 or 6.2% over budget. Supplies and Equipment were \$172,984 or 10.8% over budget. Other financing uses were \$2,197,930 or 77.8% over budget because of the extra transfers out to other funds.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

CAPITAL ASSETS

The District has invested \$78,777,103 in a broad range of capital assets, including land, school buildings, athletic facilities, library resources, computer and audio-visual equipment, and construction in progress (see table A-4). Accumulated depreciation expenses year to date June 30, 2018 totaled \$44,523,882.

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

	2017	2018	Increase/ (Decrease)	% Change
Land	\$501,269	\$501,269	\$0	0.0%
Building and Building Improvements	55,009,982	55,481,279	471,297	0.9%
Furniture and Equipment	14,787,282	15,535,824	748,542	5.1%
Site Improvements	5,067,620	5,129,583	61,963	1.3%
Construction in Progress	0	2,129,148	2,129,148	100%
Less: Accumulated Depreciation	(41,826,947)	(44,523,882)	(2,696,937)	6.5%
Total	\$33,539,206	\$34,253,221	\$714,015	2.2%

LONG-TERM LIABILITIES

At year-end, the District had \$37,706,802 in debt outstanding and \$18,754,667 of accrued compensated absences and other post-employment benefits (OPEB), an increase of \$8,208,154 from the previous year (see table A-5).

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2018

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

	2017	2018	Increase/ (Decrease)	% Change
General Obligation Bonds/Other Debt	\$29,654,241	\$37,706,802	\$8,052,561	27.2%
Compensated Absences/OPEB	18,593,238	18,754,667	161,429	0.8%
Total	\$48,247,479	\$56,461,469	\$8,213,990	17.0%

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 imbalance at the state level. 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 32.57% of total payroll in 2017-18, to 33.43% in 2018-19, 34.29% in 2019-20 and increasing each year to 36.32% in 2022-23. 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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,672,709	\$ 450,542	\$ 10,123,251
Restricted cash	12,171,175	-	12,171,175
Investments	1,402,652	-	1,402,652
Taxes receivable, net	3,357,382	-	3,357,382
Intergovernmental receivables	2,262,361	-	2,262,361
Internal balances	(106,215)	106,215	-
Other receivables	130,934	-	130,934
Inventories	17,199	53,361	70,560
Prepaid expenses	3,950	-	3,950
TOTAL CURRENT ASSETS	28,912,147	610,118	29,522,265
NON-CURRENT ASSETS			
Land	501,269	-	501,269
Building and building improvements (net of acc. dep.)	27,084,396	451,154	27,535,550
Furniture and equipment (net of acc. dep.)	2,353,382	137,610	2,490,992
Construction in progress	2,129,148	-	2,129,148
Site Improvements (net of acc. dep.)	1,596,262	-	1,596,262
TOTAL NON-CURRENT ASSETS	33,664,457	588,764	34,253,221
TOTAL ASSETS	\$ 62,576,604	\$ 1,198,882	\$ 63,775,486
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 12,386,450	\$ -	\$ 12,386,450
Other Postemployment Benefits	1,213,856	-	1,213,856
Deferred Charge on Refunding	1,151,082	-	1,151,082
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 14,751,388	\$ -	\$ 14,751,388
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 3,183,747	\$ 10,617	\$ 3,194,364
Accrued salaries and benefits	1,204,304	-	1,204,304
Payroll deductions and withholdings	70,434	-	70,434
Accrued interest	283,629	-	283,629
Current portion of bonds payable	2,090,000	-	2,090,000
Current portion of compensated absences	15,000	-	15,000
Current portion of other postemployment benefits	1,019,322	-	1,019,322
Current portion of net pension liability	5,821,450	-	5,821,450
Unearned revenue	-	41,674	41,674
Other current liabilities	80,906	-	80,906
TOTAL CURRENT LIABILITIES	13,768,792	52,291	13,821,083
NON-CURRENT LIABILITIES			
Bonds payable, net	35,616,802	-	35,616,802
Long-term portion of compensated absences	813,964	5,836	819,800
Other post employment benefits	16,900,545	-	16,900,545
Net pension liability	60,210,550	-	60,210,550
TOTAL NON-CURRENT LIABILITIES	113,541,861	5,836	113,547,697
TOTAL LIABILITIES	\$ 127,310,653	\$ 58,127	\$ 127,368,780
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 4,469,000	\$ -	\$ 4,469,000
Other Postemployment Benefits	334,000	-	334,000
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 4,803,000	\$ -	\$ 4,803,000
NET POSITION			
Net investment in capital assets	\$ 5,618,203	\$ 588,764	\$ 6,206,967
Restricted	2,406,748	-	2,406,748
Unrestricted	(62,810,612)	551,991	(62,258,621)
TOTAL NET POSITION	\$ (54,785,661)	\$ 1,140,755	\$ (53,644,906)

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

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 Activities	Total
Governmental Activities:							
Instruction	\$ 27,641,285	\$ 131,041	\$ 6,272,190	\$ -	\$ (21,238,054)	\$ -	\$ (21,238,054)
Instructional Student Support	4,576,624	-	593,734	-	(3,982,890)	-	(3,982,890)
Administrative & Financial Support Svcs	4,269,800	-	288,062	-	(3,981,738)	-	(3,981,738)
Operation & Maintenance of Plant Svcs	3,167,877	128,111	261,935	-	(2,777,831)	-	(2,777,831)
Pupil Transportation	1,843,172	-	852,115	-	(991,057)	-	(991,057)
Student Activities	816,512	122,960	65,654	-	(627,898)	-	(627,898)
Community Services	30,162	-	1,395	-	(28,767)	-	(28,767)
Interest on Long Term Debt	878,521	-	-	247,908	(630,613)	-	(630,613)
Total Governmental Activities	43,223,953	382,112	8,335,085	247,908	(34,258,848)	-	(34,258,848)
Business-Type Activities:							
Food Service	1,376,158	700,893	758,727	-	-	83,462	83,462
Total	\$ 44,600,111	\$ 1,083,005	\$ 9,093,812	\$ 247,908	\$ (34,258,848)	\$ 83,462	\$ (34,175,386)
General Revenues							
Taxes:							
Property Taxes Levied for General Purposes, net					16,900,119	-	16,900,119
Other Taxes					7,573,343	-	7,573,343
Grants, Subsidies, & Contributions Not Restricted					8,526,180	-	8,526,180
Investment Earnings					291,024	4,002	295,026
Sale of Capital Assets					957	-	957
Total General Revenues					33,291,623	4,002	33,295,625
Change in Net Position					(967,225)	87,464	(879,761)
Net Position, Beginning as restated (see Note 15)					(53,818,436)	1,053,291	(52,765,145)
Net Position, Ending					\$ (54,785,661)	\$ 1,140,755	\$ (53,644,906)

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

SELINGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,672,709	\$ -	\$ -	\$ 9,672,709
Restricted cash	-	10,624,592	1,546,583	12,171,175
Investments	-	1,402,652	-	1,402,652
Taxes receivable, net	3,357,382	-	-	3,357,382
Due from other funds	-	307,376	100,000	407,376
Intergovernmental receivables	2,262,361	-	-	2,262,361
Other receivables	130,934	-	-	130,934
Inventories	17,199	-	-	17,199
Prepaid expenses	3,950	-	-	3,950
TOTAL ASSETS	\$ 15,444,535	\$ 12,334,620	\$ 1,646,583	\$ 29,425,738
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 513,591	\$ -	\$ -	\$ 513,591
Accounts payable	2,280,878	902,868	-	3,183,746
Accrued salaries and benefits	1,204,304	-	-	1,204,304
Payroll deductions and withholdings	70,434	-	-	70,434
Other current liabilities	80,906	-	-	80,906
TOTAL LIABILITIES	4,150,113	902,868	-	5,052,981
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - taxes	1,887,697	-	-	1,887,697
TOTAL DEFERRED INFLOW OF RESOURCES	1,887,697	-	-	1,887,697
FUND BALANCE				
Assigned	810,069	-	-	810,069
Nonspendable				
Inventories	17,199	-	-	17,199
Prepaid exepenses	3,950	-	-	3,950
Restricted				
Special education ACESS	443,809	-	-	443,809
Capital projects	-	11,431,752	-	11,431,752
Debt service	-	-	1,646,583	1,646,583
Committed				
Retiree healthcare	2,318,334	-	-	2,318,334
Real Estate Tax Appeals	200,000	-	-	200,000
PSERS	3,214,716	-	-	3,214,716
Educational resources	306,389	-	-	306,389
Unassigned	2,092,259	-	-	2,092,259
TOTAL FUND BALANCE	9,406,725	11,431,752	1,646,583	22,485,060
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 15,444,535	\$ 12,334,620	\$ 1,646,583	\$ 29,425,738

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

SELINGROVE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 22,485,060

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	77,748,046	
Less: accumulated depreciation	(44,083,589)	
		33,664,457

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, 2018 are:

General obligation debt	(37,625,000)	
Less: Deferred charge on refunding	1,151,082	
Unamortized bond premiums/(discounts)	(81,802)	
Compensated absences	(828,964)	
Accrued interest on bonds	(283,630)	
Net pension liability	(66,032,000)	
Pensions - Deferred Outflows of Resources	12,386,450	
Pensions - Deferred Inflows of Resources	(4,469,000)	
Other postemployment benefits (OPEB)	(17,919,867)	
OPEB - Deferred Outflows of Resources	1,213,856	
OPEB - Deferred Inflows of Resources	(334,000)	
		(112,822,875)

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.

1,887,697

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (54,785,661)

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

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

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 25,633,162	\$ 45,945	\$ 14,827	\$ 25,693,934
State sources	15,444,577	-	-	15,444,577
Federal sources	1,163,587	-	-	1,163,587
TOTAL REVENUES	42,241,326	45,945	14,827	42,302,098
EXPENDITURES				
Instruction	24,993,077	-	-	24,993,077
Support services	12,908,426	194,538	-	13,102,964
Operation of non-instructional services	851,677	-	-	851,677
Capital outlay	-	2,676,307	-	2,676,307
Debt service				
Principal	-	-	1,855,000	1,855,000
Interest	-	-	692,698	692,698
TOTAL EXPENDITURES	38,753,180	2,870,845	2,547,698	44,171,723
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,488,146	(2,824,900)	(2,532,871)	(1,869,625)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	-	9,995,000	-	9,995,000
Sale of fixed assets	957	-	-	957
Transfers in	-	2,440,376	2,583,000	5,023,376
Transfers out	(5,023,376)	-	-	(5,023,376)
TOTAL OTHER FINANCING SOURCES (USES)	(5,022,419)	12,435,376	2,583,000	9,995,957
NET CHANGE IN FUND BALANCES	(1,534,273)	9,610,476	50,129	8,126,332
FUND BALANCES - BEGINNING	10,940,998	1,821,276	1,596,454	14,358,728
FUND BALANCES - ENDING	\$ 9,406,725	\$ 11,431,752	\$ 1,646,583	\$ 22,485,060

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

SELINGROVE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 8,126,332

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	\$	3,429,325	
Depreciation expense		<u>(2,684,550)</u>	744,775

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 6/30/17 to 6/30/18. (47,827)

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.

Proceeds from long-term	\$	(9,995,000)	
Compensated absences expense		(2,014)	
Other postemployment benefits expense		(342,984)	
Amortization of debt premium/discount		87,439	
Amortization of deferred interest from refunding		(180,009)	
Pension benefit expense		(1,162,281)	
Accrued interest on long-term debt		<u>(50,656)</u>	(11,645,505)

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

Principal payments		<u>1,855,000</u>	
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (967,225)

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

SELINSGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2018

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 450,542
Due from other funds	106,215
Inventories	<u>53,361</u>
TOTAL CURRENT ASSETS	610,118
NON-CURRENT ASSETS	
Building improvements (net)	451,154
Furniture and equipment (net)	<u>137,610</u>
TOTAL NON-CURRENT ASSETS	588,764
TOTAL ASSETS	\$ <u><u>1,198,882</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 10,617
Unearned revenues	<u>41,674</u>
TOTAL CURRENT LIABILITIES	52,291
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	<u>5,836</u>
TOTAL NON-CURRENT LIABILITIES	5,836
TOTAL LIABILITIES	\$ <u><u>58,127</u></u>
NET POSITION	
Net investment in capital assets	\$ 588,764
Unrestricted	<u>551,991</u>
TOTAL NET POSITION	<u><u>1,140,755</u></u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>1,198,882</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, 2018

	Food Service
OPERATING REVENUES	
Food service revenues	\$ 632,102
Other operating revenues	68,791
TOTAL OPERATING REVENUES	700,893
OPERATING EXPENSES	
Salaries	445,898
Employee benefits	229,748
Purchased services	61,515
Supplies	569,716
Depreciation	50,882
Other operating expenses	18,399
TOTAL OPERATING EXPENSES	1,376,158
OPERATING LOSS	(675,265)
NON-OPERATING REVENUES	
Earnings on investments	4,002
State sources	123,810
Federal sources	634,917
TOTAL NON-OPERATING REVENUES	762,729
CHANGE IN NET POSITION	87,464
NET POSITION - BEGINNING OF YEAR, AS RESTATED (See Note 15)	1,053,291
NET POSITION - END OF YEAR	\$ 1,140,755

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

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 640,012
Cash received from other operating revenue	68,791
Cash payments to employees for services	(675,495)
Cash payments to suppliers for goods and services	(646,770)
Cash payments for other operating expenses	<u>(3,048)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(616,510)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	123,810
Federal sources	<u>634,917</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>758,727</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	<u>(17,292)</u>
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,292)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>4,002</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,002</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	128,927
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>321,615</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 450,542</u>
 OPERATING LOSS	<u>\$ (675,265)</u>
 ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Changes in current assets and current liabilities	
Depreciation	50,882
Increase in accounts payable	349
Decrease in inventories	2,511
Increase in unearned revenue	7,910
Increase in due from other funds	(3,048)
Increase in compensated absences	<u>151</u>
TOTAL ADJUSTMENTS	<u>58,755</u>
 TOTAL CASH USED FOR OPERATING ACTIVITIES	<u>\$ (616,510)</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Donated commodities	<u>\$ 100,464</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, 2018

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 64,320	\$ 127,069	\$ 191,389
Accounts Receivable	26,497	-	26,497
TOTAL ASSETS	<u>\$ 90,817</u>	<u>\$ 127,069</u>	<u>\$ 217,886</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 127,069	\$ 127,069
NET POSITION			
Restricted	<u>90,817</u>	<u>-</u>	<u>90,817</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 90,817</u>	<u>\$ 127,069</u>	<u>\$ 217,886</u>

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

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
ADDITIONS	
Gifts and contributions	\$ 6,542
Other additions	876
TOTAL ADDITIONS	7,418
 DEDUCTIONS	
Other deductions	1,120
Scholarships awarded	7,250
TOTAL DEDUCTIONS	8,370
 CHANGE IN NET POSITION	(952)
 NET POSITION - BEGINNING OF YEAR	91,769
 NET POSITION - END OF YEAR	\$ 90,817

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 for the SUN ATI are available at its business office.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 acquisition 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, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 four items that qualify for reporting in these categories: deferred outflows related to refunding bonds, deferred outflows and inflows related to pensions, deferred outflows and inflows related to other postemployment benefits, 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 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 11. 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. PSERS Pension and OPEB

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The adoption of this statement resulted in a restatement of net position (see Note 15).

The District adopted the provisions of GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*". 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.

The District adopted the provisions of GASB Statement No. 85, "*Omnibus 2017*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". The adoption of this statement had no effect on previously reported amounts.

I. Pending Changes in Accounting Principles

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 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.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The District is required to adopt the provisions of Statement No. 89 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2020 financial statements.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

I. Pending Changes in Accounting Principles (Continued)

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, 2018, the District's cash and investment balances for its governmental activities, business-type activities and fiduciary funds were \$23,888,467 and its bank balances were \$19,880,156. Of these bank balances, \$19,380,156 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, 2018, the District had investments classified as cash equivalents in money market holdings of \$4,053,110. The remaining balance of \$256,444 was invested in external investment pools as described in more detail below.

At June 30, 2018, 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 \$256,444. 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.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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.

As of June 30, 2018, the District had an investment in a certificate of deposit with a fair value of \$1,402,652 maturing in 2020.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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	\$10,624,592
Cash restricted for debt service payments	1,546,583
Total Restricted Cash	<u>\$12,171,175</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	65.99 mills	\$17,417,506
Per Capita Tax – Act 511	\$5.00/person	62,000
Per Capita Tax – Section 679	\$5.00/person	62,000
Total Assessed Valuation		<u>\$17,541,506</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.

**SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 5: TAXES ASSESSED (CONTINUED)

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, 2018 were \$692,609. An allowance has been established to recognize the uncollectible portion in the amount of \$14,448.

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, 2018 as related to the District's governmental activities and business-type activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
State Sources	\$ 1,374,299
Federal Sources	535,727
Central Susquehanna Intermediate Unit	352,335
Total	<u>\$ 2,262,361</u>

NOTE 7: CAPITAL ASSETS

A summary of capital assets for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 501,269	\$ -	\$ -	\$ 501,269
Construction in Progress	-	2,129,148	-	2,129,148
Total capital assets, not being depreciated	501,269	2,129,148	-	2,630,417
Capital assets being depreciated				
Site Improvements	5,067,620	61,963	-	5,129,583
Buildings and Building Improvements	54,394,026	471,297	-	54,865,323
Furniture, Equipment, and Vehicles	14,390,241	766,917	34,435	15,122,723
Total capital assets being depreciated	73,851,887	1,300,177	34,435	75,117,629
Less accumulated depreciation:				
Site Improvements	3,301,041	232,280	-	3,533,321
Buildings and Building Improvements	26,095,625	1,685,302	-	27,780,927
Furniture, Equipment, and Vehicles	12,036,808	766,968	34,435	12,769,341
Total accumulated depreciation	41,433,474	2,684,550	34,435	44,083,589
Total capital assets being depreciated, net	32,418,413	(1,384,373)	-	31,034,040
Governmental activities, capital assets, net	\$ 32,919,682	\$ 744,775	\$ -	\$ 33,664,457

**SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 7: CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-Type Activities:				
Capital assets being depreciated				
Building and Building Improvements	\$ 615,956	\$ -	\$ -	\$ 615,956
Furniture and Equipment	396,041	20,181	3,121	413,101
Total capital assets being depreciated	1,011,997	20,181	3,121	1,029,057
Less accumulated depreciation:				
Building and Building Improvements	143,085	21,717	-	164,802
Furniture and Equipment	249,388	29,165	3,062	275,491
Total accumulated depreciation	392,473	50,882	3,062	440,293
Total capital assets being depreciated, net	619,524	(30,701)	59	588,764
Business-type activities, capital assets, net	<u>\$ 619,524</u>	<u>\$ (30,701)</u>	<u>\$ 59</u>	<u>\$ 588,764</u>

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

Government Activities:	
Instruction	\$ 1,731,346
Instructional Student Support	301,803
Administrative and Financial Support Service	266,398
Operation and Maintenance of Plant Service	204,180
Pupil Transportation	121,825
Student Activities	57,049
Community Services	1,949
Total Depreciation Expense	<u>\$ 2,684,550</u>

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2018, the District's long-term debt consisted of the following:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 29,485,000	\$ 9,995,000	\$ 1,855,000	\$ 37,625,000	\$2,090,000
Less: Bond Premium/(Discount)	169,241	(42,597)	44,842	81,802	-
Compensated Absences	826,950	2,014	-	828,964	15,000
Net Pension Liability	71,808,000	-	5,776,000	66,032,000	5,821,450
Other Post Employment Benefits *	17,766,288	1,991,046	1,837,467	17,919,867	1,019,322
Total Long Term Obligations	<u>\$ 120,055,479</u>	<u>\$ 11,945,463</u>	<u>\$ 9,513,309</u>	<u>\$ 122,487,633</u>	<u>\$8,945,772</u>
Business-Type Activities:					
Compensated Absences	\$ 5,685	\$ 151	\$ -	\$ 5,836	\$ -

* See Note 15 for a description of the effect of adopting GASB 75 for Other Postemployment Benefits.

The net pension liability and other post employment benefits liability are paid from the general fund.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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	\$ 2,725,000
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	5,415,000
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	8,505,000
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	1,350,000
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	9,635,000
Series of 2018	In 2018, the District issued General Obligation Bonds Series of 2018 for the purpose of financing capital projects. The bonds mature serially through 2030 with interest rates of 2.375% to 4.000%.	\$ 9,995,000	9,995,000
Total			<u>\$ 37,625,000</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds as of June 30, 2018:

	Principal	Interest	Total
2019	2,090,000	910,149	3,000,149
2020	2,590,000	922,259	3,512,259
2021	2,865,000	870,026	3,735,026
2022	2,945,000	788,428	3,733,428
2023	3,005,000	703,114	3,708,114
2024-2028	18,150,000	2,320,734	20,470,734
2029-2030	5,980,000	270,150	6,250,150
	\$ 37,625,000	\$ 6,784,860	\$ 44,409,860

In May 2018, the District issued General Obligation Bonds Series of 2018, in the amount of \$9,995,000. The proceeds of the bond will be used to finance capital projects consisting of improvements to the district athletic stadium, replacement of the middle school HVAC system, renovations to the middle school locker rooms and auditorium, replacement of the intermediate school building control system, renovations to the high school locker rooms and cafeteria/kitchen area, additional campus parking, and other district-wide projects. The bonds were issued at a discount in the amount of \$42,597 and paid issuance costs of \$153,952.

NOTE 9: COMPENSATED ABSENCES

The changes in the District's compensated absences in 2018 are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2017	\$ 826,950	\$ 5,685	\$ 832,635
Additions/(Reductions)	2,014	151	2,165
Balance, June 30, 2018	\$ 828,964	\$ 5,836	\$ 834,800

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018

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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018 was 31.74% 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 \$5,821,450 for the year ended June 30, 2018.

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, 2018, the District reported a liability of \$66,032,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the District's proportion was 0.1337 percent, which was a decrease of 0.0112 from its proportion measured as of June 30, 2016.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$6,948,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,530,000	\$ -
Changes in assumptions	1,794,000	-
Changes in proportion	2,552,000	4,070,000
Difference between expected and actual experience	689,000	399,000
Contributions subsequent to the measurement date	5,821,450	-
Total	\$ 12,386,450	\$ 4,469,000

\$5.821 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, 2018. 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:

2018	\$ 982,000
2019	1,671,000
2020	674,000
2021	(1,231,000)

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions used in the Total Pension Liability beginning June 30, 2017

- Investment rate of return was 7.25%
- The inflation assumption was 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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2016. 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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	\$ 81,280	\$ 66,032	\$ 53,159

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, 2018, the District reported a payable of \$1,516,351 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

District Specific Plan

Plan Description

Plan Administration. The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Plan Description (Continued)

Plan Membership. As of June 30, 2018, the Plan's membership consisted of the following:

Active Participants	243
Retired Participants	64
Total	307

Benefits Provided. The Plan provides healthcare benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and vary depending on employee classification and years of service of the retiree. The District pays the full premium for medical and prescription drugs for teachers and administrators with at least 10 years of district service who retired before 9/1/2000 and requires participants who retire after 9/1/2000 to pay a supplemental amount of \$100 per month. Classified employees who have 30 years of PSERS service or reach PSERS superannuation retirements are entitled to receive medical and prescription drug coverage for a premium. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

Contributions. The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$15,195,867 was measured as of June 30, 2016 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.50% average, including inflation
Discount Rate	3.13%
Healthcare Cost Trend Rates	6.00% for 2017, decreasing to an ultimate rate of 3.9% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2017.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

SELINGSGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Total OPEB Liability (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2018 was as follows:

	Total OPEB Liability
Balance at 7/1/2016	\$ 14,692,187
Service Cost	887,906
Interest	374,868
Changes in Assumptions	210,373
Benefit Payments	(969,467)
Net Changes	503,680
Balance at 7/1/2017	\$ 15,195,867

Changes in assumptions reflect a change in the discount rate from 2.49% to 3.13%, an update of trend assumptions, and an update of assumptions for salary, mortality, and retirement based on the new PSERS assumptions.

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5.0%) or 1-percentage higher (7.0%) than the current discount rate:

	1% Decrease 5.0%	Current discount rate 6.0%	1% Increase 7.0%
District's total OPEB liability	\$ 13,416,388	\$ 15,195,867	\$ 17,302,956

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Current discount rate 3.13%	1% Increase 3.13%
District's total OPEB liability	\$ 16,268,321	\$ 15,195,867	\$ 14,179,276

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,281,899. At June 30, 2017 the District reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	\$ 191,248
Contributions subsequent to the measurement date	866,322
Total	\$ 1,057,570

Amounts, other than contributions subsequent to the measurement date, reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the total OPEB liability for the year ended June 30, 2018. Other deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ 19,125
2020	19,125
2021	19,125
2022	19,125
2023	19,125
Thereafter	95,623

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan 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, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$153,286 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2018, the District reported a liability of \$2,724,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.1337 percent, which was a decrease of 0.0112 from its proportion measured as of June 30, 2017.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

For the year ended June 30, 2018, the District recognized OPEB expense of \$82,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 3,000	\$ -
Changes in assumptions	-	127,000
Changes in proportion	-	207,000
Contributions subsequent to the measurement date	153,286	-
Total	\$ 156,286	\$ 334,000

\$153,286 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (55,000)
2020	(55,000)
2021	(55,000)
2022	(55,000)
2023	(55,000)
Thereafter	(56,000)

Actuarial Assumptions. The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of the June 30, 2016 actuarial valuation to June 30, 2017 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

A recent actuarial experience study was not performed.

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. 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, 2017 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease 4% to 7%	Current discount rate 5% to 8%	1% Increase 6% to 9%
District's proportionate share of the net OPEB liability	\$ 2,723,000	\$ 2,724,000	\$ 2,725,000

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or higher (4.13 percent) than the current discount rate:

	1% Decrease 2.13%	Current discount rate 3.13%	1% Increase 4.13%
District's proportionate share of net OPEB liability	\$ 3,096,000	\$ 2,724,000	\$ 2,415,000

OPEB plan fiduciary net position.

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

At June 30, 2018 the District reported a payable of \$39,653 for the outstanding amount of contributions to the OPEB plan.

SELINGSGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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: COMMITMENTS AND CONTIGENCIES

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, 2018 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.

The District has contractual obligations with various contractors for the design and construction of athletic stadium improvements and building improvements of approximately \$ 5,866,842 as of June 30, 2018. The District expects to finance these outstanding commitments with bond proceeds.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable	Transfer In	Transfer Out
General Fund	\$ -	\$ 513,591	\$ -	\$ 5,023,376
Capital Projects Fund	307,376	-	2,440,376	-
Debt Service Fund	100,000	-	2,583,000	-
Food Service Fund	106,215	-	-	-
Total	<u>\$ 513,591</u>	<u>\$ 513,591</u>	<u>\$ 5,023,376</u>	<u>\$ 5,023,376</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.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 15: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in which the District changed its manner of accounting for other postemployment benefits.

	Governmental Activities	Business-Type Activities
Net Position, beginning of year as previously stated	\$ (39,805,650)	\$ 999,979
Understatement of OPEB liability due to GASB 75	(14,012,786)	53,312
Net Position, beginning of year as restated	\$ (53,818,436)	\$ 1,053,291

REQUIRED SUPPLEMENTAL INFORMATION

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 25,275,043	\$ 25,275,043	\$ 25,633,162	\$ 358,119
State sources	15,383,390	15,383,390	15,444,577	61,187
Federal sources	1,133,645	1,133,645	1,163,587	29,942
TOTAL REVENUES	<u>41,792,078</u>	<u>41,792,078</u>	<u>42,241,326</u>	<u>449,248</u>
EXPENDITURES				
Instruction:				
Regular programs	17,978,146	17,740,766	17,621,205	119,561
Special programs	4,712,031	4,786,711	4,738,268	48,443
Vocational programs	2,349,303	2,349,303	2,268,089	81,214
Other instructional programs	301,683	331,683	314,529	17,154
Nonpublic school programs	8,192	8,192	2,629	5,563
Pre-Kindergarten services	-	49,000	48,357	643
Total Instruction	<u>25,349,355</u>	<u>25,265,655</u>	<u>24,993,077</u>	<u>272,578</u>
Support Services:				
Pupil personnel services	2,163,985	2,164,197	2,070,534	93,663
Instructional staff services	1,711,815	1,852,095	1,849,108	2,987
Administrative services	2,397,698	2,389,898	2,346,800	43,098
Pupil health	434,027	441,127	437,075	4,052
Business services	460,213	460,213	457,032	3,181
Operation and maintenance of plant services	3,177,875	3,160,875	2,947,463	213,412
Student transportation services	1,762,708	1,762,708	1,758,622	4,086
Central and other support services	1,067,305	1,128,213	1,041,792	86,421
Total Support Services	<u>13,175,626</u>	<u>13,359,326</u>	<u>12,908,426</u>	<u>450,900</u>
Operation of non-instructional services:				
Student activities	843,882	843,882	823,542	20,340
Community services	37,403	37,403	28,135	9,268
Debt service	100,000	-	-	-
Total Operation of non-instructional service	<u>981,285</u>	<u>881,285</u>	<u>851,677</u>	<u>29,608</u>
TOTAL EXPENDITURES	<u>39,506,266</u>	<u>39,506,266</u>	<u>38,753,180</u>	<u>753,086</u>
EXCESS REVENUES OVER EXPENDITURES	<u>2,285,812</u>	<u>2,285,812</u>	<u>3,488,146</u>	<u>1,202,334</u>
Interfund transfers	(2,616,000)	(2,616,000)	(5,023,376)	(2,407,376)
Budgetary reserve	(209,446)	(209,446)	-	209,446
Proceeds from sale of fixed assets	-	-	957	957
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,825,446)</u>	<u>(2,825,446)</u>	<u>(5,022,419)</u>	<u>(2,196,973)</u>
NET CHANGE IN FUND BALANCES	<u>(539,634)</u>	<u>(539,634)</u>	<u>(1,534,273)</u>	<u>(994,639)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>10,940,998</u>	<u>10,940,998</u>	<u>10,940,998</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,401,364</u>	<u>\$ 10,401,364</u>	<u>\$ 9,406,725</u>	<u>\$ (994,639)</u>

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
 JUNE 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 887,906
Interest	374,868
Differences between expected and actual experience	-
Changes of assumptions or other inputs	210,373
Benefit payments	(969,467)
Net change in total OPEB liability	503,680
Total OPEB liability - beginning	14,692,187
Total OPEB liability - ending	\$ 15,195,867
 Covered payroll	 \$ 17,071,966
 District's total OPEB liability as a percentage of covered payroll	 89.01%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN
 JUNE 30, 2018

	<u>2017</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.1449%	0.1337%
District's proportionate share of the net OPEB liability	\$ 3,121,000	\$ 2,724,000
District's covered payroll	\$ 18,762,341	\$ 17,800,896
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	5%	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SELINGROVE SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN
 JUNE 30, 2018

	<u>2017</u>	<u>2018</u>
Contractually determined contribution	\$ 148,000	\$ 153,286
Contributions in relation to the contractually determined contribution	<u>148,000</u>	<u>153,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,800,896	\$ 18,435,593
Contributions as a percentage of covered payroll	0.8%	0.8%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Selinsgrove Area School District

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

Required Supplemental Information

Measurement Period	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.1313%	0.1390%	0.1449%	0.1337%
District's proportionate share of the net pension liability	\$ 53,474,000	\$ 60,208,000	\$ 71,808,000	\$ 66,032,000
District's covered payroll	\$ 17,242,979	\$ 17,886,984	\$ 18,762,341	\$ 17,800,896
District's proportionate share of the net pension liability as a percentage of its covered payroll	310%	337%	383%	371%
Plan fiduciary net position as a percentage of the total pension liability	57%	54%	50%	52%

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

Schedule of District Contributions - Pension Plan - Last 10 Years

Required Supplemental Information

Fiscal Year End	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 3,622,331	\$ 4,645,586	\$ 5,160,732	\$ 5,821,450
Contributions in relation to the contractually required contribution	<u>3,622,331</u>	<u>4,645,586</u>	<u>5,160,732</u>	<u>5,821,450</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	17,886,984	18,762,341	17,800,896	18,435,593
Contributions as a percentage of covered payroll	20%	25%	29%	32%

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

The covered payroll has been adjusted to reflect adjustments processed by PSERS

OTHER SUPPLEMENTAL INFORMATION

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

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>Unemployment</u>	<u>U.S.</u>
	<u>Civilian Labor Force</u>	<u>Total Employment</u>	<u>Percent</u>	<u>PA</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
2018	20,600	19,800	3.9	4.1	3.7

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
Susquehanna University	Educational Services
National Beef Packaging Company	Wholesale Trade
Selinsgrove Area School District	Educational Services
Conestoga Wood Specialties	Hardwood lumber
Mid-West School District	Public Education
Wal-Mart Association, Inc.	Retail Trade
Professional Building Systems	Manufacturer of modular homes
Weis Markets, Inc.	Retail trade-food services
Shamokin Dam Construction	Construction/building trade
United Cerebral Palsy of Central PA	Nonprofit

Source: School District Officials

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

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
2017	1,389,771,821	265,007,830	19.10

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 2017-18 assessed valuation of their real estate are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Value</u>
Susquehanna Valley Mall Assoc.	Retail	\$7,315,090
Bre Re Monroe Monroe MP PA LP	Retail	7,085,130
Tandem Mezz B LLC	Nursing home/apts	1,864,890
Weis Markets	Retail	1,812,200
Target Corporation	Retail	1,710,000
Wal-Mart Real Estate Business	Retail	1,707,200
Lowe's Home Centers Inc.	Retail	1,176,890
Plaza Shopping Center	Retail	1,117,870
Orchard Hills Shopping	Retail	1,010,950
National Beef Packing Company	Industrial	<u>874,890</u>
TOTAL		\$25,675,110

Source: Snyder County Assessment Office

SELINGSGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018
Local Tax Rates for the 2017-18 Fiscal Year

Real Estate Millage Rates (Based on 100% Assessment)	
Selingsgrove Area School District.....	65.9900
Snyder County.....	21.8125
Per Capita	\$10
Real Estate Transfer	
Selingsgrove Area School District	0.5%
Municipalities.....	0.5%
Earned Income Tax	
Selingsgrove 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	17,430,517	16,738,132	96.1	17,301,691	99.3
2018-19 (1)	17,833,398	17,095,148	95.9	17,720,148	99.4

(1) Budgeted

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

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

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>2017-18 Enrollment</u>
Elementary Schools:					
Selinsgrove Area Elementary	1962	2008	K-2	800	545
Selinsgrove Area Intermediate	1997	none	3-5	925	572
Middle School:					
Selinsgrove Area Middle School	1974	none	6-8	836	681
Secondary School:					
Selinsgrove Area High School	1936	1942/1954/1968 1969/1983/2008	9-12	1,274	<u>826</u>
Total Enrollment:					2,624

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>
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	2,624
2018-19	2,618
2019-20 (1)	2,609
	(1) projected

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2018	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLB Title I	(I)	84.010	013-170377	\$ 646,464	7-1-16 / 9-30-18	\$ 212,227	\$ 73,454	\$ 138,773	\$ 138,773	\$ -	\$ -
NCLB Title I	(I)	84.010	013-180377	660,488	7-1-17 / 9-30-19	442,474	-	525,686	525,686	83,212	-
Total NCLB Title I						654,701	73,454	664,459	664,459	83,212	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-170377	136,755	7-1-16 / 9-30-18	9,042	9,042	-	-	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-180377	92,473	7-1-17 / 9-30-19	92,473	-	92,473	92,473	-	-
Total NCLB Title II Part A Improving Teacher Quality						101,515	9,042	92,473	92,473	-	-
Perkins - Secondary	(I)	84.048	380-180089	25,906	7-1-17 / 6-30-18	23,551	-	25,906	25,906	2,355	-
Keystones to Opportunities - Striving Readers Grant	(I)	84.371	143-160377	561,265	10-1-16 / 9-30-17	374,177	85,542	288,635	288,635	-	-
NCBL Title IV	(I)	84.424	144-180377	15,037	7-1-17 / 9-30-19	7,017	-	13,368	13,368	6,351	-
Total State Department of Education				2,138,388		1,160,961	168,038	1,084,841	1,084,841	91,918	-
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	-	-	-	-
IDEA B	(I)	84.027	N/A	344,840	7-1-17 / 6-30-18	-	-	344,840	344,840	344,840	-
IDEA 619	(I)	84.173	N/A	9,371	7-1-16 / 6-30-17	9,371	9,371	-	-	-	-
IDEA 619	(I)	84.173	N/A	7,140	7-1-17 / 6-30-18	-	-	7,140	7,140	7,140	-
Total Special Education Cluster						366,861	366,861	351,980	351,980	351,980	-
Total Cental Susquehanna Intermediate Unit				718,841		366,861	366,861	351,980	351,980	351,980	-
TOTAL DEPARTMENT OF EDUCATION				2,857,229		1,527,822	534,899	1,436,821	1,436,821	443,898	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
National School Lunch	(I)	10.555	1-29-54-080-3	2,504	7-1-16 / 6-30-17	2,504	2,504	-	-	-	-
National School Lunch	(I)	10.555	1-29-54-080-3	481,481	7-1-17 / 6-30-18	481,481	-	481,481	481,481	-	-
National School Lunch	(S)	N/A	1-29-54-080-3	170	7-1-16 / 6-30-17	170	170	-	-	-	-
National School Lunch	(S)	N/A	1-29-54-080-3	34,301	7-1-17 / 6-30-18	34,301	-	34,301	34,301	-	-
School Breakfast	(I)	10.553	1-29-54-080-3	289	7-1-16 / 6-30-17	289	289	-	-	-	-
School Breakfast	(I)	10.553	1-29-54-080-3	59,630	7-1-17 / 6-30-18	59,630	-	59,630	59,630	-	-
School Breakfast	(S)	N/A	1-29-54-080-3	17	7-1-16 / 6-30-17	17	17	-	-	-	-
School Breakfast	(S)	N/A	1-29-54-080-3	3,570	7-1-17 / 6-30-18	3,570	-	3,570	3,570	-	-
Summer Food	(I)	10.559	1-29-54-080-3	3,703	7-1-16 / 6-30-17	3,703	-	3,703	3,703	-	-
Total State Department of Education				585,665		585,665	2,980	582,685	582,685	-	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	1-29-54-080-3	N/A	7-1-17 / 6-30-18	(A) 89,855	(B) 2,811	90,103	(C) 90,103	(D) 3,059	-
TOTAL DEPARTMENT OF AGRICULTURE				585,665		675,520	5,791	672,788	672,788	3,059	-
LESS: STATE FUNDS											
Total Child Nutrition Cluster				38,058		38,058	187	37,871	37,871	-	-
				547,607		637,462	5,604	634,917	634,917	3,059	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 3,404,836		\$ 2,165,284	\$ 540,503	\$ 2,071,738	\$ 2,071,738	\$ 446,957	\$ -

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

See notes to Schedule of Expenditures of Federal Awards

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1: REPORTING ENTITY

Selingsrove 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 1E 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 2018 threshold for determining Type A and Type B programs is \$750,000. The District had no type A programs.

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, 2018, totaled \$634,917 or 30.6% 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	\$ 59,630	84.027	\$ 344,840
10.555	571,584	84.173	7,140
10.559	3,703		
Total	\$ 634,917	Total	\$ 351,980

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.



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

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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 24, 2019.

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.



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 Axlerod LLC

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania
January 24, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**

INDEPENDENT AUDITOR'S REPORT

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, 2018. The District's major federal programs is 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, 2018.

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.



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

Experience. Expertise. Accountability.

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 Axlerod LLC

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania
January 24, 2019

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 auditor’s report issued on compliance for major programs: Unmodified

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

Identification of major programs:

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

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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