

**SUSQUEHANNA TOWNSHIP  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Susquehanna Township School District  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Susquehanna Township School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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 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 Susquehanna Township School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 on pages 4 through 10 and the required supplementary information 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.

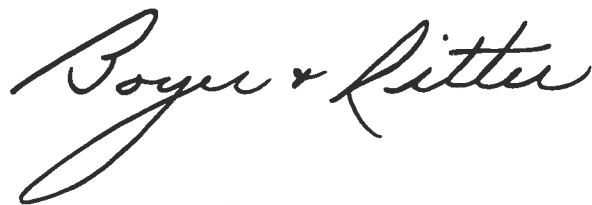
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Susquehanna Township School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Susquehanna Township School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Boyer & Ritten". The signature is written in dark ink and is centered on the page.

Camp Hill, Pennsylvania  
November 23, 2016

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

The management of Susquehanna Township School District (the District) is pleased to present the following discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2016. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the District in order to enhance the reader's understanding of the District's basic financial statements.

The District is required to present comparative financial information between the current year and the prior year in its Management's Discussion and Analysis (MD&A) as mandated by the Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

**Financial Highlights**

Key financial highlights for the year ended June 30, 2016, are as follows:

- The total Governmental and Business-Type Activities liabilities of the District exceeded its assets at June 30, 2016, by \$38.51 million (net position). The negative net position is the result of recording the District's proportionate share of net pension liability and deferred pension amounts reported in accordance with GASB Statement No. 68, which was implemented during 2015, with restatement of 2014. Consequently, there is no (unrestricted net position) available to meet the District's ongoing obligations to students and residents and total net position decreased by \$284,557 from the previous fiscal year.
- The District's food service program, the only business-type activity, reported a decrease in net position of \$40,612 during the 2015-2016 fiscal year. Total food service revenues increased by 12.59 percent or \$180,175 during the fiscal year. Food service expenses increased by 5.41 percent or \$84,763.
- As of June 30, 2016, the District's governmental funds reported combined ending fund balances of \$14,361,227, a decrease of \$74,302 in comparison with the prior year. Approximately 14.42 percent of total governmental fund balance is available for spending at the District's discretion (unassigned).
- The general fund reported an unassigned fund balance on June 30, 2016, of \$2,070,399: which is 4.32 percent of budget expenditures for the 2016-2017 fiscal year. Legislation enacted by the Commonwealth of Pennsylvania requires school districts to target an unassigned general fund balance of 8.0 percent or less of budgeted expenditures for the succeeding year. Budgeted expenditures for the 2016-2017 fiscal year total \$50,818,763.

**Overview of Financial Statements**

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements, and other required supplementary information.

The first two statements of the basic financial statements are District-wide financial statements. These statements on pages 11 through 12 consist of the statement of net position and the statement of activities. The District-wide financial statements provide both short-term and long-term information about the District's overall financial status.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

The remaining basic financial statements consist of fund financial statements. These statements focus on individual funds of the District and provide a more detailed presentation of the District's operations. The governmental funds statements on pages 13 and 15 present how general School District services are financed in the short-term as well as what remains for future spending. The proprietary fund statements on pages 18 through 20 present both short-term and long-term information about the activities that the District operates similar to a business.

The basic financial statements also include notes on pages 23 through 51 that provide a more detailed explanation of some of the information in the financial statements. Following the basic financial statements is other required supplementary information on pages 52 through 54.

### **District-Wide Financial Statements**

The District-wide statements report financial information about the District as a whole using accounting methods similar to the accounting used by private-sector companies. The statement of net position includes all of the District's assets and liabilities utilizing the full accrual basis of accounting. The statement of activities accounts for all of the District's revenues and expenses, regardless of when cash is received or paid.

The government-wide statements report the District's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as reported in the statement of activities - are used as one indicator of whether the District's financial health is improving or deteriorating. The District exists to provide services, primarily educational, to its students, so it does not have the profit-generation goal of private-sector companies. For this reason, the reader must also consider nonfinancial factors, such as the quality of the education provided, when assessing the *overall* health of the District.

The District-wide financial statements are divided into two categories:

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration, and community services. Real estate, earned income taxes, state and federal subsidies, and grants finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

### **Fund Financial Statements**

Fund financial statements provide detailed information about the most significant funds or major funds - not the District as a whole. Some funds are required to be reported as major funds.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds and focus on changes in financial resources, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements on pages 14 and 16.



**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

- **Proprietary Funds** - These funds are used to account for the District activities that are similar to business operations in the private sector. When the District charges customers for services it provides, these services are generally reported in proprietary funds. The food service fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee or agent for individuals, private organizations, and/or governmental units as shown on pages 21 and 22.

**Financial Analysis of the District as a Whole**

The District's total net position was (\$38,508,082) at June 30, 2016, which includes (\$37,186,158) in governmental activities and (\$1,321,924) in business-type activities.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total Activities	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Current assets	\$ 24,228,964	\$ 24,595,234	\$ (50,288)	\$ 3,257	\$ 24,178,676	\$ 24,598,491
Capital assets	40,513,881	41,696,621	116,522	128,129	40,630,403	41,824,750
<b>Total assets</b>	<b>\$ 64,742,845</b>	<b>\$ 66,291,855</b>	<b>\$ 66,234</b>	<b>\$ 131,386</b>	<b>\$ 64,809,079</b>	<b>\$ 66,423,241</b>
<b>Deferred outflows of resources</b>	<b>\$ 4,838,897</b>	<b>\$ 3,872,820</b>	<b>\$ 112,000</b>	<b>\$ 88,000</b>	<b>\$ 4,950,897</b>	<b>\$ 3,960,820</b>
Current liabilities	\$ 6,328,573	\$ 6,576,019	\$ 35,158	\$ 56,698	\$ 6,363,731	\$ 6,632,717
Long-term liabilities (originally stated)	98,697,327	96,061,869	1,424,000	1,340,000	100,121,327	97,401,869
<b>Total liabilities</b>	<b>\$ 105,025,900</b>	<b>\$ 102,637,888</b>	<b>\$ 1,459,158</b>	<b>\$ 1,396,698</b>	<b>\$ 106,485,058</b>	<b>\$ 104,034,586</b>
<b>Deferred inflows of resources</b>	<b>\$ 1,742,000</b>	<b>\$ 4,469,000</b>	<b>\$ 41,000</b>	<b>\$ 104,000</b>	<b>\$ 1,783,000</b>	<b>\$ 4,573,000</b>
Net investment in capital assets	\$ 6,164,765	\$ 4,824,366	\$ 116,522	\$ 128,129	\$ 6,281,287	\$ 4,952,495
Restricted	284,749	202,508	-	-	284,749	202,508
Unrestricted	(43,635,672)	(41,969,087)	(1,438,446)	(1,409,441)	(45,074,118)	(43,378,528)
<b>Total net position</b>	<b>\$ (37,186,158)</b>	<b>\$ (36,942,213)</b>	<b>\$ (1,321,924)</b>	<b>\$ (1,281,312)</b>	<b>\$ (38,508,082)</b>	<b>\$ (38,223,525)</b>

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

**Financial Analysis of the District as a Whole (Continued)**

The results of this year's operations as a whole are reported in the statement of activities. Direct expenses are listed by programs, and then offset by program revenues to determine net revenue (expense) and changes in net position. General revenues, such as taxes, state subsidies, and investment earnings are then applied to determine the change in net position. For the 2015-2016 fiscal year, the change in net position for governmental activities was a decrease of \$243,945, and a decrease of \$40,612 for business-type activities, for a net total decrease of \$284,557 as reflected in the following chart.

**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Activities	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>Program Revenues</b>						
Charges for services	\$ 137,513	\$ 105,283	\$ 629,565	\$ 572,834	\$ 767,078	\$ 678,117
Operating and capital grants and contributions	6,937,835	5,944,714	981,390	857,946	7,919,225	6,802,660
<b>Total program revenues</b>	<b>7,075,348</b>	<b>6,049,997</b>	<b>1,610,955</b>	<b>1,430,780</b>	<b>8,686,303</b>	<b>7,480,777</b>
<b>General Revenues</b>						
Taxes	35,383,924	34,938,864	-	-	35,383,924	34,938,864
General subsidies	4,007,043	3,889,363	-	-	4,007,043	3,889,363
Investment earnings	56,230	52,413	536	141	56,766	52,554
Other local revenue	(1,011)	(18,730)	-	-	(1,011)	(18,730)
<b>Total general revenues</b>	<b>39,446,186</b>	<b>38,861,910</b>	<b>536</b>	<b>141</b>	<b>39,446,722</b>	<b>38,862,051</b>
<b>Total revenues</b>	<b>46,521,534</b>	<b>44,911,907</b>	<b>1,611,491</b>	<b>1,430,921</b>	<b>48,133,025</b>	<b>46,342,828</b>
<b>Total Expenses</b>	<b>46,765,479</b>	<b>46,467,788</b>	<b>1,652,103</b>	<b>1,567,340</b>	<b>48,417,582</b>	<b>48,035,128</b>
<b>Changes in net position</b>	<b>(243,945)</b>	<b>(1,555,881)</b>	<b>(40,612)</b>	<b>(136,419)</b>	<b>(284,557)</b>	<b>(1,692,300)</b>
<b>Net Position - beginning</b>	<b>(36,942,213)</b>	<b>(35,386,332)</b>	<b>(1,281,312)</b>	<b>(1,144,893)</b>	<b>(38,223,525)</b>	<b>(36,531,225)</b>
<b>Net Position - ending</b>	<b>\$ (37,186,158)</b>	<b>\$ (36,942,213)</b>	<b>\$ (1,321,924)</b>	<b>\$ (1,281,312)</b>	<b>\$ (38,508,082)</b>	<b>\$ (38,223,525)</b>

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

**Financial Analysis of the District as a Whole (Continued)**

Direct expenses represents the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants, and contributions. The largest source of grants and contributions is state sources, which provided \$9,882,789 for governmental activities. The net cost of services must be recovered through general revenue, primarily real estate and income taxes. Amounts not recovered will reduce funds available for future years.

<b>Governmental Activities</b>						
	Direct Expenses		Program Revenues		Net Cost	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Instruction	\$ 30,623,971	\$ 30,862,121	\$ 5,078,601	\$ 4,670,357	\$ 25,545,370	\$ 26,191,764
Instructional student support	2,807,169	2,588,992	227,283	192,577	2,579,886	2,396,415
Administrative and financial support	5,742,565	5,313,271	410,511	86,363	5,332,054	5,226,908
Operation and maintenance of plant services	3,748,494	3,758,601	293,430	227,098	3,455,064	3,531,503
Pupil transportation	2,004,142	2,050,789	917,439	722,106	1,086,703	1,328,683
Student activities	897,238	918,695	98,559	102,031	798,679	816,664
Community services	2,645	1,454	-	-	2,645	1,454
Interest on long-term debt	939,255	973,865	49,525	49,465	889,730	924,400
<b>Total governmental activities</b>	<b>\$ 46,765,479</b>	<b>\$ 46,467,788</b>	<b>\$ 7,075,348</b>	<b>\$ 6,049,997</b>	<b>\$ 39,690,131</b>	<b>\$ 40,417,791</b>
State general subsidies revenue					(4,007,043)	(3,889,363)
<b>Total needs from taxes and other local sources</b>					<b>\$ 35,683,088</b>	<b>\$ 36,528,428</b>

<b>Business-Type Activities</b>						
	Direct Expenses		Program Revenues		Net Cost	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Food services	\$ 1,652,103	\$ 1,567,340	\$ 1,610,955	\$ 1,430,780	\$ 41,148	\$ 136,560
<b>Total business-type activities</b>	<b>\$ 1,652,103</b>	<b>\$ 1,567,340</b>	<b>\$ 1,610,955</b>	<b>\$ 1,430,780</b>	<b>\$ 41,148</b>	<b>\$ 136,560</b>

**The District Funds**

At June 30, 2016, governmental funds reported a combined fund balance of \$14,361,227, which is a decrease of \$74,302 from June 30, 2015.

**Governmental Fund Balances**

	6/30/2016	6/30/2015	Change	% Change
<b>General Fund</b>				
Nonspendable	\$ 605,781	\$ -	\$ 605,781	100.00%
Assigned	11,400,298	11,400,298	-	0.00%
Unassigned	2,070,399	2,832,703	(762,304)	-26.91%
Capital Projects Fund	284,749	202,528	82,221	40.60%
<b>Total Governmental Fund Balances</b>	<b>\$ 14,361,227</b>	<b>\$ 14,435,529</b>	<b>\$ 74,302</b>	<b>0.51%</b>

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

**General Fund Budget**

A general fund budget is adopted each year in accordance with the Pennsylvania School Code. The District applies for state and federal grants each year. Certain grants may not be anticipated during the budgeting process and must be added to the budget during the fiscal year. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget must then be modified based on the actual grant award.

**Capital Assets**

At June 30, 2016, the District had \$40,513,881 in governmental capital assets, which represents a decrease of \$1,182,740. The decrease was due to depreciation exceeding capital asset additions associated with the District's annual operations.

	6/30/2016	6/30/2015	Change
<b>Governmental Activities</b>			
Land	\$ 215,004	\$ 215,004	\$ -
Land improvements	1,745,340	1,535,586	209,754
Buildings and improvements	36,936,774	38,612,369	(1,675,595)
Furniture and equipment	1,597,210	1,294,911	302,299
Library books	19,553	38,751	(19,198)
<b>Total governmental capital assets</b>	<b>40,513,881</b>	<b>41,696,621</b>	<b>(1,182,740)</b>
<b>Business-Type Activities</b>			
<b>Total business capital assets</b>	<b>116,522</b>	<b>128,129</b>	<b>(11,607)</b>
<b>Total capital assets</b>	<b>\$ 40,630,403</b>	<b>\$ 41,824,750</b>	<b>\$ (1,194,347)</b>

**Debt Administration**

Bonds payable were \$33,795,000 and \$36,250,000 at June 30, 2016 and 2015, respectively. The amount of bond principal due within one year is \$2,515,000. Moody's Corporation has assigned its municipal bond rating of "Aa3" to all outstanding series of bonds.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016**

**Next Year's Budget and Economic**

The new budget for 2016-2017 represents an increase in total expenditures of 5.93%. This increase is largely due to an increase in Pennsylvania School Employee Retirement System (PSERS) expenditures. The 2016-2017 budgeted revenue includes a 3.0 percent real estate tax increase.

There are no changes to economic factors that are expected to have a significant impact on our 2016-2017 budget.

**Contacting the District's Financial Management**

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager, Oslwen C. Anderson, Jr., of Susquehanna Township School District, 2579 Interstate Drive, Harrisburg, PA 17110, (717) 657-5100.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 14,076,557	\$ 265,476	\$ 14,342,033
Investments	3,000,000	-	3,000,000
Internal balances	354,777	(354,777)	-
Receivables	6,191,849	21,203	6,213,052
Inventories	-	17,810	17,810
Prepaid expenses	605,781	-	605,781
Capital assets			
Land	215,004	-	215,004
Other capital assets, net of depreciation	40,298,877	116,522	40,415,399
Total capital assets	40,513,881	116,522	40,630,403
<b>Total assets</b>	<b>\$ 64,742,845</b>	<b>\$ 66,234</b>	<b>\$ 64,809,079</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 4,823,000	\$ 112,000	\$ 4,935,000
Deferred amounts on refunding debt	15,897	-	15,897
<b>Total deferred outflows of resources</b>	<b>\$ 4,838,897</b>	<b>\$ 112,000</b>	<b>\$ 4,950,897</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 6,328,573	\$ 13,752	\$ 6,342,325
Unearned revenues	-	21,406	21,406
Long-term liabilities			
Due within one year	2,533,221	-	2,533,221
Due in more than one year	96,164,106	1,424,000	97,588,106
Total long-term liabilities	98,697,327	1,424,000	100,121,327
<b>Total liabilities</b>	<b>\$ 105,025,900</b>	<b>\$ 1,459,158</b>	<b>\$ 106,485,058</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 1,742,000	\$ 41,000	\$ 1,783,000
<b>Net Position</b>			
Net investment in capital assets	\$ 6,164,765	\$ 116,522	\$ 6,281,287
Restricted	284,749	-	284,749
Unrestricted	(43,635,672)	(1,438,446)	(45,074,118)
<b>Total net position</b>	<b>\$ (37,186,158)</b>	<b>\$ (1,321,924)</b>	<b>\$ (38,508,082)</b>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
Instruction	\$ 30,623,971	\$ 34,395	\$ 5,044,206	\$ -	\$ (25,545,370)	\$ -
Instructional student support	2,807,169	-	227,283	-	(2,579,886)	-
Administration and financial services	5,742,565	-	410,511	-	(5,332,054)	-
Operation and maintenance of plant services	3,748,494	75,817	217,613	-	(3,455,064)	-
Pupil transportation	2,004,142	-	917,439	-	(1,086,703)	-
Student activities	897,238	27,301	71,258	-	(798,679)	-
Community services	2,645	-	-	-	(2,645)	-
Interest on long-term debt	939,255	-	-	49,525	(889,730)	-
<b>Total governmental activities</b>	<b>46,765,479</b>	<b>137,513</b>	<b>6,888,310</b>	<b>49,525</b>	<b>(39,690,131)</b>	<b>-</b>
<b>Business-Type Activities:</b>						
Food Service	1,652,103	629,565	981,390	-	-	(41,148)
<b>Total primary government</b>	<b>\$ 48,417,582</b>	<b>\$ 767,078</b>	<b>\$ 7,869,700</b>	<b>\$ 49,525</b>	<b>\$ (39,690,131)</b>	<b>\$ (41,148)</b>
<b>General Revenues:</b>						
Property taxes, levied for general purposes, net					\$ 28,064,333	\$ -
Public utility, realty transfer, earned income and other taxes for general purposes, net					7,319,591	-
Grants, subsidies and contributions not restricted					4,007,043	-
Investment earnings					56,230	536
Miscellaneous expense					(1,011)	-
<b>Total general revenues and transfers</b>					<b>39,446,186</b>	<b>536</b>
<b>Changes in net position</b>					<b>(243,945)</b>	<b>(40,612)</b>
<b>Net position - July 1, 2015</b>					<b>(36,942,213)</b>	<b>(1,281,312)</b>
<b>Net position - June 30, 2016</b>					<b>\$ (37,186,158)</b>	<b>\$ (1,321,924)</b>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 13,791,828	\$ 284,729	\$ 14,076,557
Investments	3,000,000	-	3,000,000
Due from other funds	358,782	20	358,802
Due from other governments	1,361,339	-	1,361,339
Taxes receivable	4,826,485	-	4,826,485
Prepaid expenses	605,781	-	605,781
<b>Total assets</b>	<b>\$ 23,944,215</b>	<b>\$ 284,749</b>	<b>\$ 24,228,964</b>
<b>Liabilities</b>			
Accounts payable	\$ 550,923	\$ -	\$ 550,923
Accrued salaries and benefits	4,286,002	-	4,286,002
Payroll deductions and withholdings	1,372,755	-	1,372,755
<b>Total liabilities</b>	<b>6,209,680</b>	<b>-</b>	<b>6,209,680</b>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	3,658,057	-	3,658,057
<b>Fund Balances</b>			
Nonspendable	605,781	-	605,781
Restricted	-	284,749	284,749
Assigned	11,400,298	-	11,400,298
Unassigned	2,070,399	-	2,070,399
<b>Total fund balances</b>	<b>14,076,478</b>	<b>284,749</b>	<b>14,361,227</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,944,215</b>	<b>\$ 284,749</b>	<b>\$ 24,228,964</b>

See Notes to Financial Statements.



# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

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

June 30, 2016

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<b>Total fund balances - governmental funds</b>	<b>\$ 14,361,227</b>
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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, they are not reported as assets in governmental funds. The cost of assets is \$64,063,016, and the accumulated depreciation is \$23,549,135.

40,513,881

Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures; and therefore, they are deferred inflows of resources in the funds.

3,658,057

The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.

15,897

Deferred inflows and outflows of resources related to pensions are applicable to future period and; therefore, are not reported within the funds. Deferred outflows and inflows related to pensions are as follows (see footnotes for detail):

Deferred outflows	4,823,000
Deferred inflows	(1,742,000)

Long-term liabilities; including bonds payable, net pension liabilities, compensated absences, reserve for loss contingencies, accrued retirement bonus, and other post-employment benefits; are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable, including bond premium/discount	(34,365,013)	
Accrued interest	(118,893)	
Net pension liability	(61,600,000)	
Other post-employment benefits	(1,024,441)	
Compensated absences	(728,873)	
Reserve for loss contingencies	(692,000)	
Accrued retirement bonus	(287,000)	(98,816,220)

<b>Total net position - governmental activities</b>	<b>\$ (37,186,158)</b>
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See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Totals Governmental Funds
<b>Revenues</b>			
Local sources	\$ 36,095,629	\$ 200	\$ 36,095,829
State sources	9,882,789	-	9,882,789
Federal sources	594,888	-	594,888
<b>Total revenues</b>	<u>46,573,306</u>	<u>200</u>	<u>46,573,506</u>
<b>Expenditures</b>			
Instructional	28,565,633	-	28,565,633
Support services	13,392,489	-	13,392,489
Operation of noninstructional services	849,353	-	849,353
Capital outlay	-	370,468	370,468
Debt service	3,468,854	-	3,468,854
Refund of prior year's receipts	1,011	-	1,011
<b>Total expenditures</b>	<u>46,277,340</u>	<u>370,468</u>	<u>46,647,808</u>
<b>Excess (deficiency) of revenues over expenditures</b>	295,966	(370,268)	(74,302)
<b>Other Financing Sources (Uses)</b>			
Interfund transfers in	-	452,489	452,489
Interfund transfers out	(452,489)	-	(452,489)
<b>Total other financing sources (uses)</b>	<u>(452,489)</u>	<u>452,489</u>	<u>-</u>
<b>Net changes in fund balances</b>	(156,523)	82,221	(74,302)
Fund Balances - July 1, 2015	14,233,001	202,528	14,435,529
Fund Balances - June 30, 2016	<u>\$ 14,076,478</u>	<u>\$ 284,749</u>	<u>\$ 14,361,227</u>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2016

<b>Net changes in fund balances - governmental funds</b>	<b>\$ (74,302)</b>
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Amounts reported for governmental activities in the Statement of  
Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays.

Capital outlays	905,105	
Less depreciation expense	<u>(2,087,845)</u>	(1,182,740)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.	(50,961)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest accrued in the Statement of Activities from the amount due is shown here.	6,439
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Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	4,677,000
Cost of benefits earned net of employee contributions (pension expense)	(5,024,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and; therefore, are not reported as revenues in governmental funds.	
Change in compensated absences	(46,004)
Change in other post-employment benefits	(317,536)
Change in accrued retirement bonus	(63,000)
Change in reserve for loss contingencies	(692,000)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	2,455,000	
Amortization of bond premiums and discounts - net	71,082	
Amortization of refunding loss	<u>(2,923)</u>	2,523,159

<b>Changes in net position of governmental activities</b>	<b>\$ (243,945)</b>
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See Notes to Financial Statements.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2016**

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 35,205,942	\$ 35,205,942	\$ 36,095,629	\$ 889,687
State sources	9,694,887	9,694,887	9,882,789	187,902
Federal sources	420,000	420,000	594,888	174,888
<b>Total revenues</b>	<b>45,320,829</b>	<b>45,320,829</b>	<b>46,573,306</b>	<b>1,252,477</b>
<b>Expenditures</b>				
Instructional	29,629,816	29,629,816	28,565,633	1,064,183
Support services	13,960,126	13,960,126	13,392,489	567,637
Operation of noninstructional services	914,127	914,127	849,353	64,774
Debt service	3,468,854	3,468,854	3,468,854	-
Refund of prior year's receipts	-	-	1,011	(1,011)
<b>Total expenditures</b>	<b>47,972,923</b>	<b>47,972,923</b>	<b>46,277,340</b>	<b>1,695,583</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,652,094)</b>	<b>(2,652,094)</b>	<b>295,966</b>	<b>2,948,060</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out	-	-	(452,489)	(452,489)
<b>Net changes in fund balance</b>	<b>\$ (2,652,094)</b>	<b>\$ (2,652,094)</b>	<b>(156,523)</b>	<b>\$ 2,495,571</b>
Fund Balances - July 1, 2015			14,233,001	
Fund Balances - June 30, 2016			\$ 14,076,478	

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE June 30, 2016

<b>Assets</b>	
Cash and cash equivalents	\$ 265,476
Receivables	
State sources	1,234
Federal sources	19,969
Inventories	17,810
Other capital assets, net of depreciation	116,522
<b>Total assets</b>	<u><u>\$ 421,011</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 112,000</u></u>
<b>Liabilities</b>	
Internal balances	\$ 354,777
Accounts payable	2,237
Unearned revenues	21,406
Accrued salaries and benefits	11,515
Net pension liability	1,424,000
<b>Total liabilities</b>	<u><u>\$ 1,813,935</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 41,000</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 116,522
Unrestricted	(1,438,446)
<b>Total net position</b>	<u><u>\$ (1,321,924)</u></u>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE Year Ended June 30, 2016

<b>Cash Flows From Operating Activities</b>	
Cash received from meal sales	\$ 629,247
Cash payments for goods and services	(721,514)
Cash payments to employees for services	(736,445)
<b>Net cash used in operating activities</b>	<u>(828,712)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
State sources	135,960
Federal sources	760,399
<b>Net cash provided by noncapital financing activities</b>	<u>896,359</u>
<b>Cash Flows From Investing Activities</b>	
<b>Investment earnings</b>	<u>536</u>
<b>Net increase in cash and cash equivalents</b>	68,183
<b>Cash and Cash Equivalents:</b>	
July 1, 2015	197,293
June 30, 2016	<u>\$ 265,476</u>
<b>Reconciliation of Operating Loss to Net Cash Used</b>	
<b>in Operating Activities</b>	
Operating loss	\$ (1,022,538)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	11,607
Value of donated commodities	84,206
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	14,211
Deferred outflows of resources	(24,000)
(Decrease) increase in:	
Internal balances	108,342
Accounts payable	(27,657)
Unearned revenue	(318)
Accrued salaries and benefits	6,435
Net pension liability	84,000
Deferred inflows of resources	(63,000)
<b>Net cash used in operating activities</b>	<u>\$ (828,712)</u>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Private-Purpose Trust Fund	Agency Activity Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 151,550	\$ 200,009
<b>Total assets</b>	<u>\$ 151,550</u>	<u>\$ 200,009</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 67
Due to student groups	-	195,917
Due to other funds	-	4,025
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 200,009</u>
<b>Net Position</b>		
Held in trust for scholarships	\$ 151,550	\$ -
<b>Total net position</b>	<u>\$ 151,550</u>	<u>\$ -</u>

See Notes to Financial Statements.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2016

	Private-Purpose Trust Fund
<b>Additions</b>	
Gifts and contributions	\$ 2,741
Investment earnings	399
<b>Total additions</b>	<u>3,140</u>
<b>Deductions</b>	
Scholarships awarded	<u>10,556</u>
<b>Total deductions</b>	<u>10,556</u>
<b>Change in net position</b>	(7,416)
Net Position - July 1, 2015	158,966
Net Position - June 30, 2016	<u><u>\$ 151,550</u></u>

See Notes to Financial Statements.



# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies**

Susquehanna Township School District (the District), located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12<sup>th</sup> to students living in Dauphin County municipality of Susquehanna Township. These include regular, advanced academic programs, vocational education programs, and special education programs for gifted and handicapped children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District operates two elementary schools, one middle school, and one high school, serving approximately 3,000 students.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (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:

#### **A. Reporting Entity**

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units. The District does, however, participate in jointly-governed organizations which are described in Note 12.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are 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 an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned 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.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned, or unassigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates a proprietary fund, the food service fund. This fund accounts for the activities of the District's food service program. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures, which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund types:

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

Private-Purpose Trust Fund - The private purpose trust fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to students as prescribed by donor stipulations.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Budget and Budgetary Accounting

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. Management submits to the Board for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The Board determines if it will approve a resolution to keep any tax increase below the index by the PDE deadline.
2. If the Board adopts the resolution, management must submit to the Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
4. At public board meetings, information is presented and debated. The public is welcome to comment on the budget.
5. Prior to June 30, legislation requires a budget to be legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the School Board at the sub-function/major object level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2016.
9. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three month or less, when purchased, to be cash equivalents.

Investments: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Inventories: There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food supplies on hand at June 30, 2016, including the value of commodities donated by the federal government. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchase commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Taxes Receivable and Estimated Uncollectible Taxes: Taxes receivable are presented net of estimated uncollectible balances, which represents managements estimated of outstanding per capita and occupational taxes which will not be collected.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at the discretion of management. Management considers various factors in the capitalization of assets, including the asset's estimated useful life, cost, and the extent to which the asset is part of a larger capital project. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation is provided for fixed assets on the straight-line basis over the following estimated useful lives:

Asset Class	Years
Building and Building Improvements	25-50
Land Improvements	20-25
Furniture and Equipment	5-20
Vehicles	5-10
Library Books	10

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Deferred Outflows of Resources - Pensions: The District recognizes the difference between employer contributions and proportionate share of total contributions and the contributions subsequent to the measurement date June 30, 2015, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds. Bond insurance costs are deferred as prepaid expenses and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences: The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

**Post-Employment Benefits:** In the government-wide financial statements, the District recognizes the costs and liabilities associated with postemployment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employee's Retirement System, a governmental cost-sharing multiple-employer defined-benefit pension plan. The District provides access to retiree medical, prescription drug, vision, and dental care benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

**Pensions:** 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/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported to 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.

**Interfund Activity:** Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

**Deferred Inflows of Resources - Pensions:** The District recognizes the net difference between expected and actual experience, the net difference between projected and actual investment earnings of the pension plan and changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

**Deferred Inflows of Resources - Unearned Revenues:** The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

Net Position: The District's net position classifications are defined and described as follows:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position - consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Balance: The District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Director of Administration or the Budget and Finance Committee.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance, and then the unassigned balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. They are presented along with other designations of fund balance in funds that are restricted, committed or assigned and are not separately classified in the financial statements. As of June 30, 2016, the District had no encumbrances.



# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through November 23, 2016, the date the financial statements were available to be issued.

### Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

#### Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

#### Interest-Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

#### Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments. The District has no investment policy that would further limit its investment choices.

#### Concentration-of-Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are with PSDLAF and PLGIT.

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Property Taxes

Based upon assessed valuations provided by the County, the District bills and collects its own property taxes. The schedule for property taxes levied for 2015-2016 is as follows:

July 1, 2015	Tax Levy Date
Through September 30, 2015	2% Discount
October 1 - November 30, 2015	Face payment period
December 1 - December 31, 2015	10% Penalty Period
January 1, 2016	Lien Filing Date

The District's tax rate for all purposes in 2015-2016 was 17.02 mills (\$17.02 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania Accounting System. Current tax collections for the District were approximately 96% of the total tax levy.

#### Note 4. Taxes Receivable, Deferred Inflows of Resources, and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2016, are as follows:

	Amount
Uncollected taxes	\$ 5,840,886
Estimated uncollectible taxes	(1,014,401)
Taxes Receivable - Net	<u>\$ 4,826,485</u>
Taxes to be collected within 60 days	\$ 1,168,428
Deferred inflows of resources - delinquent property taxes	<u>3,658,057</u>
Taxes Receivable - Net	<u>\$ 4,826,485</u>

The District estimates its uncollectible taxes for outstanding Per Capita and Occupational taxes based on the number of years the taxes are outstanding.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2016, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 358,782	\$ -
Capital Projects	20	-
Proprietary Funds		
Food Service	-	354,777
Fiduciary Funds		
Student Activities Fund	-	4,025
	<u>\$ 358,802</u>	<u>\$ 358,802</u>

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2016, are as follows:

	Transfers in	Transfers out
Governmental Funds		
General Fund	\$ -	\$ 452,489
Capital Projects	452,489	-
	<u>\$ 452,489</u>	<u>\$ 452,489</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions or funding capital projects and asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 6. General Fixed Assets

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

	July 1, 2015	Increases	Decreases	June 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 215,004	\$ -	\$ -	\$ 215,004
Total capital assets not being depreciated	215,004	-	-	215,004
Capital assets being depreciated				
Land improvements	3,212,113	340,000	-	3,552,113
Buildings and building improvements	55,517,805	14,900	-	55,532,705
Furniture and equipment	4,081,139	550,205	-	4,631,344
Library books	191,971	-	(60,121)	131,850
Total capital assets being depreciated	63,003,028	905,105	(60,121)	63,848,012
Less accumulated depreciation				
Land and site improvements	1,676,527	130,246	-	1,806,773
Buildings and building improvements	16,905,436	1,690,495	-	18,595,931
Furniture and equipment	2,786,228	247,906	-	3,034,134
Library books	153,220	19,198	(60,121)	112,297
Total accumulated depreciation	21,521,411	2,087,845	(60,121)	23,549,135
Total capital assets being depreciated, net	41,481,617	(1,182,740)	-	40,298,877
Total Governmental Activities, Capital Assets - Net	\$ 41,696,621	\$ (1,182,740)	\$ -	\$ 40,513,881
<b>Business-Type Activities</b>				
Capital assets being depreciated, equipment	\$ 734,900	\$ -	\$ -	\$ 734,900
Less accumulated depreciation, equipment	606,771	11,607	-	618,378
Total Business-Type Activities, Capital Assets - Net	\$ 128,129	\$ (11,607)	\$ -	\$ 116,522

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 1,496,157
Instructional student support	153,724
Administration and financial support	242,858
Operation and maintenance of plant services	147,184
Student activities	47,922
Total Governmental Activities	<u>2,087,845</u>
Business-Type Activities	
Food Service	11,607
Total School District	<u>\$ 2,099,452</u>

### Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2016, and transactions during the year then ended follows:

	July 1, 2015	Increases	Decreases	June 30, 2016	Due within one year
General Obligation Bonds					
Series of 2011	\$ 4,985,000	\$ -	\$ (395,000)	\$ 4,590,000	\$ 410,000
Series of 2012	9,980,000	-	(185,000)	9,795,000	565,000
Series A of 2012	7,080,000	-	(500,000)	6,580,000	135,000
Series of 2013	6,855,000	-	(1,370,000)	5,485,000	1,400,000
Series of 2014	7,350,000	-	(5,000)	7,345,000	5,000
Total General Obligation Bonds	<u>36,250,000</u>	<u>-</u>	<u>(2,455,000)</u>	<u>33,795,000</u>	<u>2,515,000</u>
Unamortized bond premium/(discount)	641,095	-	(71,082)	570,013	-
Total Long-Term Debt	<u>36,891,095</u>	<u>-</u>	<u>(2,526,082)</u>	<u>34,365,013</u>	<u>2,515,000</u>
Other Long-Term Obligations					
Net pension liability (Note 9)	58,897,000	4,127,000	-	63,024,000	-
Compensated absences	682,869	46,004	-	728,873	18,221
Accrued retirement bonus	224,000	63,000	-	287,000	-
Other post-employment benefits (Note 10)	706,905	317,536	-	1,024,441	-
Reserve for loss contingencies	-	692,000	-	692,000	-
Total Other Long-Term Obligations	<u>60,510,774</u>	<u>5,245,540</u>	<u>-</u>	<u>65,756,314</u>	<u>18,221</u>
Total Long-Term Obligations	<u>\$ 97,401,869</u>	<u>\$ 5,245,540</u>	<u>\$ (2,526,082)</u>	<u>\$ 100,121,327</u>	<u>\$ 2,533,221</u>

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2011 - On June 28, 2011, the District issued General Obligation Bonds - Series of 2011, in the principal amount of \$6,030,000. The proceeds provided funds to purchase equipment and improvements previously leased as part of the 2008 operating lease, and to pay the costs and expense of issuing the bonds. The interest rate of the note is between 3.00% and 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$85,000 to \$540,000 through May 15, 2026.

General Obligation Bonds - Series of 2012 - On July 23, 2012, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,995,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$1,244,079. Interest is payable semi-annually at rates between 0.40% and 2.40%. The bonds mature serially in amounts ranging from \$5,000 to \$2,160,000 through May 15, 2025.

General Obligation Bonds - Series A of 2012 - On August 28, 2012, the District issued General Obligation Bonds - Series A of 2012, in the principal amount of \$7,270,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$797,000. Interest is payable semi-annually at rates between 0.50% and 2.38%. The bonds mature serially in amounts ranging from \$10,000 to \$2,005,000 through May 15, 2024.

General Obligation Bonds - Series of 2013 - On August 19, 2013, the District issued General Obligation Bonds - Series of 2013, in the principal amount of \$9,520,000. These bonds were issued to currently refund General Obligation Bonds Series of 2008, Series of 2009, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$783,860. Interest is payable semi-annually at rates between 0.21% and 3.85%. The bonds mature serially in amounts ranging from \$290,000 to \$1,395,000 through November 15, 2027.

General Obligation Bonds - Series of 2014 - On April 28, 2014, the District issued General Obligation Bonds - Series of 2011, in the principal amount of \$7,355,000. The proceeds provided funds to purchase energy conservation upgrades to Thomas J. Holtzman, Jr. Elementary School, and to pay the costs and expense of issuing the bonds. The interest rate of the note is between 0.35% and 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$2,645,000 through May 15, 2028.

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Note 7. Long-Term Obligations (Continued)

The maturity of the long-term debt issues are as follows:

Years	General Obligation Debt		
	Principal	Interest	Total
2016-2017	\$ 2,515,000	\$ 965,098	\$ 3,480,098
2017-2018	2,565,000	907,188	3,472,188
2018-2019	2,640,000	834,440	3,474,440
2019-2020	2,695,000	777,640	3,472,640
2020-2021	2,760,000	718,521	3,478,521
2021-2026	14,570,000	2,525,006	17,095,006
2026-2028	6,050,000	346,367	6,396,367
	<u>\$ 33,795,000</u>	<u>\$ 7,074,260</u>	<u>\$ 40,869,260</u>

#### Compensated Absences

The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

#### Accrued Retirement Bonus

The employees are also offered additional retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued retirement bonuses is presented in the Statement of Net Position.

#### Reserve for Loss Contingencies

The District has recorded a \$692,000 reserve for loss contingencies in its government-wide financial statements. The reserve, which results from an unfavorable ruling in a personnel related lawsuit, was recorded based on the likelihood of the success of appeals and not on the merits of the District's legal position.



## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Operating Lease

Lease Rental Debt - Series of 2015, was issued by the Dauphin County Technical School (DCTS) to provide funds to current refund the Series of 2007 School Lease Revenue Bonds. The Series of 2007 Bonds were issued to construct improvements and renovations to the Dauphin County Technical School. The Dauphin County Technical School Board and six member school districts entered into a lease agreement with DCTS and will each pay their proportionate share of the lease rentals in order to fund the lease revenue bonds. Minimum future rental payments under this operating lease are as follows:

Year	Amount
2017	\$ 113,911
2018	221,850
2019	222,145
2020	222,543
2021	222,100
2021-2026	1,109,937
2026-2031	1,110,711
	<u>\$ 3,223,197</u>

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit 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 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).

#### 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 on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit Pension Plan (Continued)

#### Contribution Rates

##### 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.

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 Classes T-E and 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%.

##### Employer Contributions:

The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2016, the District's rate of contribution was 25.84% of covered payroll. The 25.84% rate is composed of a pension contribution rate of 25.00% for pension benefits and 0.84% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, were \$4,968,836, \$4,039,096, and \$3,212,339 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2016, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$2,474,219.

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

At June 30, 2016, the District reported a liability of \$63,024,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The 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, 2015, the District's proportion was 0.1455 percent, which was a decrease of 0.0033 percent from its proportion measured as of June 30, 2014.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Defined-Benefit Pension Plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$5,115,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 260,000
Net difference between projected and actual investment earnings	-	128,000
Changes in proportions	-	1,395,000
Difference between employer contributions and proportionate share of total contributions	128,000	-
Contributions subsequent to the measurement date	4,807,000	-
	<u>\$ 4,935,000</u>	<u>\$ 1,783,000</u>

\$4,807,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year	Amount
2017	\$ (687,000)
2018	(687,000)
2019	(687,000)
2020	405,000
2021	1,000
	<u>\$ (1,655,000)</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014, actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurements:

- Actuarial Cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00% real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Defined-Benefit Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2014, valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011, PSERS Board meeting, and were effective beginning with the June 30, 2011, 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 PSERS 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100.0%</u>	

The above table was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 9. Defined-Benefit Pension Plan (Continued)

##### 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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 77,683,000	\$ 63,024,000	\$ 50,703,000

##### 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).

##### Plan Payables

At June 30, 2016, the District has payables to the PSERS pension plan of \$3,116,340. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2016.

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Post-Employment Benefits

The Plan description and funding policy for the District is summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<b><u>I. Administrators</u></b>	Must be eligible for PSERS retirement	<b>Coverage:</b> Medical, Prescription Drug, and Dental and Vision coverage  <b>Premium Sharing:</b> Member must pay full premium as determined for the purpose of COBRA  <b>Dependents:</b> Spouse and family included	Until member is eligible for Medicare
<b><u>II. Teachers</u></b>	Must be eligible for PSERS retirement	Same as I	Same as I
<b><u>III. Support Staff</u></b>	Must be eligible for PSERS retirement	Same as I	Same as I
<b><u>IV. Teamsters Staff</u></b>	Must be eligible for PSERS retirement	Same as I	Same as I
<b><u>Notes: PSERS Retirement:</u></b> 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.  2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.  3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.  Coordination with Medicare benefits: Medicare pays primary.  Continued life insurance coverage is available; however, no one has ever elected such coverage.			

### Funding Policy

The contribution requirements of plan members are established by contractual obligations and may be amended by the Board of School Directors. Required contributions are based on projected pay-as-you-go financing requirements. Plan members receiving benefits contributed through their required monthly contributions as described above. Costs related to the funding of the District's OPEB obligation are budgeted and paid for through the District's General Fund.

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 10. Other Post-Employment Benefits (Continued)

##### Funding Progress

For the year ended June 30, 2016, the District has estimated the cost (annual expense) of providing retiree health, vision, and dental care benefits through an actuarial valuation as of March 1, 2014. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 622,016
Interest on Net OPEB Obligation	31,811
Less adjustment to the annual required contribution	(107,173)
Annual OPEB cost	<u>546,654</u>
Amounts contributed:	
Payments of current premiums and claims	(229,118)
Increase in net OPEB obligation	<u>317,536</u>
OPEB obligation - beginning of year	706,905
OPEB obligation - end of year	<u><u>\$ 1,024,441</u></u>

The schedule of funding progress immediately following the notes to the financial statements presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.



## **SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 12. Joint Ventures (Continued)**

##### **Dauphin County Area Vocational-Technology School Authority**

The District is also a member of the Dauphin County Area Vocational-Technical School Authority (Authority). In 1983, the Authority entered into an agreement with the member school districts and the Vo-Tech Board to acquire land and construct buildings to provide the facilities for the operation of DCTS. In 1997, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the DCTS facilities. The District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements. The District's lease payment to the Authority for the year ended June 30, 2016, was \$87,450, which has been reported in the District's general fund and is detailed in Note 8. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

##### **Capital Area Intermediate Unit (CAIU)**

The CAIU Board of Directors consists of members from the IU's constituent school districts. The CAIU Board members are school district board members who are elected by the public and are appointed to the CAIU Board by the member school districts' Boards of Directors. Susquehanna Township School District and one other school district alternate responsibility for appointing one of these members. The CAIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Susquehanna Township School District contracts with the CAIU for special education services for District students. The amount paid for these services in the year ended June 30, 2016, was approximately \$847,660. Complete financial information for CAIU can be obtained from the Administrative Office at 55 Miller Street, Enola, PA 17025-1640.

#### **Note 13. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2016, the District did not incur any significant losses that were not covered by insurance.

#### **Note 14. Subsequent Event**

The District entered into an Installment Payment Agreement (IPA) with ePlus Group, Inc. in the total aggregate principal amount not to exceed \$1,095,000 with annual principal and interest payments equivalent to \$291,577 over a 4 year term, effective and payable July 1, 2016 through July 1, 2019 at the rate of 4.29%. The agreement provides for the financing necessary to fund and implement the District's 1:1 technology and new classroom equipment initiative.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION - OTHER POST-EMPLOYMENT BENEFITS PLAN Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
3/1/2014	\$ -	\$ 2,760,040	\$ 2,760,040	0.00%	\$ 17,629,555	15.66%
3/1/2012	\$ -	\$ 985,794	\$ 985,794	0.00%	\$ 17,067,118	5.78%
3/1/2010	\$ -	\$ 1,316,818	\$ 1,316,818	0.00%	\$ 16,497,670	7.98%

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF  
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30,**

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.1455%	0.1488%
District's proportionate share of the net pension liability	<u>\$ 63,024,000</u>	<u>\$ 58,897,000</u>
District's covered-employee payroll	<u>\$ 18,722,498</u>	<u>\$ 18,985,367</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	336.62%	310.22%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF  
DISTRICT'S CONTRIBUTIONS**

**Year Ended June 30,**

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 4,677,211	\$ 3,631,000
Contributions in relation to the contractually required contribution	(4,677,211)	(3,631,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,070,689</u>	<u>\$ 18,910,852</u>
Contributions as a percentage of covered-employee payroll	24.53%	19.20%

## **SUPPLEMENTARY INFORMATION**

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

Board of School Directors  
Susquehanna Township School District  
Harrisburg, Pennsylvania

We have audited, in accordance with the 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 Susquehanna Township School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Susquehanna Township School District's basic financial statements, and have issued our report thereon dated November 23, 2016.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2016-001 to be a significant deficiency.

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

### **Compliance and Other Matters**

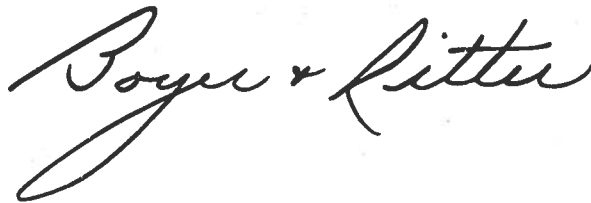
As part of obtaining reasonable assurance about whether Susquehanna Township School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

### **Susquehanna Township School District's Response to Findings**

Susquehanna Township School District's response to the internal control over financial reporting finding and the noncompliance finding identified in our audit are described in the accompanying *schedule of findings and questioned costs*. Susquehanna Township School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

A handwritten signature in cursive script, reading "Boyer & Ritter". The signature is written in dark ink and is positioned in the center of the page.

Camp Hill, Pennsylvania  
November 23, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY THE UNIFORM GUIDANCE**

Board of School Directors  
Susquehanna Township School District  
Harrisburg, Pennsylvania

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

We have audited Susquehanna Township School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Susquehanna Township School District's major federal programs for the year ended June 30, 2016. Susquehanna Township School 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 Susquehanna Township School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Susquehanna Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 Susquehanna Township School District's compliance.

**Opinion on Each Major Federal Program**

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

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item UGG 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Susquehanna Township School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

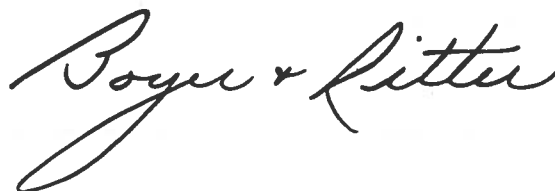
## Report on Internal Control Over Compliance

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

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

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

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



Camp Hill, Pennsylvania  
November 23, 2016

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Section I -- Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☒ Yes ☐ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☒ Yes ☐ No

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2016**

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.010	Title I – Grants to Local Educational Agencies <b>IDEA - Special Education Cluster</b>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee?      Yes   X   No

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**Section II - Financial Statement Findings**

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**A. Significant Deficiencies in Internal Control**

**Finding 2016-001**

**Criteria:** An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

**Condition and context:** The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

**Cause and effect:** It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

**Recommendations:** We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

**Views of responsible officials and planned corrective actions:** Several years ago when GASB No. 34 was introduced and additional financial statements were required, larger districts added accountants and CPAs to their staff while smaller districts with fewer resources contracted with their accounting firms to draft statements. At this time the District is continuing the practice of hiring a third party to draft its statements. However, it should be noted that the District has actively engaged in providing its business office staff with professional development and training specifically tailored to equip the staff with the knowledge and expertise necessary to independently prepare the financial statements. These efforts involve continued discussions with the District's local auditors, as well as, staff attendance at various financial accounting workshops and seminars.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2016**

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**Section II - Financial Statement Findings (Continued)**

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**B. Compliance Findings**

There were no compliance findings relating to the financial statement audit required to be reported.

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**Section III - Federal Award Findings and Questioned Costs**

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**A. Compliance Findings**

**UGG 2016-001**      84.010 - Title I - Grants to Location Educational Agencies  
                         **IDEA - Special Education Cluster**  
                         84.027 - Special Education - Grants to States  
                         84.173 - Special Education - Preschool Grants

**Finding:** The school district had not taken the required steps to create and adopt policies and procedures required by the Uniform Grant Guidance.

**Criteria:** Section 200.302(b) Financial Management requires that the school district have written procedures to 1) implement the requirements of section 200.305 for cash payments 2) for determining the allowability of cost in accordance with Subpart E – Cost principles of this part and the terms and conditions of the federal award. It also requires that the financial management system identifies, in its accounts, of all federal awards received and expended and the Federal programs under which they are received.

**Effect:** Findings may result in a reduction or termination of Federal funding to the District.

**Recommendation:** The District must implement these policies and procedures to become compliant with the Uniform Grant Guidance.

**Views of responsible officials and planned corrective actions:** The required UGG policies and procedures were presented to the school board at the October 24, 2016, meeting. The policies and related procedures were adopted at the November 21, 2016, school board meeting.

**B. Significant Deficiency(ies) in Internal Control**

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2015	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2016	Provided to Subrecipients
<b>U.S. Department of Education</b>										
Passed through the PA Dept. of Education										
Title I - Improving Basic Programs	84.010	013-150425	14-15	\$ 357,043	\$ 151,535	\$ 86,633	\$ 64,902	\$ 64,902	\$ -	\$ -
Title I - Improving Basic Programs	84.010	013-160425	15-16	\$ 340,348	292,039	-	336,218	336,218	44,179	-
					443,574	86,633	401,120	401,120	44,179	-
Title II - Improving Teacher Quality	84.367	020-150425	14-15	\$ 60,772	34,491	(9,873)	44,364	44,364	-	-
Title II - Improving Teacher Quality	84.367	020-160425	15-16	\$ 60,334	43,176	-	52,020	52,020	8,844	-
					77,667	(9,873)	96,384	96,384	8,844	-
Total passed through the Pennsylvania Department of Education					521,241	76,760	497,504	497,504	53,023	-
Passed through Capital Area Intermediate Unit										
Title III - Language Instruction for Limited English Proficient and Immigrant Students	84.365	N/A	14-15	\$ 546	296	296	-	-	-	-
Title III - Language Instruction for Limited English Proficient and Immigrant Students	84.365	N/A	15-16	\$ 1,999	-	-	1,999	1,999	1,999	-
					296	296	1,999	1,999	1,999	-
Special Education Cluster										
Special Education - Grants to States	84.027	N/A	15-16	\$ 454,258	454,258	-	454,258	454,258	-	-
Special Education - Preschool Grants	84.173	N/A	15-16	\$ 2,281	2,281	-	2,281	2,281	-	-
Total Special Education Cluster					456,539	-	456,539	456,539	-	-
Total passed through the Capital Area Intermediate Unit					456,835	296	458,538	458,538	1,999	-
<b>Total U.S. Department of Education</b>					978,076	77,056	956,042	956,042	55,022	-
<b>U.S. Department of Health and Human Services</b>										
Passed through the PA Dept. of Public Welfare Medicaid Cluster										
Medical Assistance Reimbursement for Admin. Total Medicaid Cluster	93.778	ACCESS	15-16	N/A	2,383	-	2,383	2,383	-	-
					2,383	-	2,383	2,383	-	-
<b>Total U.S. Department of Health and Human Services</b>					2,383	-	2,383	2,383	-	-

(Continued)

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2016

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2015	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2016	Provided to Subrecipients
<b>U.S. Department of Agriculture</b>										
Passed through PA Department of Education										
National School Lunch Program *	10.555	N/A	14-15	N/A	14,960	14,960	-	-	-	-
National School Lunch Program *	10.555	N/A	15-16	N/A	604,142	-	618,710	618,710	14,568	-
					619,102	14,960	618,710	618,710	14,568	-
School Breakfast Program *	10.553	N/A	14-15	N/A	4,207	4,207	-	-	-	-
School Breakfast Program *	10.553	N/A	15-16	N/A	137,090	-	142,491	142,491	5,401	-
					141,297	4,207	142,491	142,491	5,401	-
Total passed through the Pennsylvania Department of Education					760,399	19,167	761,201	761,201	19,969	-
Passed through the PA Department of Agriculture										
National School Lunch Program - Food Donations *	10.555	N/A	15-16	N/A	84,206	-	84,206	84,206	-	-
<b>Total U.S. Department of Agriculture</b>					844,605	19,167	845,407	845,407	19,969	-
<b>Total Expenditures of Federal Awards</b>					\$ 1,825,064	\$ 96,223	\$ 1,803,832	\$ 1,803,832	\$ 74,991	\$ -

\* Programs in the Child Nutrition Cluster  
National School Lunch Program \$ 618,710  
School Breakfast Program 142,491  
National School Lunch Program - Food Donations 84,206  
\$ 845,407

See Notes to Schedule of Expenditures of Federal Awards.

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of the District under programs of the Federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Susquehanna Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Susquehanna Township School District.

#### **Note 2. Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3. Access Program**

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2016, was \$95,000.



## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Year Ended June 30, 2016

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#### A. Significant Deficiencies in Internal Control

##### Finding 2015-001

**Criteria:** An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

**Condition and context:** The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

**Cause and effect:** It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

**Recommendations:** We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

**Views of responsible officials and planned corrective actions:** Several years ago when GASB No. 34 was introduced and additional financial statements were required, larger Districts added accountants and CPAs to their staff while smaller Districts with fewer resources contracted with their accounting firms to draft statements. At this time the District is continuing the practice of hiring a third party to draft its statements.

*Current Status - This finding is repeated in the current year schedule of findings and questioned costs.*

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2016

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#### A. Significant Deficiencies in Internal Control (Continued)

##### **Finding 2015-002**

**Criteria:** Reconciliations of bank balances to the general ledger should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the books properly.

**Condition and context:** During our audit, we noted that certain cafeteria fund bank statements were accumulated for several months without reconciliation to the general ledger controls.

**Cause:** The District's Business Office experienced gaps in personnel during the prior year which impaired their capability to process, record, and reconcile all transactions on a timely basis in the current year as they reconciled prior year records. During this time frame, new cafeteria staff were being trained on the reconciliation processes and the accounting software.

**Effect:** The District's staff and Board of Directors cannot reasonably rely on financial records without the performance of bank reconciliations.

**Recommendations:** We recommend all of the bank accounts be reconciled monthly to the general ledger and that any differences be promptly investigated and adjusted with adequate explanations. Ideally, all bank accounts should be reconciled no later than the 20th day of the following month or within a week of receipt of the bank statements.

**Views of responsible officials and planned corrective actions:** The District acknowledged the finding. The District has reconciled all bank accounts to the current reporting periods. It should be noted that the District has created a uniform bank reconciliation template to be utilized when reconciling all fund bank statements and will continue to perform monthly bank reconciliations on a timely basis.

*Current Status – The finding has been remedied in the current year.*

## SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Year Ended June 30, 2016

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#### A. Significant Deficiencies in Internal Control (Continued)

##### **Finding 2015-003**

**Criteria:** The District's management is responsible for maintaining internal controls over cash disbursements which reduce the risk of errors to a low level. These controls include the use of a purchase order system or "approval of invoice" forms and processes.

**Condition and context:** during our evaluation and testing of the cash disbursement transaction cycle, we noted that the policies and procedures that represent internal controls to ensure the proper authorization and recording were not followed consistently.

**Cause:** While additional policies were implemented during the last fiscal year, consistent authorization procedures were not followed for all cash disbursements.

**Effect:** The findings increase the potential for misstatements of financial statements, as well as the risk for improper disbursements being made.

**Recommendations:** The District should follow established cash disbursement control procedures that ensure all disbursements are properly authorized, recorded, and paid.

**Views of responsible officials and planned corrective actions:** The District acknowledges the finding and has since addressed and resolved this identified internal control weakness. Prior to the commencement of the June 30, 2014, fiscal year end audit, effective July 21, 2014, the District implemented procurement protocol requiring all applicable school district purchases to commence with the submission of a "purchase requisitions" to the business office following the appropriate building/department level administrative approval. All central office submitted "purchase requisitions" must meet both a documented business office administered "financial" and "programmatic" approval prior to the establishment and distribution of ancillary "purchase orders" to respective vendors. In those limited instances where it is determined to be impractical to utilize the described standard protocol, invoices paid by the District not containing "purchase order" approvals must be accompanied by "Application for Payment" forms containing appropriate central office administrative approval.

*Current status - The finding has been remedied in the current year.*