

**SHIKELLAMY SCHOOL DISTRICT  
SUNBURY, Pennsylvania**

**Financial and Single Audit Reports**

**For the Year Ended June 30, 2017**

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**SINGLE AUDIT**

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*Independent Auditor's Report*

Members of the School Board  
Shikellamy School District  
200 Island Blvd.  
Sunbury, Pennsylvania 17801

***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 Shikellamy School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary info, such as combining and individual fund statements, the schedule of expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, the budgetary comparison schedule and the schedule of expenditures of federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, the budgetary comparison schedule and the schedule of expenditures of federal

awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Klacit B Associates PC*

Shamokin, Pennsylvania  
December 14, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Management's Discussion and Analysis (MD&A) of the Shikellamy School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the Independent Auditor's Report and notes to the financial statements to augment their understanding of the District's financial performance.

### **Background**

Based on the volume of the Shikellamy School District's annual expenditures, 2002-03 was the first fiscal year the District's financial statements were required to meet the GASB 34 Accounting Standards. Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, properly combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

For the Shikellamy School District, beginning in 2002-03, various statements required under GASB 34 are:

- ❖ Statement of Net Position
- ❖ Statement of Activities
- ❖ Balance Sheet of Governmental Funds
- ❖ Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ❖ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ❖ Statement of Revenues, Expenditures and Changes in Fund Equity – Budget vs. Actual – General Fund

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the district. In the Shikellamy School District only the cafeteria is structured as a business activity, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

Funds analyzed in this audit include:

- ❖ Governmental activities including:
  - General Fund (including Athletic Fund)
  - Capital Projects Fund
  - Capital Reserve Fund
- ❖ Fiduciary Funds:
  - Private Purpose Trust Funds – Various small scholarship funds
  - Agency Fund – Student activity accounts

## Financial Highlights

Key financial highlights for the year ending June 30, 2017, are as follows:

- ❖ Total fund balance of all governmental funds equals \$13,663,622.
- ❖ General fund balances:

Committed	\$1,321,550
Assigned	\$7,393,802
Unassigned	\$3,074,612

  - Total general fund revenue was \$526,046 or 1.2% over budget.
  - Total general fund expenses were \$1,126,174 or 2.5% under budget.
- ❖ The District's Proprietary Fund/Business-Type Activity (Cafeteria) showed an unrestricted net position balance of \$44,631.

## Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- 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 like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as 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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain is summarized in the table that follows.

**Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net position *Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*Statement of fiduciary net assets *Statement of changes in fiduciary net position
Accounting basis measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Analysis of Overall Financial Position and Results of Operations Over the Past Fiscal Year**

**Net Position** – On June 30, 2017, the District has total net position from governmental activities of \$(49,451,332); which is a decrease of \$9,027,779 in the fiscal year. Net pension liability and other post employment benefit costs being the issues that most significantly affected the net position decrease in the 2016-17 fiscal year.

Business Type Activities (Food Service) has total net position of \$108,836, a net position decrease of \$101,438, due to a net loss in food service operations, however, this also includes depreciation expense of capital assets of \$34,594. No General Fund subsidy was needed in 2016-17 and the food service operation continues to closely monitor the profit and loss situation.

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2017 and 2016.

**Table 1**  
**Condensed Statement of Net Position(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total School District		Total % of Change 2016-17
	2017	2016	2017	2016	2017	2016	
<b>Assets</b>							
Current & Other Assets	\$20,177	\$22,000	\$429	\$155	\$20,606	\$22,155	(7.0)
Capital Assets	<u>34,004</u>	<u>37,560</u>	<u>64</u>	<u>96</u>	<u>34,069</u>	<u>37,656</u>	(9.5)
Total Assets	<u>\$54,181</u>	<u>\$59,559</u>	<u>\$494</u>	<u>\$251</u>	<u>\$54,675</u>	<u>\$59,810</u>	<b>(8.6)</b>
<b>Deferred Outflow - Pensions</b>							
	\$10,626	\$4,677	\$ -	\$ -	\$10,626	\$4,677	127.2
<b>Liabilities</b>							
Current Liabilities	\$ 4,801	\$ 8,431	\$385	\$41	\$ 5,185	\$ 8,472	(38.8)
Long-Term Liabilities	<u>108,020</u>	<u>94,668</u>	<u>-</u>	<u>-</u>	<u>108,020</u>	<u>94,668</u>	14.1
Total Liabilities	\$112,821	\$103,099	\$385	\$41	\$113,205	\$103,140	<b>9.8</b>
<b>Deferred Outflow – Pensions</b>							
	\$1,438	\$1,561	\$ -	\$ -	\$1,438	\$1,561	(7.9)
<b>Net Position</b>							
Net Investments in							
Capital Assets	\$(2,919)	\$1,227	\$64	\$96	\$(2,854)	\$1,323	(315.7)
Restricted	-	-	-	-	-	-	-
Unrestricted	<u>(46,533)</u>	<u>(41,651)</u>	<u>45</u>	<u>115</u>	<u>(46,488)</u>	<u>(41,536)</u>	(11.9)
Total Net Position	<u>\$(49,451)</u>	<u>\$(40,424)</u>	<u>\$109</u>	<u>\$210</u>	<u>\$(49,342)</u>	<u>\$(40,213)</u>	(22.7)

Note: Totals may not add due to rounding.

Net Position – Total net position of Governmental Funds equals \$(49,451,332). The following is included:

- ◆ Construction Fund - \$837,527 (committed to projects).
- ◆ Capital Reserve Fund - \$712,573.
- ◆ General Fund –\$3,074,612 is unassigned fund balance; \$8,715,352 is assigned or committed fund balance; \$323,558 is reserved for inventories and prepaid expenditures.

Table 2 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2017 and 2016.

**Table 2**  
**Changes in Net Position (in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total School District		Total % Change
	2017	2016	2017	2016	2017	2016	2016-17
<b>Program Revenue</b>							
Charges for Services	\$-	\$ 264	\$ 289	\$ 348	\$ 289	\$ 612	(52.8)
Operating Grants and Contributions	11,572	9,512	1,132	1,069	12,705	10,582	20.1
<b>General Revenue</b>							
Property Taxes	14,920	14,337	-	-	14,920	14,337	4.1
Taxes Levied for Specific Purposes	5,196	5,186	-	-	5,196	5,186	0.2
Grants and Entitlements	13,350	13,007	-	-	13,350	13,007	2.6
Investment Earnings	115	90	1	-	116	91	27.8
Sale/Disposal of Assets	-	-	-	-	-	-	-
Transfer	(12)	(4)	12	4	-	-	-
Other	<u>970</u>	<u>261</u>	<u>-</u>	<u>-</u>	<u>970</u>	<u>261</u>	271.5
Total Revenues	<u>46,111</u>	<u>42,653</u>	<u>1,435</u>	<u>1,421</u>	<u>47,545</u>	<u>44,075</u>	<b>7.9</b>
<b>Program Expense</b>							
Instruction	40,285	31,344	-	-	40,285	31,344	28.5
Instructional Student Support	11,413	2,786	-	-	11,413	2,786	309.7
Administrative and Financial	308	2,927	-	-	308	2,927	(89.5)
Operation and Maintenance	562	2,762	-	-	562	2,762	(79.7)
Pupil Transportation	726	1,496	-	-	726	1,496	(51.4)
Student Activities	8	557	-	-	8	557	(98.5)
Community Services	-	35	-	-	-	35	(100.0)
Facilities Improvements	-	-	-	-	-	-	-
Interest and Fiscal Charges	1,036	1,255	-	-	1,036	1,255	(17.5)
Food Service	<u>-</u>	<u>-</u>	<u>1,536</u>	<u>1,441</u>	<u>1,536</u>	<u>1,441</u>	6.6
Total Expenses	<u>54,339</u>	<u>43,163</u>	<u>1,536</u>	<u>1,441</u>	<u>55,875</u>	<u>44,604</u>	<b>25.3</b>
Increase (Decrease)	(8,228)	(509)	(101)	(20)	(8,330)	(529)	(1,474.8)
Net Position Restated (Cap. Appraisal)	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>-</u>	-
<b>Increase (Decrease) in Net Position</b>	<u><b>\$(9,028)</b></u>	<u><b>\$(509)</b></u>	<u><b>\$(101)</b></u>	<u><b>\$(20)</b></u>	<u><b>\$(9,129)</b></u>	<u><b>\$(529)</b></u>	<u><b>(1,626.0)</b></u>

Note: Totals may not add due to rounding.

As of June 30, 2017 and 2016, the District held the following other fund balances:

- ❖ Ending cash and cash equivalents in its proprietary fund (cafeteria) of \$120,707 and \$22,452 (out of total unrestricted net position of \$44,631 and \$114,526).
- ❖ Private Purpose Trust Fund balance totals of \$39,110 and \$43,086 in various small scholarship funds.

## **Budgetary Variances**

- ❖ Total General Fund Revenues were over budget by \$526,046 or 1.2%.
  - 2015-16 PlanCon reimbursements which were budgeted but not state reimbursed, were paid by the State in 2016-17.
- ❖ Total General Fund Expenditures were under budget by \$1,126,174 or 2.5%.
  - The majority of the variance in expenditures is due to the efforts of school district personnel who scrutinize purchase decisions and try to economize wherever possible. This is done by a wide-range of methods, from bidding to cost/benefit analysis of items or services. This continues to be done year-after-year.
- ❖ Business-Type Activities show a decrease of \$(101,438).
  - Food service revenue decreased \$58,468 or 16.8%, while federal and state subsidies increased \$63,088 or 5.9%.
  - Meanwhile, food service expenses increased \$95,129 or 6.6%, primarily due to increased food and supply costs, as well as payroll benefits.

## **Significant Capital Activity**

During the 2016-17 school year, the School District finalized construction of the new middle school and the school opened to students at the beginning of the school term.

- ❖ According to the Official Statement for the District's General Obligation Bonds, Series of 2016, the District's legal capacity for borrowing stands at \$54,179,858.

## Currently Known Facts, Decisions or Conditions

The School District did not participate under Pennsylvania Act 72 of 2004 ("The Homeowner Tax Relief Act"). Only 111 of the state's 501 public school districts elected to participate under Act 72 by the May 30, 2005, deadline. In response, a number of Bills were introduced in the Pennsylvania General Assembly which variously would extend the date by which the board of school directors of a school district may elect to participate under Act 72; require non-participating districts to put the question of participating under Act 72 to the voters at a public referendum; subject tax increases in future fiscal years to public referendum regardless of whether a school district has elected to participate under Act 72; or amend Act 72 to make its implementation mandatory for all school districts.

However, proposed taxpayer relief was state-mandated when Act 1 of Special Session 2006 created the "Taxpayer Relief Act," which utilizes gaming dollars and a local shift to an earned or personal income tax to fund the plan. There are a number of steps and requirements that school districts must follow in order to implement Act 1.

In general, Act 1 is intended to:

- ❖ Provide every qualified owner-occupied home and farm with a potential school property tax reduction. Taxpayers, if they vote to do so, may pay some additional income tax to the school district which needs to be taken into account in terms of the "net" tax reduction to taxpayers.
- ❖ Facilitates a tax reduction and possibly a tax shift but does not directly provide additional revenue to school districts to fund academic programs.
- ❖ School districts will have limits on the ability to raise property tax rates without seeking voter approval.
- ❖ Provide for school district property tax reduction funded through gaming revenue allocated by the state.
- ❖ Citizens can have periodic opportunities to consider raising the initial local income-based taxes to provide for further property tax reduction.

Other than those issues listed in the MD&A or in the notes to the audited financial statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

## Additional Financial Information

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. Additional information regarding the financial statements may be obtained from the Business Manager, Shikellamy School District, 200 Island Boulevard, Sunbury, Pennsylvania 17801.

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 14,948,497	\$ 120,707	\$ 15,069,204
Investments	830	1,077	1,907
Taxes Receivable, net of allowance of \$887,657	1,867,272	-	1,867,272
Intergovernmental Receivables	3,029,652	271,542	3,301,194
Prepaid Expenses	6,807	-	6,807
Inventories	323,558	35,993	359,551
<b>TOTAL CURRENT ASSETS</b>	<b>20,176,616</b>	<b>429,319</b>	<b>20,605,935</b>
<b>NON-CURRENT ASSETS:</b>			
Land and Site Improvements (net of Accumulated Depr.)	1,908,456	-	1,908,456
Building and Building Improvements (net of Accumulated Depreciation)	31,189,593	-	31,189,593
Furniture and Equipment (net of Accumulated Depr.)	906,330	64,205	970,535
<b>TOTAL NON-CURRENT ASSETS</b>	<b>34,004,379</b>	<b>64,205</b>	<b>34,068,584</b>
<b>TOTAL ASSETS</b>	<b>54,180,995</b>	<b>493,524</b>	<b>54,674,519</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts Related to Pensions	10,626,320	-	10,626,320
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>64,807,315</b>	<b>493,524</b>	<b>65,300,839</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES:</b>			
Accounts Payable	1,022,150	6,418	1,028,568
Accrued Salaries and Benefits	3,778,604	365,032	4,143,636
Unearned Revenues	-	13,058	13,058
Long Term Liabilities:			
Due within one Year:			
Bonds Payable	2,527,000	-	2,527,000
Capital Leases	145,842	-	145,842
Compensated Absences	25,000	-	25,000
Due in more than one year:			
Bonds Payable	34,099,000	-	34,099,000
Capital Leases	151,099	-	151,099
Compensated Absences	167,725	-	167,725
Net Pension Liability	70,272,000	-	70,272,000
Other Postemployment Benefit Obligation	632,227	-	632,227
<b>TOTAL LIABILITIES:</b>	<b>112,820,647</b>	<b>384,508</b>	<b>113,205,155</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts Related to Pensions	1,438,000	-	1,438,000
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>114,258,647</b>	<b>384,508</b>	<b>114,643,155</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	(2,918,562)	64,205	(2,854,357)
Unrestricted	(46,532,770)	44,631	(46,488,139)
<b>TOAL NET POSITION</b>	<b>\$ (49,451,332)</b>	<b>\$ 108,836</b>	<b>\$ (49,342,496)</b>

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

**Shikellamy School District  
Sunbury, Pennsylvania  
Statement of Activities  
For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 40,285,371	-	\$ 8,601,838	\$ (31,683,533)	-	\$ (31,683,533)
Instructional Student Support	11,413,055	-	1,933,389	(9,479,666)	-	(9,479,666)
Administrative and Financial Support Services	308,208	-	-	(308,208)	-	(308,208)
Operation and Maintenance of Plant Services	562,120	-	-	(562,120)	-	(562,120)
Pupil Transportation	726,329	-	967,313	240,984	-	240,984
Student Activities	8,169	-	69,528	61,359	-	61,359
Interest on Long Term Debt	1,035,809	-	-	(1,035,809)	-	(1,035,809)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>54,339,061</b>	<b>-</b>	<b>11,572,068</b>	<b>(42,766,993)</b>	<b>-</b>	<b>(42,766,993)</b>
<b>BUSINESS TYPE ACTIVITIES</b>						
Food Services	1,535,999	289,216	1,132,441	-	(114,342)	(114,342)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 55,875,060</b>	<b>\$289,216</b>	<b>\$12,704,509</b>	<b>(42,766,993)</b>	<b>(114,342)</b>	<b>(42,881,335)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>						
Property Taxes, Levied for General Purposes				14,919,733	-	14,919,733
Public Utility Realty, Earned Income and Per Capita Taxes Levied for General Purposes				5,196,361	-	5,196,361
Grants, Subsidies, and Contributions Not Restricted				13,350,168	-	13,350,168
Transfers				(12,357)	12,357	-
Investment Earnings				115,303	547	115,850
Miscellaneous Income				969,627	-	969,627
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>34,538,835</b>	<b>12,904</b>	<b>34,551,739</b>
Change in Net Position				(8,228,158)	(101,438)	(8,329,596)
Net Position - June 30, 2016				(40,423,553)	210,274	(40,213,279)
Restatement for July 1, 2016 (see Note 16)				(799,621)	-	(799,621)
Restated Net Position - July 1, 2016				(41,223,174)	-	-
Net Position - June 30, 2017				<b>\$ (49,451,332)</b>	<b>\$ 108,836</b>	<b>\$ (49,342,496)</b>

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

**Shikellamy School District  
Sunbury, Pennsylvania  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	General Fund	Capital Projects Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 13,398,397	\$ 1,550,100	\$ 14,948,497
Investments	830	-	830
Taxes Receivable	1,867,272	-	1,867,272
Intergovernmental Receivables	2,934,270	-	2,934,270
Other Receivables	95,382	-	95,382
Prepaid Expenses	6,807	-	6,807
Inventories	323,558	-	323,558
<b>TOTAL ASSETS</b>	<b>18,626,516</b>	<b>1,550,100</b>	<b>20,176,616</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>18,626,516</b>	<b>1,550,100</b>	<b>20,176,616</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	1,022,150	-	1,022,150
Compensated Absences	91,998	-	91,998
Payroll Deductions & Withholdings	1,790,563	-	1,790,563
Accrued Salaries and Benefits	1,988,041	-	1,988,041
<b>TOTAL LIABILITIES</b>	<b>4,892,752</b>	<b>-</b>	<b>4,892,752</b>
<b>UNAVAILABLE REVENUE</b>	<b>1,620,242</b>	<b>-</b>	<b>1,620,242</b>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance	323,558	-	323,558
Restricted for Debt Service/Pension/ Health Care/Capital Projects	1,321,550	1,550,100	2,871,650
Assigned For Future Salary/Health Care/ and or Pension Costs'	7,393,802	-	7,393,802
Unrestricted Fund Balance	3,074,612	-	3,074,612
<b>TOTAL FUND BALANCES</b>	<b>12,113,522</b>	<b>1,550,100</b>	<b>13,663,622</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 18,626,516</b>	<b>\$ 1,550,100</b>	<b>\$ 20,176,616</b>

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

**Shikellamy School District  
Sunbury, Pennsylvania  
Reconciliation of Governmental Funds Balance Sheet  
To the Statement of Net Position  
Governmental Funds  
As of June 30, 2017**

**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 13,663,622

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. 34,004,379

Deferred outflows and inflows of resources related to pension are applicable to future periods, and therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	10,626,320
Deferred inflows of resources related to pensions	(1,438,000)

Long-term liabilities, applicable to the District's gov. act are not due and payable in the current period and accordingly, are not reported as liabilities in the fund statements. All liabilities, both current and long term are reported on the statement of net position. Balances as of June 30, 2017 are:

Other postemployment benefits	(632,227)	
Bonds payable	(36,626,000)	
Capital Leases	(296,941)	
Net Pension Liability	(70,272,000)	
Compensated absences	(100,727)	
		(107,927,895)

Delinquent personal and property taxes receivable are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 1,620,242

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (49,451,332)**

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

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Capital Projects Fund	Other Non Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Source:	\$ 21,713,404	\$ 25,153	\$ -	\$ 21,738,557
State Sources	22,343,793	-	-	22,343,793
Federal Sources	1,647,599	-	-	1,647,599
<b>TOTAL REVENUES</b>	<b>45,704,796</b>	<b>25,153</b>	<b>-</b>	<b>45,729,949</b>
<b>EXPENDITURES</b>				
Instruction	30,045,288	-	-	30,045,288
Support Services	10,505,936	-	115,334	10,621,270
Non-Instructional Services	563,767	-	-	563,767
Facilities, Acquisition, Construction & Improvement Se	-	2,392,310	-	2,392,310
Interest Expense	1,024,293	-	-	1,024,293
Debt Service	2,485,612	-	-	2,485,612
<b>TOTAL EXPENDITURES</b>	<b>44,624,896</b>	<b>2,392,310</b>	<b>115,334</b>	<b>47,132,540</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,079,900</b>	<b>(2,367,157)</b>	<b>(115,334)</b>	<b>(1,402,591)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	-	-	9,045,000	9,045,000
Bond Premium	-	-	389,460	389,460
Bond Discount	-	-	(67,838)	(67,838)
Debt Service-Refunded Bonds	-	-	(9,251,288)	(9,251,288)
Sale of or Compensation for Loss of Fixed Assets	18,590	-	-	18,590
Interfund Transfers In (Out)	(21,995)	9,638	-	(12,357)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,405)</b>	<b>9,638</b>	<b>115,334</b>	<b>121,567</b>
<b>Net Change in Fund Balances</b>	<b>1,076,495</b>	<b>(2,357,519)</b>	<b>-</b>	<b>(1,281,024)</b>
Fund Balance - July 1, 2016	11,037,027	3,907,619	-	14,944,646
Fund Balance - June 30, 2017	<b>\$ 12,113,522</b>	<b>\$ 1,550,100</b>	<b>\$ -</b>	<b>\$ 13,663,622</b>

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

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (1,281,024)</b>
Reconciliation of prior tax receivables and deferred revenue that will not be collected for several months after the District's year end require an adjustment not included in the governmental funds.	254,722
Interest is reported as an expenditure when due in the governmental funds, but I accrued on outstanding debt on the statement of activities. Accrued interest increased by this amount this year	(6,764)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.	
District Pension Contributions	5,569,531
Cost of pension benefits earned, net of employee contributions	(12,332,512)
Issuance of long term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. However neither transaction has any effect on net position. Also,	
Increase in Other Post Employment Benefits	(235,628)
Increase In Compensated Absences	(6,163)
Bonds Issued	(9,045,000)
Repayment of Debt Principal	11,251,000
Decrease in Capital Leases Payable	279,612
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Disposal of Assets	(722,520)
Depreciation is recognized in the statement of activities, but is not recognized in the governmental funds	(1,953,412)
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (8,228,158)</u></b>

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

**Shikellamy School District  
Sunbury, Pennsylvania  
Statement of Net Position  
Proprietary Fund  
June 30, 2017**

	<u>Food Service</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 120,707
Investments	1,077
Due from other governments	271,362
Inventories	<u>35,993</u>
Total Current Assets	<u>429,139</u>
<i>Noncurrent Assets:</i>	
Machinery and Equipment	1,112,605
Less: Accumulated Depreciation	<u>(1,048,400)</u>
Total Noncurrent Assets	64,205
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>493,344</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<i>Current Liabilities:</i>	
Accounts Payable	6,418
Accrued Salaries & Benefits	365,032
Unearned Revenue	13,058
Total Current Liabilities	<u>384,508</u>
<b>TOTAL LIABILITIES</b>	<u><b>384,508</b></u>
<b>NET POSITION</b>	
Investment in Capital Assets, net of Related Debt	64,205
Unrestricted Net Position	<u>44,631</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 108,836</b></u>

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

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	<u>\$ 289,216</u>
TOTAL OPERATING REVENUES	<u>289,216</u>
OPERATING EXPENSES:	
Salaries	450,494
Employee Benefits	345,952
Purchased Services	13,103
Supplies	685,769
Depreciation	34,594
Other Operating Expenses	<u>6,087</u>
TOTAL OPERATING EXPENSES	<u>1,535,999</u>
OPERATING INCOME/(LOSS)	<u>(1,246,783)</u>
NONOPERATING REVENUES (EXPENSES):	
Interfund Transfer	12,357
Earnings on Investments	547
State Sources	148,232
Federal Sources	<u>984,209</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,145,345</u>
CHANGE IN NET POSITION	<u>(101,438)</u>
NET POSITION - JULY 1, 2016	<u>210,274</u>
NET POSITION - JUNE 30, 2017	<u><u>\$ 108,836</u></u>

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

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	Food Service
<i>Cash Flows from Operating Activities</i>	
Cash Received from Customers and Intergovernments	\$ 254,813
Cash Payments to Employees for Services	(435,702)
Cash Payments to Suppliers for Goods and Services	(862,103)
Net Cash (Used for) Operating Activities	(1,042,992)
<i>Cash Flows from Noncapital Financing Activities</i>	
State Sources	148,232
Federal Sources	984,209
Net Cash Provided by Noncapital Financing Activities	1,132,441
<i>Cash Flows from Capital and Related Financing Activities</i>	
Capital Outlay	8,259
<i>Cash Flows from Investing Activities</i>	
Earnings on Investments	547
Net Cash Provided by Investing Activities	547
Net Increase (Decrease) in Cash and Cash Equivalents	98,255
Cash and Cash Equivalents Beginning of Year	22,452
Cash and Cash Equivalents End of Year	\$ 120,707
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (1,246,783)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	34,594
(Increase) Decrease in Due From Other Funds	(120,173)
(Increase) Decrease in Inventory	(2,376)
Increase (Decrease) in Accounts Payable	6,418
Increase (Decrease) in Accrued salaries and Benefits	360,744
Increase (Decrease) in Due to Other Funds	(75,607)
Increase (Decrease) in Deferred Revenue	191
Net Cash (Used for) Operating Activities	\$ (1,042,992)

See notes to financials which are in integral part of these statements

**Shikellamy School District  
Sunbury, Pennsylvania  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017**

	Private Purpose	Agency	Total Fiduciary
	Trust	Fund	Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 39,110	\$ 211,181	\$ 250,291
TOTAL ASSETS	39,110	211,181	250,291
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	39,110	211,181	250,291
<b>LIABILITIES</b>			
Other Current Liabilities	-	211,181	211,181
TOTAL LIABILITIES	-	211,181	211,181
<b>DEFERRED INFLOW OF RESOURCES</b>			
<b>NET POSITION</b>			
Reserved for Scholarships	39,110	-	39,110
TOTAL NET POSITION	\$ 39,110	\$ -	\$ 39,110

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

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2017**

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts & Contributions	<u>\$ 10,328</u>
TOTAL ADDITIONS	10,328
OTHER FINANCING SOURCES (USES)	
Scholarships Paid	<u>(14,304)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,304)</u>
CHANGE IN NET POSITION	<u>(3,976)</u>
NET POSITION - JULY 1, 2016	43,086
NET POSITION - JUNE 30, 2017	<u><u>\$ 39,110</u></u>

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

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Shikellamy School District provides public education to the residents of one city, two boroughs and three townships with four elementary schools, one middle school, and one high school in Northumberland County, Pennsylvania. The District is managed under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard- setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

The financial statements of Shikellamy School District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and-Management's Discussion and Analysis for State and Local Governments.

The Financial Statements include:

- Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and result of operations.
- Financial statements prepared using full-accrual accounting for all the District's activities.
- A change in the full financial statements to focus on major funds.

In February 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The financial statements included designation under this statement in the following categories: Restricted, Committed, Assigned and Unassigned.

A. Reporting Entity

The reporting entity was defined by applying the following criteria which was established by GSBA Statement Number 14, "The Financial Reporting Entity."

- (A) Financial interdependency
- (B) Selection of governing authority
- (C) Designation of management

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**A. Reporting Entity-Continued**

- (D) Ability to significantly influence operations
- (E) Accountability for fiscal matters

In defining the reporting entity, all known federal program awards received by the district have been included and have been subjected to the terms and requirements of the Single Audit Act.

In applying the above criteria, the District is not a component unit of another reporting entity, nor does it have any component units.

**B. 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 as 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 allocable expenditures is refundable by the SUN ATI to the member school districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

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

**C. Intermediate Unit**

The Shikellamy School 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, Shikellamy School District is able to secure various special services including federal program assistance and special education services.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

*D. Fund Accounting*

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent.

Established classifications are as follows:

Non-spendable – Amounts that cannot be spent because they are either in a non-spendable form or are legally or contractually required to be maintained intact.

Restricted — Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

**ORDER OF FUND BALANCE SPENDING POLICY**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, non-spendable fund balances are determined. Then, restricted fund balances for the non-General funds are classified as restricted fund balance.

It is possible for the non-General funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the non-General fund.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

E. *Basis of Presentation*

**Government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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.

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major fund types:

**Governmental Fund Types**

General Fund – The general fund is the general operating fund of the district and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**Governmental Fund Types -Continued**

expenditures and the capital improvements costs that are not paid through other funds are paid from the general fund.

Capital Projects Fund – The capital projects fund is used to account for all resources for the acquisition of capital facilities by the District.

**Proprietary Fund Types**

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the interest of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The food service program of the District is reported as an enterprise fund.

**Fiduciary Fund Types**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support school district programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities. .

F. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Measurement Focus and Basis of Accounting-Continued

against current operations and accumulated depreciation is reported on the statement of net position.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Budgets and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The financial statements utilize a revised budget as passed by the Shikellamy School District Board of Directors as a comparison against actual revenue and expenditures. Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Measurement Focus and Basis of Accounting-Continued

I. Inventories & Prepaid Expenses

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. Inventories in the governmental funds include printing program supplies, for which reserve of fund balance is provided. Other inventory items, considering principally of textbooks and instructional supplies are not valued since it is the consistent policy of the District to charge these items to expense.

Prepaid are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaid are similarly reported in government-wide and fund financial statements.

Inventories of the enterprise funds consist of food and production services inventory which are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date donation.

J. Liability for Compensated Absences

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of services or job classification.

Unused sick leave for all employees and unused vacation time have been calculated and are carried in the long-term debt account, except for cafeteria workers' liability which is carried in the proprietary fund.

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.

K. Capital Assets

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Measurement Focus and Basis of Accounting-Continued

and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5-40
Improvements, other than Buildings	2-20
Mobile Equipment	3-20
Furniture, Machinery, and Equipment	3-20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over the estimated useful life of the asset.

L. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly-liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost, including accrued interest which approximates fair value.

M. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as bond indenture.

N. Assigned Assets

Assigned assets are cash and cash equivalents whose use are intended to be used for a specific purpose but does not meet the criteria to be classified as restricted or committed. These amounts are assigned by the board of directors.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

P. Net Position

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Measurement Focus and Basis of Accounting-Continued

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net position invested in capital assets, net of related debt consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balance of any long term debt used to build or acquire the capital asset.

Q. Estimates

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

R. Tax Receivable

Tax receivables are reported at net realizable value. Amounts are written off when they are determined to be uncollectible based upon management's assessment of individual amounts. The allowance for doubtful accounts is based upon a combination of the District's historical losses and a percentage of aged receivables. The allowance for June 30, 2017 is \$887,657, which is on the face of the financials.

S. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of the total contributions to the pension system not included in pension expense and the District's contribution to the pension system subsequent to the measurement date.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Measurement Focus and Basis of Accounting-Continued

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. One item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of the total contributions to the pension system not included in pension expense. The other item is related to tax revenues and arises only under a modified accrual basis of accounting. Accordingly, this item of unavailable revenue is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. The governmental funds report unavailable revenues from property and per capital occupation tax.

U. Subsequent Events

Management has evaluated subsequent events through December 14, 2017 the date on which the financial statements were available to be issued.

**NOTE 2 - EXPLANATION of CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS and DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**NOTE 3 - DEPOSITS**

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 – DEPOSITS-CONTINUED**

Custodial Credit Risk-Continued

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to: Deposit in savings accounts or time deposits or share accounts of institutions insured by the FDIC to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that collateral as provided by law is pledged by the depository.

The School District's solicitor has reviewed the collateralization policies of the various banks and determined that it complies with Section 440.1(c) (iii) of the Pennsylvania School Code.

All deposits at June 30, 2017 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000. Deposits over this amount are collateralized by a pool of eligible securities established under Act 72 of the 1971 Session Of the Pennsylvania General Assembly for the protection of public depositors. The pledged securities in the pool are safe kept at correspondent banks in accounts specifically segregated for this purpose. Act 72 specifies that it is the bank's responsibility to maintain sufficient assets in the pool to collateralize adequately all public deposits greater than the \$250,000 per type of account per entity which is FDIC insured.

At June 30, 2017, the carrying amount of the District's deposits was \$15,319,494 and the bank balance was \$15,946,367. The bank balance, \$1,139,944 was covered by Federal depository insurance coverage and \$14,806,423 was exposed to custodial risk because it was uninsured and the collateral is held by the depository's agent.

**NOTE 4 - INVESTMENTS**

The District is permitted to invest funds consistent with sound business practices in the following types of investments:

1. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America,
  2. (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentality's backed by the full faith and credit of the political subdivision.
- 
2. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by the law therefore shall be pledged by the depository.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - INVESTMENTS-CONTINUED**

3. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933. So long as the following conditions are met: (a) Investments of that company are in the authorized investments for school district funds in the preceding paragraphs, (b) The investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7, (c) The investment company is rated in the highest category by a nationally recognized rating agency.

As of June 30, 2017, the District's investment balance by type and maturity were as follows:

Investment Type	Fair Value	Maturities		
		Less than 1 year	1-5 years	6-10 years
Capital Reserve-PLGIT	712,005	712,005	-	-
G.O. Bonds of 2015-PLGIT	838,095	838,095	-	-
Activites-PLGIT	293	293	-	-
Food Service-PLGIT	1,077	1,077	-	-
	1,551,471	1,551,471	-	-

*Custodial Credit Risk – Investments.* 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 investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

*Credit Risk.* The District has no investment policy that would limit its investment choices to certain credit ratings.

*Interest Rate Risk.* Interest Rate risk is the risk that changes in interest rates will adversely affect an investment's value. The District does not have a formal policy regarding interest rate risk.

**NOTE 5- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

	Interfund Receivables	Interfund Payables
General Fund	214,566	271,632
Cafeteria Fund	271,632	214,566
	486,198	486,198

These balances resulted from the time lag between the dates that 1) inter fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS-CONTINUED**

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	21,995	-
Capital Projects Fund	-	9,638
	<u>21,995</u>	<u>9,638</u>

**NOTE 6-CAPITAL ASSETS**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 839,526	\$ -	\$ 40,000	\$ 799,526
Total Capital Assets, Not Depreciated	839,526	-	40,000	799,526
Capital Assets, Being Depreciated:				
Site Improvements	2,863,360	564,564	-	3,427,924
Buildings and Building Improvements	29,365,041	19,677,061	-	49,042,102
Construction in Progress	20,260,034	-	(20,260,034)	-
Furniture and Equipment	9,154,240	-	(744,111)	8,410,129
Total Capital Assets, Being Depreciated	61,642,675	20,241,625	(21,004,145)	60,880,155
Less Accumulated Depreciation For:				
Site Improvements	(2,227,967)	(160,930)	69,903	(2,318,994)
Buildings and Building Improvements	(15,098,032)	(2,754,477)	-	(17,852,509)
Furniture and Equipment	(7,596,270)	-	92,471	(7,503,799)
Total Accumulated Depreciation	(24,922,269)	(2,915,407)	162,374	(27,675,302)
<b>Governmental Activities -</b>				
<b>Capital Assets, Net -</b>	<u>\$ 37,559,932</u>	<u>\$ 17,326,218</u>	<u>\$ (20,801,771)</u>	<u>\$ 34,004,379</u>
<b>Business Type Activities:</b>				
Furniture/Equipment	\$ 1,109,554	\$ 3,051	\$ -	\$ 1,112,605
Less: Accumulated Depreciation	(1,013,806)	(34,594)	-	(1,048,400)
<b>Business Type Activities-</b>				
<b>Capital Assets, Net</b>	<u>\$ 95,748</u>	<u>\$ 37,645</u>	<u>\$ -</u>	<u>\$ 64,205</u>

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

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6-CAPITAL ASSETS-CONTINUED**

Instruction	1,304,690
Instructional Student Support	8,207
Administrative & Financial Support Services	66,417
Operation & Maintenance of Plant Services	562,120
Pupil Transportation	3,809
Student Activities	8,169
	1,953,412
 Business activities	 34,594

**NOTE 7. LONG-TERM LIABILITIES**

The following is a summary of governmental long-term liability activity of the District for the year ending June 30, 2017 as well as the bonds and notes broken down by each year:

Governmental activities	Balance @ 07/01/16	Additions	Retirements	Balance @ 06/30/17	Current Portion
Long term debt	\$ 38,832,000	\$ 9,045,000	\$ 11,251,000	\$ 36,626,000	\$ 2,527,000
Capital lease payable	576,553	-	279,612	296,941	211,861
Compensated absences	186,562	6,163	-	192,725	25,000
Annual required contribution - OPEB	396,599	235,628	-	632,227	-
Net Pension Liability	57,437,000	12,835,000	-	70,272,000	-
Total	\$ 97,428,714	\$ 22,121,791	\$ 11,530,612	\$ 108,019,893	\$ 2,763,861

Description	Interest Rate	Amount of Original Issue	Balance as of 7/1/16	Additions	Retirements	Balance as of 6/30/17	Current Portion
Series of 2010A	2%	6,200,000	1,675,000	-	875,000	800,000	800,000
Series of 2013	3%	9,935,000	8,735,000	-	625,000	8,110,000	875,000
Series of 2013A	2%	9,835,000	9,825,000	-	8,775,000	1,050,000	65,000
Series of 2014	1.410%	3,330,000	1,747,000	-	726,000	1,021,000	507,000
Series of 2014A	3%	9,955,000	9,955,000	-	5,000	9,950,000	5,000
Series of 2015	2%	4,785,000	4,785,000	-	30,000	4,755,000	45,000
Series of 2015A	2%	2,255,000	2,110,000	-	215,000	1,895,000	220,000
Series of 2016A	1%	9,045,000	-	9,045,000	-	9,045,000	10,000
			38,832,000	9,045,000	11,251,000	36,626,000	2,527,000

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7. LONG-TERM LIABILITIES-CONTINUED**

Bonds and Notes payable at June 30, 2017 consisted of:

**Bond Series of 2010A**

During the fiscal year ended June 30, 2016 the School District issued General Obligation Bonds, Series of 2006 in the amount of \$10,000,000. Proceeds of the Bonds will be applied towards the completion of the School District's Capital Improvement Project of the existing high school; additions, alterations and renovations to the School District's other existing school buildings and other school facilities including the athletic facilities and to currently refund School District's outstanding General Obligation Bonds, Series of 2001. On November 18, 2010, the School District issued General Obligation Bonds, Series A of 2010 in the amount of \$6,200,000. The proceeds of the Bonds will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2006 and to pay the costs and expenses related to the issuance of the bonds. Interest on the bonds is due and payable semi-annually on May 15 and November 15.

**\$800,000**

**Bond Series of 2013**

During the fiscal year ended June 30, 2008, the School District issued General Obligation Bonds, Series of 2008 in the amount of \$10,000,000. Proceeds of the Bonds will be used to partially refund the School District's outstanding Bonds Series of 2002, 2003, and 2004. During the fiscal year ended June 30, 2013, the School District refunded this Bond Series of 2008 with General Obligation Bond Series of 2013 in the principal amount of \$9,935,000. Interest on the bonds is due and payable semi-annually on May 15 and November 15.

**\$8,110,000**

**Bond Series of 2013A**

During the fiscal year ended June 30, 2014, the School District issued General Obligation Bonds, Series of 2013A in the amount of \$9,835,000. Proceeds of the Bonds will be used (1) to demolish the existing C.W. Rice Middle School, (2) to acquire, design, construct, furnish and equip a new middle school, (3) for additions, alterations and renovations and other improvements to the School District's existing school buildings and related facilities; and (4) for paying the costs of issuing the Bonds. Interest on the bonds is due and payable semi-annually on May 15 and November 15. These were refinanced during the 2016 Bond Issue.

**\$ 1,050,000**

**Note Series of 2014**

During the fiscal year ended June 30, 2009, the School District issued General Obligation Bonds, Series of 2009 in the amount of \$8,515,000. During the fiscal year ended June 30, 2014, the School District refunded this Bond Series of 2009 with General Obligation Note Series of 2014 in the principal amount of \$3,330,000. Interest on the note is due and payable semi-annually on March 1 and September 1.

**\$ 1,021,000**

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7. LONG-TERM LIABILITIES-CONTINUED**

**Bond Series of 2014A**

During the fiscal year ended June 30, 2015, the School District issued General Obligation Bonds, Series of 2014A in the amount of \$9,955,000. Proceeds of the Bonds will be used (1) to acquire, design, construct, furnish and equip a new middle school on the site of the former C.W. Rice Middle School, (2) for additions, alterations and renovations and other improvements to the School District's existing school buildings and related facilities; and (3) for paying the costs of issuing the Bonds. Interest on the bonds is due and payable semi-annually on May 15 and November 15.

**\$ 9,950,000**

**Bond Series of 2015**

During the fiscal year ended June 30, 2016, the School District issued General Obligation Bonds, Series of 2015 in the amount of \$4,785,000. Proceeds of the 2015 Bonds will be used: (1) to acquire, construct and equip a new middle school, (2) for additions, alterations, renovations and other improvements to (a) the School District athletic facilities and other school facilities (b) the Sun Area Technical School; and (3) pay the costs of issuing the 2015 Bonds. Interest on the bonds is due and payable semi-annually on September 1 and March 1.

**\$ 4,755,000**

**Bond Series of 2015A**

During the fiscal year ended June 30, 2010, the School District issued General Obligation Bonds, Series of 2010 in the amount of \$3,000,000. Proceeds of the Bonds will be used for and towards alterations and improvements to various school buildings, including energy update and pay the costs and expenses of issuing the Bonds. During the fiscal year ended June 30, 2016 the School District issued General Obligation Bonds, Series A of 2015 in the amount of \$2,255,000. Proceeds of the 2015A Bonds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2010 outstanding in the aggregate principal amount of \$2,210,000 (the "2010 Bonds"); and (2) pay the costs of issuing the 2015A Bonds. Interest on the bonds is due and payable semi-annually on September 1 and March 1.

**\$ 1,895,000**

**Bond Series of 2016A**

In October, 2016, the School District issued General Obligation Bonds, Series of 2016 in the total amount of \$9,045,000. Proceeds of the 2016 Bonds will be used to: (1) advance refund a portion of the School District Outstanding Obligation Bonds, Series A of 2013, currently outstanding in the aggregate principal amount of \$9,825,000 (the "2013A Bonds"), of which \$8,770,000 shall be refunded (the "Refunded 2013A Bonds"); Interest on the bonds is due and payable semi-annually on September 1 and March 1.

**\$9,045,000**

Principal and interest payments for Bonds and Notes for the succeeding fiscal years are as follows:

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7. LONG-TERM LIABILITIES-CONTINUED**

<u>For the years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	2,527,000	881,059	3,408,059
2019	2,434,000	868,468	3,302,468
2020	2,500,000	818,643	3,318,643
2021	2,570,000	747,693	3,317,693
2022	2,650,000	674,418	3,324,418
2023-2027	14,210,000	2,396,432	16,606,432
2028-2031	9,735,000	466,406	10,201,406
Total	36,626,000	6,853,119	43,479,119

**NOTE 8-LEASES**

Operating Leases

The School District leases its copiers/printers under several lease agreements all having terms of four to five years. It is the procedure of the School District to continually upgrade this equipment. These continually revolving leases are classified as operating leases. Current year rental costs approximate \$170,000. Future annual lease payments are estimated for the next five years at approximately \$170,000 per year.

Capital Leases

The School District has entered into lease agreements as lessee for financing the acquisition of equipment (computer hardware). These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8-LEASES-CONTINUED**

Year Ending June 30:	Dell	Dell
2018	156,544	65,838
2019	156,544	65,838
2020	-	65,838
2021	-	65,838
Total Minimum Lease Payments	313,088	263,353
Less: Amount Representing Interest	(16,147)	(15,244)
Present Value of Minimum Lease Payments	296,941	248,109

Amortization expense for these assets is included in depreciation expense in the accompanying financial statements. The Dell Lease with rent expense of \$65,838 was not put on the books until FY 2018. This was purchased in July of 2017 so will only effect future payments.

**NOTE 9- PENSION PLAN**

Public School Employees' Retirement System Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deduction 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 the benefit terms. Investments are reported at fair value.

***General Information about the Pension Plan***

Plan description

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

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

Benefits provided

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

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

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

Contributions

*Member Contributions:*

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

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

Contributions-Continued

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%

The school district's contractually required contribution rate for fiscal year ended June 30, 2016 was 30.03% 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 \$5,569,531 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$70,272,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one- year reported covered payroll. At June 30, 2016, the District's proportion was 0.1418 percent, which was an increase of .0092 percent from its proportion measured as of June 30, 2015.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

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

For the year ended June 30, 2017, the District recognized pension expense of \$6,762,981. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportions	\$ 5,056,789	\$ -
Net difference between projected and actual investment earnings	-	(1,438,000)
Contributions subsequent to the measurement date	<u>5,569,531</u>	<u>-</u>
	\$ 10,626,320	\$ (1,438,000)

\$10,626,320 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017:

6/30/2017	1,576,000
6/30/2018	1,576,000
6/30/2019	2,795,000
6/30/2020	<u>2,277,000</u>
Total	8,224,000

**Actuarial Assumptions**

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2017 using the following actuarial assumptions applied to all periods included in the measurement.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

Actuarial Assumptions-Continued

**Changes in Actuarial Assumptions**

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, 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

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 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.

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public markets global equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPS	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100.0%	

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

**Discount rate**

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

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

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

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9- PENSION PLAN-CONTINUED**

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

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.50%
District's proportionate share of the net pension liability	85,961	70,272	57,088

Pension plan fiduciary net position

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

**NOTE 10 –COMPENSATED ABSENCES**

**Act 93 Administration**

Upon retirement from public school service or death, provided the employee has spent the last five (5) years of service in the Shikellamy School District, the School District shall pay to said employee or designated beneficiary the sum of fifty dollars (\$50.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed five thousand dollars (\$5,000).

**Teachers**

Upon retirement from public school service or death, provided the employee has spent the last fourteen (14) years of service in the Shikellamy School District, the School District shall pay to said employee or designated beneficiary the sum of twenty-five dollars (\$25.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed two thousand dollars (\$2,000).

**Support Personnel**

Full-time support personnel (those who work at least thirty-five (35) hours per week for nine (9) months or more) who receive one sick day for each month worked and may accumulate sick days without limit. Part-time employees who work twenty-five (25) hours per week or more shall be entitled to two (2) days of paid sick leave after working one (1) year. Thereafter, these part-time employees shall be entitled to one (1) day per year of employment to a maximum of seven (7) days. Upon retirement, provided the employee has spent the last fourteen (14) years of service in the Shikellamy School District, the School District shall pay to said employee the larger of a lump sum retirement allowance of five hundred dollars (\$500) or the sum of twenty-five dollars (\$25.00) for each day of unused sick leave accumulated with the

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 10 –COMPENSATED ABSENCES-CONTINUED**

maximum amount paid not to exceed two thousand dollars (\$2,000).

**Custodians, Food Service and Maintenance (Teamsters)**

Full-time employees will receive one sick day for each month worked and may accumulate sick days without limit. Part- time employees who work fifteen (15) hours per week or more shall be entitled to have (2) days of paid sick leave after working one (1) year. Thereafter, these part-time employees shall receive one (1) additional day per year to a maximum of five (5) days. Upon retirement, provided the employee has spent the last fourteen (14) years of service in the Shikellamy School District, the School District shall pay to said employee the larger of a lump sum retirement allowance of five hundred dollars (\$500) or the sum of fifty dollars (\$50.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed eighty (80) days or four thousand dollars (\$4,000).

The liability for compensated absences relating to employees paid from the governmental funds is payable from future resources. The estimated liability for compensated absences at June 30, 2017 is included in these financial statements.

The total compensated absences at year-end were \$192,725.

**NOTE 11 -TAX REVENUE**

Taxes are recognized as revenue when collected, and in addition, delinquent taxes that are estimated to be Real estate taxes for the District are collected. The tax on real estate for public school purposes for the year ended June 30, 2017 was 87 mills (\$87.00 per \$1,000) of assessed valuation as levied by the board. Assessed valuations of property are determined by the County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each year is as follows:

July 1	Levy Date
July 1 – August 31	2% Discount Period
September 1 – October 31	Face Payment Period
November 1 – December 31	10% Penalty Period
December 31	Lien Date

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected. The delinquent amount for property taxes as of June 30, 2017 was \$1,117,175.

**SHIKELLAMY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 –OTHER POST EMPLOYMENT BENEFITS OBLIGATION**

*Plan Description.* In addition to providing pension benefits, the District provides other postemployment benefits to all teachers and certain others who retire from full or part-time status under qualifications of the Pennsylvania School Employees' Retirement System. The School District funds all School District contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the School District's General Fund. Other postemployment benefits provided by the Shikellamy School District include a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the School District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

*Funding Policy.* The School District's contribution is based on projected pay-as-you-go financing requirements.

*Annual OPEB Cost.* The School District's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of *the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

*Actuarial Methods and Assumptions.* Projections for benefits for financial reporting proposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the School

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 –OTHER POST EMPLOYMENT BENEFITS OBLIGATION-CONTINUED**

District's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

For Fiscal Year July 1, 2016 to June 30, 2017

Annual required contribution	\$ 1,409,390
Interest on net OPEB obligation	17,847
Adjustment to Annual Required Contribution	<u>(67,303)</u>
Annual OPEB cost	1,359,934
Contributions made	<u>1,124,306</u>
Increase in net OPEB obligation	235,628
Net OPEB obligation, beginning of year	<u>396,599</u>
Net OPEB obligation, end of year	<u><u>\$ 632,227</u></u>

**Actuarial Methods and Assumptions**

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

In the July 1, 2016, actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 –OTHER POST EMPLOYMENT BENEFITS OBLIGATION-CONTINUED**

are based on age. There was also an inflationary rate assumption factored into the calculation.

Per the valuation, the interest rate is 4.50%, there is a 2.5% cost of living adjustment, 1% wage growth, 2.75% to 0.25% merit increases exist for teachers and administrators.

**NOTE 13 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2017 and the three previous fiscal years, no settlements exceeded insurance coverage.

The School District is a participant in the Central Susquehanna Region School Employees' Health and Welfare Trust, a local consortium of schools participating in self-insurance and health maintenance programs for staff medical, dental and vision benefits, life insurance coverage, and a wellness program. The Trust is organized as a consortium of participants in order to offer rate consistency regardless of claims.

**NOTE 14 - CONTINGENT LIABILITIES**

**Grant Programs**

The School District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

**Tax Revenue**

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

During the normal course of business the District is subject to numerous disputes and claims. At June 30, 2017, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

**SHIKELLY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15- NEW PRONOUNCEMENTS**

The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB No. 81, *Irrevocable Split Interest Agreements*; GASB No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*; GASB No. 85, *Omnibus 2017*; and GASB No. 86, *Certain Debt Extinguishment Issues effective for the year ending June 30, 2018*; GASB No. 83, *Certain Asset Retirement Obligations effective for the year ending June 30, 2019*; GASB No. 84, *Fiduciary Activities effective for the year ending June 30, 2020*, and GASB No. 87, *Leases effective for the year ending June 30, 2021*. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

**NOTE 16- RESTATEMENT FOR NET POSITION**

The District maintains Capital Asset Activity through an Industrial Appraisal. For the year ended June 30, 2017 the District had a new appraisal done, which took into account the completion of the middle school amount other things. Due to this new appraisal, the accumulated depreciation shown per the schedule and the depreciation on the books is a difference. Due to this, we will do a restatement of net position as of July 1, 2016 to show what the proper net position should be, then add in the proper amount of depreciation for the report.

Beginning Net Position July 1, 2016	\$ (40,423,553)
Adjustment For Depreciation	<u>(799,621)</u>
Restated Net Position July 1, 2016	\$ (41,223,174)

**SHIKELLAMY SCHOOL DISTRICT  
JUNE 30, 2017**

**Required  
Supplementary  
Information**

**SHIKELLAMY SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR THE**  
**POSTEMPLOYMENT BENEFITS PLAN**

2010, 2012, 2014, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (asset) (c)	Funded Ratio (a)/(b)	Annual Covered Payroll (d)	Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)
7/1/2016		\$ 7,148,572	\$ 7,148,572	-	\$ 16,911,733	42.27%
7/1/2014	-	8,986,754	8,986,754	-	15,599,505	57.61%
7/1/2012	-	9,306,276	9,306,276	-	15,692,384	59.30%
7/1/2010	-	11,385,908	11,385,908	-	18,244,082	62.41%

**SHIKELLAMY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

Last 3 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1418%	0.1326%	0.1338%	0.1370%
District's proportionate share of the net pension liability	\$70,272,000	\$57,437,000	\$52,959,000	\$56,083,000
District's covered-employee payroll	\$18,370,910	\$17,060,325	\$17,079,395	\$17,586,160
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.52%	336.67%	310.08%	318.90%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2016 fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.
2. The covered-employee payroll amount reported for 2016 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2016.

**SHIKELLAMY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT  
CONTRIBUTIONS PENSION PLAN**

Last 3 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,569,531	\$ 4,604,211	\$ 3,492,676	\$ 2,732,703
Contributions in relation to the contractually required contribution	<u>(5,569,531)</u>	<u>(4,604,211)</u>	<u>(3,492,676)</u>	<u>(2,732,703)</u>
Contribution deficiency (excess)		\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 18,370,910	\$ 18,416,843	\$17,060,325	\$17,079,395
Contributions as a percentage of covered-employee payroll	30.32%	25.00%	20.47%	16.00%

Amounts are based on actual contributions during the fiscal year.

Amounts are based on actual contributions during the fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.
2. The covered-employee payroll amount reported for 2017 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2017.

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Statement of Revenues, Expenditures & Change in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Revenues	\$ 21,073,321	\$ 21,073,321	\$ 21,713,404	\$ 640,083
State Program Revenues	22,068,137	22,068,137	22,343,793	275,656
Federal Program Revenues	1,648,039	1,648,039	1,647,599	(440)
<b>TOTAL REVENUES</b>	<b>44,789,497</b>	<b>44,789,497</b>	<b>45,704,796</b>	<b>915,299</b>
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Regular Programs	18,700,945	18,700,945	18,520,548	(180,397)
Special Programs	8,082,428	8,082,428	8,305,342	222,914
Vocational Programs	1,498,910	1,498,910	1,494,003	(4,907)
Other Instructional Programs	1,412,329	1,412,329	1,705,560	293,231
Nonpublic School Programs	20,461	20,461	19,835	(626)
Community/Junior College Programs	-	-	-	-
Pre-Kindergarten Programs	-	-	-	-
<i>Support Services:</i>				
Students	1,223,809	1,223,809	1,201,353	(22,456)
Instructional Staff Services	1,223,211	1,223,211	1,182,316	(40,895)
Administrative Services	2,540,485	2,540,485	2,333,891	(206,594)
Pupil Health	507,896	507,896	464,802	(43,094)
Business Services	501,077	501,077	494,564	(6,513)
Operation & Maint. of Plant Services	3,499,149	3,499,149	3,039,189	(459,960)
Student Transportation Services	1,671,414	1,671,414	1,629,634	(41,780)
Central and Other Support Services	170,052	170,052	160,187	(9,865)
Other Support Services	-	-	-	-
<i>Operation of Noninstructional Services:</i>				
Food Services	-	-	-	-
Student Activities	553,533	553,533	537,646	(15,887)
Community Services	38,300	38,300	26,121	(12,179)
Scholarships and Awards	-	-	-	-
Acquisition, Constr., & Improvements	-	-	-	-
Debt Service	3,695,475	3,695,475	3,509,905	(185,570)
Refund of Prior year's revenue	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>45,339,474</b>	<b>45,339,474</b>	<b>44,624,896</b>	<b>(714,578)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(549,977)</b>	<b>(549,977)</b>	<b>1,079,900</b>	<b>200,721</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers (Out)	8,500	8,500	(21,995)	(30,495)
Transfers Out to Component Units/Primary Governments	17,247	17,247	-	(17,247)
Budgetary Reserve	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	18,590	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>25,747</b>	<b>25,747</b>	<b>(3,405)</b>	<b>47,742</b>
<b>Net Change in Fund Balances</b>	<b>\$ (524,230)</b>	<b>\$ (524,230)</b>	<b>1,076,495</b>	<b>\$ 248,463</b>
Fund Balance - July 1, 2016			11,037,027	
Fund Balance - July 1, 2017			<u>\$ 12,113,522</u>	

**SHIKELLAMY SCHOOL DISTRICT  
JUNE 30, 2017**

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**Shikellamy School District  
Sunbury, Pennsylvania  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2017**

	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 837,527	\$ 712,573	\$ 1,550,100
Due from Other Funds	-	-	-
<b>TOTAL ASSETS</b>	<u>837,527</u>	<u>712,573</u>	<u>1,550,100</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>837,527</u>	<u>712,573</u>	<u>1,550,100</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance	<u>837,527</u>	<u>712,573</u>	<u>1,550,100</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 837,527</u>	<u>\$ 712,573</u>	<u>\$ 1,550,100</u>

**Shikellamy School District**  
**Sunbury, Pennsylvania**  
**Combining Statement of Revenues, Expenditures & Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>				
Local Sources:	\$ -	\$ 25,153	\$ -	\$ 25,153
<b>TOTAL REVENUES</b>	<b>-</b>	<b>25,153</b>	<b>-</b>	<b>25,153</b>
<b>EXPENDITURES</b>				
Support Services	-	-	115,334	115,334
Facilities, Acquisition, Construction & Improvement Services	175,529	2,216,781	-	2,392,310
<b>TOTAL EXPENDITURES</b>	<b>175,529</b>	<b>2,216,781</b>	<b>115,334</b>	<b>2,507,644</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(175,529)</b>	<b>(2,191,628)</b>	<b>(115,334)</b>	<b>(2,482,491)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	-	-	9,045,000	9,045,000
Bond Premium	-	-	389,460	389,460
Bond Discount	-	-	(67,838)	(67,838)
Debt Service-Refunded Bonds	-	-	(9,251,288)	(9,251,288)
Interfund Transfers In (Out)	-	9,638	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>9,638</b>	<b>115,334</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(175,529)</b>	<b>(2,181,990)</b>	<b>-</b>	<b>(2,357,519)</b>
Fund Balance - July 1, 2016	1,013,056	2,894,563	-	3,907,619
Fund Balance - June 30, 2017	<b>\$ 837,527</b>	<b>\$ 712,573</b>	<b>\$ -</b>	<b>\$ 1,550,100</b>

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

Members of the School Board  
Shikellamy School District  
200 Island Blvd.  
Sunbury, Pennsylvania 17801

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 Shikellamy School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2017.

***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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 Standard*.

### **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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Klacik & Associates PC*

Shamokin, Pennsylvania  
December 14, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Members of the School Board  
Shikellamy School District  
200 Island Blvd.  
Sunbury, Pennsylvania 17801

**Report on Compliance for Each Major Federal Program**

We have audited Shikellamy School District's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 (CFR) 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 Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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.

*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.



Shamokin, Pennsylvania  
December 14, 2017

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

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Passed Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received For Year	Accrued or (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue June 30, 2017
<b>U. S. DEPARTMENT OF EDUCATION</b>										
<b>PASSED THROUGH STATE DEPARTMENT OF EDUCATION</b>										
Title I Grants to Local Education Agencies	(I)	84.010	013-16-0427	9/10/15-9/30/16	743,588	102,495	102,495	-	-	-
Title I Grants to Local Education Agencies	(I)	84.010	013-16-0427	9/10/16-9/30/17	908,617	735,806	-	878,891	878,891	143,085
<b>Title I Grants to Local Education Agencies Subtotal</b>						838,301	102,495	878,891	878,891	143,085
Title II-Improving Teacher Quality	(I)	84.367	020-16-0427	9/10/15-9/30/16	145,898	29,023	29,023	-	-	-
Title II-Improving Teacher Quality	(I)	84.367	020-16-0427	9/10/16-9/30/17	143,027	114,675	-	136,895	136,895	22,220
<b>Title II-Improving Teacher Quality</b>						143,698	29,023	136,895	136,895	22,220
Title III- Language Instr LEP	(I)	84.365	020-16-0427	9/10/15-9/30/16	10,905	4,135	(326)	4,461	4,461	-
Title III- Language Instr LEP	(I)	84.365	020-16-0427	9/10/16-9/30/17	10,420	4,862	-	7,468	7,468	2,606
<b>Title III- Language Instr LEP</b>						8,997	(326)	11,929	11,929	2,606
Title VI Rural Education	(I)	84.358	Project #007-15-	7/1/15-6/30/16	56,809	29,411	27,674	1,737	1,737	-
Title VI Rural Education	(I)	84.358	Project #007-15-	7/1/16-6/30/17	61,345	33,461	-	42,644	42,644	9,183
<b>Title VI Rural Education</b>						62,872	27,674	44,381	44,381	9,183
21st Century Community Cohort 6A	(I)	84.287	4100071086	7/1/15-6/30/16	349,722	236,348	156,168	80,180	80,180	-
21st Century Community Cohort 7	(I)	84.287	4100068098	7/1/16-6/30/17	389,220	-	-	227,402	227,402	227,402
21st Century Community Cohort 7	(I)	84.287	4100068098	7/1/15-6/30/16	399,673	145,843	124,350	57,664	57,664	36,171
<b>21st Century Grants</b>						382,191	280,518	365,246	365,246	263,573
<b>PASSED THROUGH CENTRAL SUSQUEHANNA IU</b>										
Special Education-Preschool	(I)	84.173	131-150016	7/1/15-6/30/16	7,025	7,025	7,025	-	-	-
Special Education-Preschool	(I)	84.173	131-160017	7/1/16-6/30/17	4,998	4,998	-	4,998	4,998	-
Special Education - Grants to States	(I)	84.027	062-17-0016	7/1/16-6/30/17	627,618	443,118	627,618	627,618	627,618	812,118
Special Education - Grants to States	(I)	84.027	062-16-0016	7/1/15-6/30/16	593,228	593,228	593,228	-	-	-
<b>Total Special Education Cluster</b>						1,048,369	1,227,871	632,616	632,616	812,118
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>						<b>2,484,428</b>	<b>1,667,255</b>	<b>2,069,958</b>	<b>2,069,958</b>	<b>1,252,785</b>
<b>US DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
<b>PASSED THROUGH DEPARTMENT OF PA PUBLIC WELFARE</b>										
Medical Assistance	(I)	93.778		16-17	115,851	115,851	-	115,851	115,851	-
Medical Assistance	(I)	93.778		15-16	26,126	15,240	15,240	-	-	-
<b>Total US Department of Health &amp; Human Services</b>						<b>131,091</b>	<b>15,240</b>	<b>115,851</b>	<b>115,851</b>	<b>-</b>
<b>U.S. DEPT OF AGRICULTURE</b>										
<b>PASSED THROUGH STATE DEPARTMENT OF EDUCATION</b>										
National School Lunch Program (NSLP)	(I)	10.555	N.A.	07-01-16/06-30-17	N.A.	699,894	-	699,894	699,894	-
School Breakfast Program (SBP)	(I)	10.553	N.A.	07-01-16/06-30-17	N.A.	175,000	-	175,000	175,000	-
<b>PASSED THROUGH US DEPARTMENT OF AGRICULTURE</b>										
Value of USDA Commodities	(I)	10.555	N.A.	07-01-15/06-30-16	N.A.	58,560 (A)	21,448 (B)	88,654	88,654 (C)	51,542
Total Child Nutrition Cluster						933,454	21,448	963,548	963,548	51,542
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>						<b>933,454</b>	<b>21,448</b>	<b>963,548</b>	<b>963,548</b>	<b>51,542</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>						<b>\$ 3,548,973</b>	<b>\$ 1,703,943</b>	<b>\$ 3,149,357</b>	<b>\$ 3,149,357</b>	<b>\$ 1,304,327</b>

**Source Code Legend:**

- (I) Indicates Indirect Funding
- (S) Indicates State Matching Funds
- (D) Indicates Direct Funding

**Other Code Legend**

- (A) Total amount of commodities received
- (B) Beginning inventory at July 1, 2016
- (C) Total amount of commodities used
- (D) Ending inventory at June 30, 2017

**SHIKELLAMY SCHOOL DISTRICT**  
Sunbury, Pennsylvania  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

**1. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

The non-cash expenditures of \$88,654 reported under CFDA No. 10.555, Value of USDA Commodities (Food Commodities), represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service Commodity Price List. These food commodities were received from the Pennsylvania Department of Agriculture, Bureau of Food Distribution for the year ended June 30, 2017.

**2. CATEGORIZATION OF EXPENDITURES**

The accompanying Schedule of Expenditures of Federal Awards reflects federal expenditures for all programs which were active during the year. The categorization of expenditures included in the accompanying Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. The accompanying Schedule of Expenditures of Federal Awards reflects CFDA changes issued through June 2017.

**3. ADDITIONAL INFORMATION**

The School District did not have any sub-recipients or pass through and funds to sub-recipients.

The School District elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**4. IDENTIFICATION OF MAJOR PROGRAMS**

As shown on the accompanying *Schedule of Findings and Questioned Costs*, the dollar threshold used to distinguish between type A and type B programs were seven hundred and fifty thousand (\$750,000) dollars. The District had the following major programs which were audited:

**SHIKELLAMY SCHOOL DISTRICT**  
Sunbury, Pennsylvania  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

<u>Major Program</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
Title I	84.010	\$878,891
<b>Total</b>		<u>\$ 878,891</u>

**SHIKELLAMY SCHOOL DISTRICT  
SUNBURY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		UNMODIFIED
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies)?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

Federal Awards

Type of auditors' report issued on compliance for major programs:		UNMODIFIED
Internal control over major programs:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies)?	_____ yes	___X___ none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	___X___ no

**SHIKELLAMY SCHOOL DISTRICT  
SUNBURY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Identification of Major Programs**

Major Program	CFDA No.	Federal Expenditures
Title I	84.010	\$878,891
<b>Total</b>		\$ 878,891

Dollar threshold used to distinguish  
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   yes           no

**SHIKELLAMY SCHOOL DISTRICT  
SUNBURY, PENNSYLVANIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL STATEMENT FINDINGS

None Noted