Audited Financial Statements

June 30, 2017

Fairfield Area School District

CONTENTS

Smith Elliott Kearns & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fairfield Area School District
Fairfield, 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 Fairfield Area School District as of and for the year June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, the OPEB Schedule of Funding Progress on page 49, the General Fund Budgetary Comparison Schedule on page 50, the Schedule of the School District's Proportionate Share of the Net Pension Liability – PSERS on page 51, and the Schedule of School District's Contributions – PSERS on page 52 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 Fairfield Area School District's basic financial statements. The detailed original budget comparison schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The detailed original budget comparison schedule 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 detailed comparison schedule is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
November 21, 2017

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

Components of the School District's financial report include this report, basic financial statements outlining the government wide reporting, fund financial statements to include the reconciliatory statements, financial statement footnotes, and other required supplementary information as presented. The notes to the financial statements provide a wealth of information to the reader relative to funds, descriptions and explanations.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the School District as a whole using the accrual method of accounting which is used by private-sector companies. The accrual method recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The Statement of Net Position includes all of the School District's assets and liabilities.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, one needs to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- Governmental activities – All of the School District's basic services are included here, such as instruction, support services, and administration. Property taxes and state and federal subsidies and grants finance most of these activities.

- Business-type activities – The School District operates a food service operation and charges fees to staff, students and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law, while many other funds are established by the District to help manage money for particular purposes.

Governmental funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the School 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.

Proprietary funds – These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is concentrated on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information.

Fiduciary funds – The School District is the trustee, or fiduciary, for some scholarship funds as well as student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

The Statement of Net Position provides a consolidation of all governmental funds into one statement with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the School District which, in the case of Fairfield, is the Food Service Fund. It is presented using the accrual basis for accounting.

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Assets						
Current and Other Assets	$ 8,843,545	$ 7,535,912	$ 44,196	$ 47,352	$ 8,887,741	$ 7,583,264
Capital Assets, Net	10,273,827	11,120,741	-	-	10,273,827	11,120,741
Deferred Outflows of Resources						
Deferred Charges on Bond Refunding	458,221	522,397	-	-	458,221	522,397
Deferred Outflows Related to Pension Liability	4,470,200	2,044,107	111,685	61,161	4,581,885	2,105,268
Total Assets and Deferred Outflows of Resources	$ 24,045,793	$ 21,223,157	$ 155,881	$ 108,513	$ 24,201,674	$ 21,331,670
Liabilities						
Current Liabilities	$ 3,234,195	$ 2,946,671	$ 11,429	$ 12,577	$ 3,245,624	$ 2,959,248
Non-Current Liabilities	41,295,117	39,203,378	541,991	473,101	41,837,108	39,676,479
Total Liabilities	44,529,312	42,150,049	553,420	485,678	45,082,732	42,635,727
Deferred Inflows of Resources						
Deferred inflows related to pension liability	538,025	482,677	11,359	10,051	549,384	492,728
Net Position						
Net Investment in Capital Assets	(6,631,307)	(6,526,469)	-	-	(6,631,307)	(6,526,469)
Restricted	588,059	196,724	-	-	588,059	196,724
Unrestricted	(14,978,296)	(15,079,824)	(408,898)	(387,216)	(15,387,194)	(15,467,040)
Total Net Position	$ (21,021,544)	$ (21,409,569)	$ (408,898)	$ (387,216)	$ (21,430,442)	$ (21,796,785)

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

	Governmental Activities 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016	Total 2017	Total 2016
REVENUES						
Program Revenues						
Charges for Services	$ 161,400	$ 190,399	$ 258,580	$ 250,051	$ 419,980	$ 440,450
Operating Grants and Contributions	2,887,465	2,744,384	166,085	175,694	3,053,550	2,920,078
Capital Grants and Contributions	178,059	176,396	-	-	178,059	176,396
General Revenues						
Property and Other Levied Taxes	10,447,850	10,662,974	-	-	10,447,850	10,662,974
Grants, Subsidies and Contributions	3,928,039	3,856,857	-	-	3,928,039	3,856,857
Unrestricted						
Interest and Investment Earnings	28,989	28,679	-	-	28,989	28,679
Other	20,668	17,221	-	-	20,668	17,221
Total Revenues	17,652,470	17,676,910	424,665	425,745	18,077,135	18,102,655
EXPENSES						
Instruction	10,898,512	10,548,555	-	-	10,898,512	10,548,555
Instructional Student Support	988,690	941,398	-	-	988,690	941,398
Administrative/Financial Support	2,006,639	2,145,269	-	-	2,006,639	2,145,269
Operation and Maintenance of Plant	1,421,365	1,164,934	-	-	1,421,365	1,164,934
Pupil Transportation	888,675	784,231	-	-	888,675	784,231
Student Activities	536,240	504,728	-	-	536,240	504,728
Interest on Long-Term Debt	524,324	530,321	-	-	524,324	530,321
Food Services	-	-	446,347	419,326	446,347	419,326
Total Expenses	17,264,445	16,619,436	446,347	419,326	17,710,792	17,038,762
Excess(Deficiency)Before Transfers	388,025	1,057,474	(21,682)	6,419	366,343	1,063,893
Transfers	-	-	-	-	-	-
Changes in Net Position	$ 388,025	$ 1,057,474	$ (21,682)	$ 6,419	$ 366,343	$ 1,063,893

Recent Accounting Pronouncements Adopted

The following summarizes GASB Statement 68 implemented in the 2015-2016 fiscal year and the relating effects on the financial statements presentation and disclosure for June 30, 2017, as applicable:

GASB adopted a standard that significantly changed the accounting and reporting for pension plans. Known as GASB 68, it wanted to improve the calculation and reporting of pension costs to make it more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position and not just as a footnote. **There is an immediate recognition of more components of the pension expense and more extensive disclosures that have a significant negative impact on the Government Wide Statement of Net Position and the Proprietary Fund - Statement of Net Position (Food Service).**

The district is currently working on compiling the information necessary to be compliant with GASB 75 which replaces GASB 45 as the governmental accounting standard applied to Other Post Employment Benefits (OPEB). We will need to show two pieces of liability: our unique OPEB plan that we offer our employees and our cost sharing responsibility due to the PSERS Premium Assistance Program. We currently reflect a liability for our single employer liability only.

Financial Highlights

The 2016-2017 actual results reflected 61.1% in local revenues, 37.8% in state revenues, .92% in federal revenues, and .18% in financing, for the General Fund, which reflects little change in the decreased state and federal funding for districts.

Balance Sheet/Fund Balances:

- **General Fund/Budget** – Total fund balance is $ 5,512,707; the unassigned portion is $ 2,158,183; assigned equals the portion needed to balance the 2017-2018 budget or $ 214,524, and the remaining amount of $ 3,140,000 is committed for capital expenditures. The fund balance was positively impacted during the 2016-2017 fiscal year by $ 791,268. Total revenues overall were $ 1,043,353 favorable to the original budget mainly due to increased tax collections, grant monies for Vo-Tech programs, increased Basic Ed Subsidy beyond the projection known at the time the budget was created, increase in transportation subsidy which was expected to decrease overall, and receiving the 2015-2016 reimbursement for bond payments in the 2016-2017 fiscal year. We did not book this revenue in the prior year since we were not sure when we would be receiving it. Overall we matched our revenue predictions within 5.8% of actual. Expenditures were unfavorable to the original budget by $ 217,447 which is misleading due to a transfer of $ 706,825 from the general fund to the capital reserve fund, which was not in the original budgeted numbers but was partially reserved in the fund balance, to cover the track replacement. Without this transfer reflected in the numbers, expenditures would have been $ 489,378 favorable to the original budget. Savings in salaries and applicable benefits offset significant increases in special education, equipment expense and charter school tuition costs. There was a status quo position relative to the Collective Bargaining Agreement and health insurance savings generated from changes in the existing staff’s benefits.

- **Capital Reserve Fund** – A fund balance of $ 588,059 exists to be used for future capital projects and building needs and to complete those items budgeted and started but not completed prior to the end of the fiscal year such as the track replacement. A fund transfer of $ 846,296 was made during 2016-2017. In addition to the $ 706,825 previously discussed, $ 139,471 was budgeted to be transferred for heaters, chiller overhaul, bleacher inspection, camera installation and other small items. The District is completing an elementary roof project totaling $ 169,452 of which $ 62,905 was expensed in the 2016-2017 fiscal year and the remaining dollars will be expensed in 2017-2018.

- **Food Service Fund** –From a strictly operational perspective, with revenues totaling $ 424,665 and expenses totaling $ 427,243, the food service fund had a break-even year in spite of repairs which were $ 1,714 over budget and software which was $ 4,932 over budget. The software was a required but unanticipated upgrade. $ 19,103 was booked to retirement expense as the current portion of the pension liability but is a non-cash expense causing the actual deficit to be recorded as $ 21,682. Due to the requirements set forth by GASB 68 and because the food service is treated as a proprietary fund, the financials reflect a negative net position of $ 408,898. This is all non-cash expense and should not be misconstrued as an operating loss.

- Private Purpose Trust Fund Net Position of $ 11,366.

- Agency Fund Assets of $ 68,661

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the School District had $ 34,338,168 invested in capital assets including land, buildings, furniture, and equipment. Accumulated depreciation on the capital assets currently totals $ 24,064,341, for a net $ 10,273,827. Food service machinery and equipment is fully depreciated at $ 262,195.

Net capital assets breakdown is as follows:

	2017	2016
Capital Assets, Net of Depreciation		
Land	$ 422,050	$ 422,050
Site Improvements	87,632	113,419
Building and Building Improvements	9,142,502	10,205,364
Furniture & Equipment	429,468	379,908
Construction in progress	192,175	-
Net Capital Assets	$ 10,273,827	$ 11,120,741

Outstanding Debt on June 30, 2017 and 2016

	2017	2016
General Obligation Bonds		
Series of 2012A	$ 3,970,000	$ 3,970,000
Series of 2012B	2,415,000	2,505,000
Series of 2015	6,235,000	6,275,000
Series of 2016	4,405,000	5,230,000
	$ 17,025,000	$ 17,980,000

Currently Known Facts, Decisions or Conditions – Future Economic Factors

The Collective Bargaining Agreement with the Fairfield Education Association expired on June 30, 2016. The district completed negotiations with a four year agreement effective July 1, 2016 until June 30, 2020. The agreement was approved by the Board on June 12, 2017. For the 2016-2017 fiscal year there were no changes or increases. Salary increases for 2017-2018 and 2018-2019 are 2.3% and 2019-2020 will be 2.2%. The district implemented a Qualified High Deductible Health Plan and an HSA. Contributions to the HSA are based on a percentage of the federal minimum deductible which is currently $ 1,300 single and $ 2,600 two-party or family. The HSA is fully funded in 2017-2018 with contributions changing to 80% and 65% respectively during the last two years. The support and administrative staff also have the new plan and the HSA.

Obviously, the School District is concerned about many factors such as future Public School Employees' Retirement System (PSERS) requirements, potential tax appeals, facility and technology needs with very large price tags, and the continuing uncertainty regarding state and federal revenues accompanied by an increase in mandates.

The PSERS percentage for fiscal year 2016-2017 was 30.03 and the percentage for 2017-2018 is 32.57. Estimates for 2018-2019 fiscal year reflect a percentage of 34.18.

For the 2016-2017 fiscal year, the board authorized a millage increase generating approximately $ 232,000 in new revenue. The adjusted index for 2017-2018 was 3.1% or .3091 mills which equated to approximately $ 250,000 in new revenue and a millage rate of 10.2798 as the Board authorized a millage increase. It is important to note that for the 2018-2019 fiscal year, as in the preceding years, the board authorized a resolution, in November 2017, that they would not raise taxes by more than the index through referendum or seeking exceptions.

There is no known potential litigation at this time.

CONTACTING THE SCHOOL DISTRICT REGARDING FINANCIAL MANAGEMENT

Our financial reporting is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and show the Board's accountability for the revenue it receives. If you have questions about this report or wish to request additional financial information, please contact Caroline Royer, Business Manager at Fairfield Area School District, 4840 Fairfield Rd, Fairfield, Pennsylvania 17320.

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 6,764,081	$ 18,168	$ 6,782,249
Receivables:			
Taxes	855,800	-	855,800
Intergovernmental	1,137,885	-	1,137,885
Other	17,580	-	17,580
Internal balances	2,437	(2,437)	-
Prepaid expenses	18,844	-	18,844
Inventories	-	28,465	28,465
Total current assets	8,796,627	44,196	8,840,823
Noncurrent Assets			
Prepaid bond insurance, net	46,918	-	46,918
Capital assets not being depreciated:			
Land	422,050	-	422,050
Construction in progress	192,175	-	192,175
Capital assets net of accumulated depreciation:			
Site improvements, net	87,632	-	87,632
Buildings and building improvements, net	9,142,502	-	9,142,502
Furniture and equipment, net	429,468	-	429,468
Total noncurrent assets	10,320,745	-	10,320,745
TOTAL ASSETS	19,117,372	44,196	19,161,568
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	4,470,200	111,685	4,581,885
Deferred charge on bond refunding	458,221	-	458,221
Total deferred outflows of resources	4,928,421	111,685	5,040,106
Total assets and deferred outflow of resources	$ 24,045,793	$ 155,881	$ 24,201,674
LIABILITIES			
Current liabilities			
Accounts payable	$ 286,697	$ 10,721	$ 297,418
Accrued salaries and benefits/withholdings	1,667,266	-	1,667,266
Due to other governments	186,784	-	186,784
Accrued interest	37,030	-	37,030
Unearned revenues	25,730	-	25,730
Portion due or payable within one year:			
General obligation bonds payable	986,045	-	986,045
Capital lease payable	21,381	-	21,381
Compensated absences	23,262	708	23,970
Total current liabilities	3,234,195	11,429	3,245,624
Noncurrent liabilities			
Portion due or payable after one year:			
General obligation bonds payable	16,131,155	-	16,131,155
Capital lease payable	49,126	-	49,126
Net pension obligation	24,737,078	536,904	25,273,982
Compensated absences	96,034	5,087	101,121
Net OPEB obligation	281,724	-	281,724
Total noncurrent liabilities	41,295,117	541,991	41,837,108
TOTAL LIABILITIES	44,529,312	553,420	45,082,732
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	538,025	11,359	549,384
NET POSITION			
Net investment in capital assets	(6,631,307)	-	(6,631,307)
Restricted	588,059	-	588,059
Unrestricted	(14,978,296)	(408,898)	(15,387,194)
TOTAL NET POSITION	(21,021,544)	(408,898)	(21,430,442)
TOTAL LIABILITIES AND NET POSITION	$ 24,045,793	$ 155,881	$ 24,201,674

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
Instruction	$ 10,898,512	$ 117,198	$ 2,010,590	$ -	$ (8,770,724)	$ -	$ (8,770,724)
Instructional student support	988,690	-	111,994	-	(876,696)	-	(876,696)
Administrative and financial support services	2,006,639	-	213,236	-	(1,793,403)	-	(1,793,403)
Operation and maintenance of plant services	1,421,365	-	70,673	-	(1,350,692)	-	(1,350,692)
Pupil transportation	888,675	-	413,515	-	(475,160)	-	(475,160)
Student activities	536,240	44,202	67,235	-	(424,803)	-	(424,803)
Community services	-	-	222		222		222
Interest expense	524,324	-	-	178,059	(346,265)	-	(346,265)
Total governmental activities	17,264,445	161,400	2,887,465	178,059	(14,037,521)	-	(14,037,521)
Business-type activities:							
Food services	446,347	258,580	166,085	-	-	(21,682)	(21,682)
Total primary government	$ 17,710,792	$ 419,980	$ 3,053,550	$ 178,059	$ (14,037,521)	$ (21,682)	$ (14,059,203)
	General revenues:						
	Property taxes, levied for general purposes, public utility realty tax, earned income tax				$ 10,447,850	$ -	$ 10,447,850
	Grants, subsidies and contributions not restricted				3,928,039	-	3,928,039
	Investment earnings				28,989	-	28,989
	Miscellaneous income				20,668	-	20,668
	Total general revenues				14,425,546	-	14,425,546
	Change in net position				388,025	(21,682)	366,343
	Net position - beginning				(21,409,569)	(387,216)	(21,796,785)
	Net position - ending				$ (21,021,544)	$ (408,898)	$ (21,430,442)

FAIRFIELD AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 5,934,029	$ 830,052	$ 6,764,081
Taxes receivable, net	855,800	-	855,800
Due from other funds	5,993	-	5,993
Intergovernmental receivables	1,137,885	-	1,137,885
Other receivables	17,580	-	17,580
Total assets	$ 7,951,287	$ 830,052	$ 8,781,339
LIABILITIES			
Accounts payable	$ 48,144	$ 238,553	$ 286,697
Due to other funds	116	3,440	3,556
Due to other governments	186,784	-	186,784
Unearned revenues	25,730	-	25,730
Accrued salaries and benefits/withholdings	1,667,266	-	1,667,266
Total liabilities	1,928,040	241,993	2,170,033
DEFERRED INFLOWS OF RESOURCES			
Unavailable tax revenue	510,540	-	510,540
Total deferred inflows of resources	510,540	-	510,540
FUND BALANCES			
Restricted Fund Balance			
Future capital improvements	-	588,059	588,059
Committed Fund Balance			
Future HVAC project	1,000,000	-	1,000,000
Future roofing project	750,000	-	750,000
Future phone system	500,000	-	500,000
Future technology projects	450,000	-	450,000
Future high school bleachers project	150,000	-	150,000
Future library renovation	120,000	-	120,000
Future capital improvement projects - other	170,000	-	170,000
Assigned Fund Balance			
2017-2018 budget deficit	214,524	-	214,524
Unassigned Fund Balance	2,158,183	-	2,158,183
Total fund balances	5,512,707	588,059	6,100,766
Total liabilities, deferred inflows of resources, and fund balances	$ 7,951,287	$ 830,052	$ 8,781,339

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds		$ 6,100,766
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Cost of assets	34,338,168	
Accumulated depreciation	(24,064,341)	
		10,273,827
Other assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.		
Taxes receivable		510,540
Prepaid expense is reported as an expenditure in governmental funds when the amount is paid. The Statement of Net Position reports prepaid expense as an asset.		18,844
Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.		46,918
Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:		
General obligation bonds payable	(17,117,200)	
Deferred charge on bond refunding	458,221	
Accrued interest expense	(37,030)	
Compensated absences	(119,296)	
OPEB liability	(281,724)	
Net pension liability	(24,737,078)	
Deferred outflows related to pension liability	4,470,200	
Deferred inflows related to pension liability	(538,025)	
Capital lease payable	(70,507)	
		(37,972,439)
Net position of governmental activities in the Statement of Net Position		$ (21,021,544)

FAIRFIELD AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

Year Ended June 30, 2017

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Local revenues			
Taxes	$ 10,456,945	$ -	$ 10,456,945
Investment earnings	28,776	213	28,989
Revenue from intermediate sources	145,023	-	145,023
Other	294,463	-	294,463
State sources	6,747,414	-	6,747,414
Federal sources	165,127	-	165,127
Total revenues	17,837,748	213	17,837,961
EXPENDITURES			
Instruction	9,381,480	-	9,381,480
Support services	4,872,122	-	4,872,122
Operation of non-instructional services	508,319	-	508,319
Facilities acquisition, construction and improvements	-	455,174	455,174
Debt service			
Principal	987,583	-	987,583
Interest	483,110	-	483,110
Total expenditures	16,232,614	455,174	16,687,788
Excess (deficiency) of revenues over expenditures	1,605,134	(454,961)	1,150,173
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	32,430	-	32,430
Interfund transfers	(846,296)	846,296	-
Total other financing sources and (uses)	(813,866)	846,296	32,430
Net change in fund balances	791,268	391,335	1,182,603
Fund balances - beginning	4,721,439	196,724	4,918,163
Fund balances - ending	$ 5,512,707	$ 588,059	$ 6,100,766

Fairfield Area School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds:		$ 1,182,603
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.		
Depreciation expense	(1,182,544)	
Capital outlays	335,630	(846,914)
Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year.		(9,095)
Governmental funds do not present grant revenues that are unavailable to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(176,396)
Capital lease payments and borrowings are an expenditure or other financing source in the governmental funds, but reduce or increase long-term liabilities in the statement of net position.		855
Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effect of premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Repayment of general obligations - principal		955,000
Amortization of bond premium, discounts, prepaid bond insurance, and deferred charge on bond refundings		(42,646)
Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:		
Prepaid expense	18,844	
Net pension liability and related deferred outflows and inflows	(657,480)	
OPEB liability	(47,556)	
Compensated absences	10,080	
Accrued interest	730	(675,382)
Change in net position of governmental activities		$ 388,025

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2017

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	$ 18,168
Due from other funds	116
Inventory	28,465
Total current assets	46,749
Noncurrent Assets	
Furniture and equipment	262,195
Accumulated depreciation	(262,195)
Total noncurrent assets	-
Total assets	46,749
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	111,685
Total assets and deferred outflows of resources	$ 158,434
LIABILITIES	
Current Liabilities	
Accounts payable	$ 10,721
Compensated absences	708
Due to other funds	2,553
Total current liabilities	13,982
Noncurrent Liabilities	
Net pension liability	536,904
Compensated absences	5,087
Total noncurrent liabilities	541,991
Total liabilities	555,973
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	11,359
NET POSITION	
Unrestricted	(408,898)
Total net position	(408,898)
Total liabilities, deferred inflows of resources and net position	$ 158,434

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2017

	Food Service
OPERATING REVENUE	
Food service revenues	$ 258,580
Total operating revenues	258,580
OPERATING EXPENSES	
Food and milk purchases	172,906
Salaries	146,406
Employee benefits	93,996
Supplies	15,924
Repairs and maintenance	7,715
Dues and fees	1,590
Other purchased services	7,692
Travel and training	118
Total operating expenses	446,347
Operating (loss)	(187,767)
NONOPERATING REVENUES (EXPENSES)	
Federal subsidies	130,531
State subsidies	35,554
Total nonoperating revenue	166,085
Change in net position	(21,682)
Net position - beginning	(387,216)
Net position - ending	$ (408,898)

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2017

	Food Service
Cash flows from operating activities	
Cash received from food sales	$ 258,580
Cash payments to suppliers for goods	(170,837)
Cash payments to and on behalf of employees	(218,377)
Cash payments for services	(15,407)
Net cash (used) by operating activities	(146,041)
Cash flows from noncapital financing activities	
Federal subsidies	106,047
State subsidies	35,554
Net cash provided by noncapital financing activities	141,601
Net (decrease) in cash and cash equivalents	(4,440)
Cash and cash equivalents - beginning	22,608
Cash and cash equivalents - ending	18,168
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Operating (loss)	(187,767)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Donated food used	24,484
Increase in inventories	(3,532)
Increase in interfund payables	2,248
Increase net pension liability and related items	19,103
Increase in compensated absences	674
Decrease in accounts payable	(1,251)
Total adjustments	41,726
Net cash (used) by operating activities	$ (146,041)

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2017

	Agency Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	$ 68,661	$ 11,366
Total assets	$ 68,661	$ 11,366
LIABILITIES		
Due to student groups	$ 68,661	$ -
Total liabilities	68,661	-
NET POSITION		
Net position held in trust for scholarships	-	11,366
Total net position	-	11,366
Total liabilities and net position	$ 68,661	$ 11,366

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

	Private Purpose Trust Funds
ADDITIONS	
Contributions	$ -
Total additions	-
DEDUCTIONS	
Scholarships and awards/grants	700
Total deductions	700
Change in net position	(700)
Net position - beginning	12,066
Net position - ending	$ 11,366

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fairfield Area School District (School District) operates a public school system which is comprised of the Boroughs of Fairfield and Carroll Valley and Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

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

Reporting Entity

Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities and there are no entities that are a component unit of the School District.

Joint Ventures

The following joint ventures are not component units of Fairfield Area School District and are not included in this report.

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Special Education Consortium – The Upper Adams and the Bermudian Springs School Districts are in an agreement with the School District to provide special education services to students on an as-needed basis to help reduce the cumulative service costs. Each servicing school district provides specialized services to each other, billed according to seat costs specified by the servicing school district and agreed upon at a meeting of the member school districts conducted annually. The agreement automatically renews annually unless written termination request from all participants occurs.

Complete financial statements for each of the entities described above can be obtained from the respective administrative office. The School District has no equity interest in the above joint ventures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental fund:

General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, and other taxes, and state and federal grants. Many of the more important activities of the School District, including instruction, administration, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unrestricted fund balance is considered as resources available for use.

The School District reports the following non-major governmental fund:

Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 PA. C.S., Section 8001 et seg., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

Proprietary Fund

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District, and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

If time eligibility requirements are not met, a deferred inflow of resources would be recorded. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally a result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $ 5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Site improvements	20 years
Buildings and building improvements	20 - 30 years
Furniture and equipment	5 - 20 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding, employer contributions made to the pension plan after the measurement date of the pension plan, and other items related to the School District's proportionate share of the pension plan as described in Note 10. These will be amortized in future periods. A deferred charge on bond refunding results from the difference in carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources reported in the Statement of Net Position consists of various items related to the School District's proportionate share of the pension plan as described in Note 10. The School District also reports unavailable tax and grant revenue as deferred inflows of resources on the governmental funds balance sheet.

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorizes the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

During 2016/2017, the District overspent the budgeted expenditures of the general fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications to the District.

Capital budgets are not implemented for capital improvements and capital projects in the capital reserve fund. All transactions of the capital reserve fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments

Cash includes all demand deposits, petty cash, savings, money market accounts, PSDLAF accounts, and certificates of deposit with an original maturity of less than three months owned by the School District. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at fair value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

For purposes of the statement of cash flows for the proprietary fund, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements. Governmental fund supplies inventories are not deemed to be significant at June 30.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and original issue discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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 PSER's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. These provisions require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provision of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements, and are expensed as incurred.

Other Postemployment Benefits Other Than Pension

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

In addition to the postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

Net Position -Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of 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 improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent bond proceeds is not included in the calculation of net investment of capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position -Government-Wide/Proprietary Funds (Continued)

Restricted Net Position: This category of net position has constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Restricted net position as of June 30, 2017 consists of $ 588,059 for future capital improvements.

Unrestricted Net Position: This category of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption: Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amounts of loans receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the finance committee or Business Manager has the authority to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. This order of spending may be altered per board approval.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 authorizes the School District to invest in the following:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government and Federal agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity
- Shares of an investment company restricted under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2017, $ 6,644,030 of the School District's bank balance of $ 6,905,896 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department or agent but not in the School District's name (including certificates of deposit)	6,644,030
	$ 6,644,030

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, various banks utilized by the District have pledged collateral on a pooled basis on behalf of the District and all other governmental depositors in the respective financial institutions.

Credit Risk – Investments

Included in cash and cash equivalents are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF-MAX) of $ 28,855. The PSDLAF-MAX is basically a mutual fund that consists of short-term money market investments and seeks to maintain a constant net asset value of $ 1 per share. PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool.

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2017, the School District's investments were rated as:

Investment	Standard & Poor's
PA School District Liquid Asset Fund	AAAm

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Policies Followed at PSDLAF

Regulatory Oversight

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve ex officio. The Trustees have full, exclusive and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlors as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

In accordance with the Government Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the fair value of the investment.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in PSDLAF-MAX are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Carroll Valley and Fairfield and the Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Adams County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Taxes receivable and unavailable revenue (deferred inflows) in the financial statements consist of the following as of June 30, 2017:

Real estate	$ 502,264
Earned income tax	412,508
Real estate transfer tax	11,346
Delinquent occupation tax	6,057
Amusement tax	3,085
Allowance for uncollectible taxes	(79,460)
	855,800
Taxes collected within sixty days, recorded as revenues in governmental funds	(345,260)
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	$ 510,540

Tax Abatements

Pennsylvania Clean and Green Program

The School District provides property tax abatement through the Clean and Green program enacted by the Pennsylvania General Assembly in 1974. The program bases property taxes on use values rather than fair market values. To qualify, a property must be at least ten acres in size, and used in Agricultural Use, Agricultural Reserve, or Forest Reserve. Property under 10 acres qualifies if it is capable of generating at least $ 2,000 annually in farm income.

The Department of Agriculture supplies county assessment offices with use values annually. The county has the option to implement these values or use lower values. Agricultural Use and Agricultural Reserve values are based upon the income approach for land appraisal. This standard appraisal technique defines the agricultural use value of a tract of land as the present value of the income stream it can generate when put to its best agricultural use. Forest Reserve values are based on the average value of timber in a particular county, or the average value of six timber types by county.

A landowner who breaches the covenant is subject to seven years of rollback taxes at 6% interest per year. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid if the property had not been enrolled, plus 6% simple interest per year.

For the fiscal year ended June 30, 2017, the District abated property taxes totaling $ 1,214,923 under this program.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following for the year ended June 30, 2017:

Funds	Due From	Due To
General	$ 5,993	$ 116
Capital Reserve	-	3,440
Food Service	116	2,553
	$ 6,109	$ 6,109

The interfund payable in the Food Service Fund due to the General Fund is due to purchases made via procurement card that were not reimbursed by June 30, 2017. The payable in the Capital Reserve Fund is due to invoices paid by the General Fund that will be reimbursed by the Capital Reserve Fund.

Funds	Transfers In	Transfers Out
General	$ -	$ 846,296
Capital Reserve	846,296	-
	$ 846,296	$ 846,296

Interfund transfers were made from the General Fund to the Capital Reserve Fund for future capital improvements.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2017 consist of the following:

Local:	Consortium tuition	$ 108,680
	Other	10,763
State:	Basic education	511,792
	Vocational education	3,723
	Transportation	54,143
	Social security	69,296
	Retirement	347,849
	School health annual reimbursement request	19,038
Federal:	Direct programs	12,601
		$ 1,137,885

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2017:

	Balances June 30, 2016	Additions	Retirements	Balances June 30, 2017
Governmental Activities:				
Cost				
Assets not being depreciated:				
Land	$ 422,050	$ -	$ -	$ 422,050
Construction in progress	-	192,175	-	192,175
Assets being depreciated:				
Site improvements	1,034,280	-	-	1,034,280
Buildings and building improvements	30,332,674	-	-	30,332,674
Furniture and equipment	2,251,612	143,455	(38,078)	2,356,989
Total cost	34,040,616	335,630	(38,078)	34,338,168
Less accumulated depreciation				
Site improvements	(920,861)	(25,787)	-	(946,648)
Buildings and building improvements	(20,127,310)	(1,062,862)	-	(21,190,172)
Furniture and equipment	(1,871,704)	(93,895)	38,078	(1,927,521)
Total accumulated depreciation	(22,919,875)	(1,182,544)	38,078	(24,064,341)
Capital assets, net	$ 11,120,741	$ (846,914)	$ -	$ 10,273,827
Business-Type Activities				
Cost				
Machinery and equipment	$ 262,195	$ -	$ -	$ 262,195
Less accumulated depreciation	(262,195)	-	-	(262,195)
Capital assets, net	$ -	$ -	$ -	$ -

Depreciation expense for the year ended June 30, 2017 was charged to governmental functions as follows:

Instruction	$ 1,072,192
Instructional student support	252
Administrative and financial support services	44,946
Operation and maintenance of plant services	54,079
Student activities	9,285
Transportation	1,790
	$ 1,182,544

NOTE 8 ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits consist of the following as of June 30, 2017:

General Fund	
Accrued salaries	$ 494,758
Retirement	1,089,422
Social security	36,231
Other withholdings	46,855
	$ 1,667,266

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities (other than pension and OPEB) during the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds/notes payable						
(A) Series 2012 A	3,970,000	-	-	3,970,000	-	3,970,000
(B) Series 2012 B	2,505,000	-	(90,000)	2,415,000	90,000	2,325,000
(C) Series 2015	6,275,000	-	(40,000)	6,235,000	35,000	6,200,000
(D) Series 2016	5,230,000	-	(825,000)	4,405,000	835,000	3,570,000
Unamortized bond premium (discount)	118,245	-	(26,045)	92,200	26,045	66,155
Subtotal - bonds/notes	18,098,245	-	(981,045)	17,117,200	986,045	16,131,155
Compensated absences	129,376	-	(10,080)	119,296	23,262	96,034
Capital lease	71,362	32,430	(33,285)	70,507	21,381	49,126
Total long-term liabilities	$ 18,298,983	$ 32,430	$ (1,024,410)	$ 17,307,003	$ 1,030,688	$ 16,276,315
Business-Type Activities						
Compensated absences	5,121	674	-	5,795	708	5,087
Total long-term liabilities	$ 5,121	$ 674	$ -	$ 5,795	$ 708	$ 5,087

(A) On May 14, 2012, the School District issued $ 3,970,000 of general obligation bonds – Series of 2012 A. The proceeds were used to advance refund a portion of the general obligation bonds, Series 2010A, advance refund all of the general obligation bonds Series of 2010B and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2029 to 2032, with interest payments due annually. The bonds bear interest at rates ranging from 3.00% to 3.25%.

(B) On May 14, 2012, the School District issued $ 2,870,000 of general obligation bonds – Series of 2012 A. The proceeds were used to finance the School District's capital improvement plan including any necessary additions, alterations, renovations and improvements to, and fixturing and equipping of, the School District's facilities for the purpose of energy savings and other capital projects, to currently refund all of the general obligation bonds, Series of 2006, and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2013 to 2032. The bonds bear interest at rates ranging from 2.00% to 3.25%.

NOTE 9 LONG TERM LIABILITIES (CONTINUED)

(C) On April 13, 2015, the School District issued $ 6,350,000 of general obligation bonds – Series of 2015. The proceeds were used to currently refund all of the general obligation bonds - Series of 2010A. Payment on the bonds is due in varying amounts on June 1, 2015 to 2028. The bonds bear interest at rates ranging from 0.30% to 3.00%.

(D) On March 14, 2016, the School District issued $ 6,050,000 of general obligation bonds – Series of 2016. The proceeds were used to currently refund all of the general obligation bonds - Series of 2009. Payment on the bonds is due in varying amounts on June 1, 2016 to 2022. The bonds bear interest at rates ranging from 0.39% to 4.00%.

The annual debt requirements for future general obligation bonds as of June 30, 2017, are as follows:

Fiscal Year Ended June 30	GO Bonds - 2012A Principal	GO Bonds - 2012A Interest	GO Bonds - 2012B Principal	GO Bonds - 2012B Interest	GO Bonds - 2015 Principal	GO Bonds - 2015 Interest	GO Bonds - 2016 Principal	GO Bonds - 2016 Interest	Totals Principal	Totals Interest
2018	$ -	$ 122,950	$ 90,000	$ 66,711	$ 35,000	$ 158,942	$ 835,000	$ 118,738	$ 960,000	$ 467,341
2019	-	122,950	95,000	64,911	35,000	158,522	850,000	108,300	980,000	454,683
2020	-	122,950	95,000	63,012	35,000	157,996	880,000	77,300	1,010,000	421,258
2021	-	122,950	95,000	61,112	40,000	157,418	905,000	47,400	1,040,000	388,880
2022	-	122,950	100,000	59,092	35,000	156,618	935,000	18,700	1,070,000	357,360
2023-2027	-	614,750	670,000	251,218	4,965,000	557,180	-	-	5,635,000	1,423,148
2028-2032	3,970,000	439,188	1,270,000	128,689	1,090,000	32,700	-	-	6,330,000	600,577
	$ 3,970,000	$ 1,668,688	$ 2,415,000	$ 694,745	$ 6,235,000	$ 1,379,376	$ 4,405,000	$ 370,438	$ 17,025,000	$ 4,113,247

Lease Payable

The School District is financing the purchase of copiers and information technology equipment through capital leases with vendors. At June 30, 2017, the leased assets have a gross capitalized value of $ 156,194 and accumulated amortization of $ 77,218, leaving a net book value of $ 78,976 that is included in capital assets. Amortization expense of $ 28,031 is included in depreciation expense. The aggregate amount of future principal payments required on capital leases at June 30, 2017 is as follows:

2018	$ 26,020
2019	23,508
2020	19,743
2021	7,299
2022	3,045
	79,615
Amount representing interest	(9,108)
	$ 70,507

NOTE 10 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

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 by 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 rights to benefits are vested after ten years of service.

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

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions

Member contributions:

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

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, respectively.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District recognized by the pension plan as revenue from the School District were $ 1,905,521 for the year ended June 30, 2017.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50% - 60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2017, the School District recognized revenue of $ 987,845 from reimbursement for its current year pension payments.

NOTE 10 PENSION PLAN (CONTINUED)

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

At June 30, 2017, the School District reported a liability of $ 25,273,982 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.0510 percent, which was a decrease of 0.0002 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense as follows:

Governmental Activities	$ 2,539,221
Business-Type Activities	$ 59,946

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 210,531
Changes in assumptions	912,336	-
Net difference between projected and actual investment earnings	1,408,656	-
Changes in proportionate share - plan	256,349	324,191
Changes in proportionate share - governmental activities/business-type activities	14,662	14,662
Difference between employer contributions and proportionate share of total contributions	67,300	-
Contributions subsequent to the measurement date	1,922,582	-
	$ 4,581,885	$ 549,384

NOTE 10 PENSION PLAN (CONTINUED)

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

The $ 1,922,582 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	$	445,815
2019		445,815
2020		698,820
2021		519,469
Total	$	2,109,919

Actuarial Assumptions

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

Note 10 Pension Plan (Continued)

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

Actuarial Assumptions (Continued)

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	23%	5.3%
Fixed income	29%	2.1%
Commodities	8%	2.5%
Absolute return	10%	3.3%
Risk parity	10%	3.9%
Infastructure/MLPs	5%	4.8%
Real estate	12%	4.0%
Alternative investments	15%	6.6%
Cash	3%	0.2%
Financing (LIBOR)	(14%)	0.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

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

NOTE 10 PENSION PLAN (CONTINUED)

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

Sensitivity of the School 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	6.25%	7.25%	8.25%
District's proportionate share of the net pension liability	$ 30,917,000	$ 25,273,982	$ 20,532,000

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.

Payables to the Pension Plan

As of June 30, 2017 the School District had $ 1,089,422 included in accrued benefits liability, of which $ 1,023,593 is for the contractually required contribution for a portion of the first quarter and the second quarter of 2017 and $ 65,829 is related to the accrued payroll liability for wages incurred as of June 30, 2017.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the Lincoln Benefit Trust. The plan provides medical, prescription drug, dental, and vision coverage for eligible retirees and their spouses. Upon reaching the earliest of Medicare age or retiree's death, all retirees cease to be covered under the School District's plan. The plan provisions, benefits available, and required reimbursements are governed by Act 110/43 of the Pennsylvania State Legislature and the collective bargaining agreement(s) between the School District and the Fairfield Education Association. The plan does not issue a publically-available financial report.

Funding Policy

All eligible retirees are required to pay the Lincoln Benefit Trust directly for benefits elected equal to the premium determined for the purpose of COBRA as paid by the School District. For the year ended, June 30, 2017, plan members receiving benefits contributed $ 64,341 in accordance with their collective bargaining agreement.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

Annual required contribution (ARC)	$ 102,903
Estimated interest on net OPEB obligation	10,538
Estimated adjustment to ARC	(14,376)
Annual OPEB cost	99,065
Estimated employer contributions made	(51,509)
Increase in net OPEB obligation	47,556
Net OPEB obligation – beginning of the year	234,168
Net OPEB obligation – end of the year	$ 281,724

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 99,065	35.2%	$ 281,724
2016	99,799	42.6%	234,168
2015	100,750	42.3%	189,392

Funding Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ -	$ 833,876	$ 833,876	0.00%	$ 6,242,345	13.36%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information in the future, about whether the actuarial

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Status and Funding Progress (Continued)

value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used, based on assumption that all employees will retire upon attainment of the eligibility requirements for retirement. The valuation assumes that 75% of eligible retirees will elect coverage in the plan, and 40% of these eligible retirees are assumed to be married and will have a spouse covered by the plan at retirement.

The actuarial assumption included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the School District's General Fund assets, and an annual healthcare cost trend rate of 6.5% initially, reduced by 0.5% decrements to a rate of 5.5% in 2016. Both rates included a 2.5% cost of living adjustment and 1% real wage growth assumption for teachers and administrators. The valuation also assumes dental and vision costs will not vary by age, and life insurance costs will vary by age based on the amount of coverage times the applicable mortality factor contained in the valuation mortality table. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at the January 1, 2014 valuation was 30 years.

Other Post-Employment Benefits – Public School Employees' Retirement System (PSERS)

In addition to the other post-employment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees who qualify and elect to participate, which is a cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees' Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary from the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, School District contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. The PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at ***http://www.psers.state.pa.us/***.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Other Post-Employment Benefits – Public School Employees' Retirement System (PSERS) (Continued)

Participating eligible employees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible employees must obtain their health insurance through the School District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The total contribution rate for the School District used to fund the premium assistance was 0.83% for the year ended June 30, 2017.

The information below summarizes the required contributions, the percentage of required contribution contributed and the contribution rate for the current year and two preceding years:

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Contributed	Contribution Rate
2017	$ 54,164	100.00%	0.83%
2016	55,386	100.00%	0.84%
2015	58,169	100.00%	0.90%

NOTE 12 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and workers' compensation. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The School District is a member of the Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating Schools. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

NOTE 12 RISK MANAGEMENT (CONTINUED)

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between $ 75,000 and $ 300,000 are paid from the Trust mini-pool. Claims incurred over $ 300,000 are paid from a stop loss insurance policy purchased by the Trust. Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2017:

Net position - July 1, 2016	$ 1,187,038
Contributions and interest income	1,840,807
Minipool reimbursement	12,158
Claims paid	(1,213,441)
Stop-loss insurance	(171,935)
Minipool premium (less refund)	(38,348)
Administrative fees	(92,417)
Net position - June 30, 2017	$ 1,523,862

Overall, the Lincoln Benefit Trust has a net position of $ 95,706,536 as of June 30, 2017 and showed an increase in net position of $ 5,913,422 for the year then ended. Financial statements of the Trust are available at the School District. All expenditures for the School District's risk management are recorded in the general fund or food service fund.

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

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

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction in Progress

The School District has signed contracts totaling $ 169,452 for roof repairs of the Fairfield Elementary School, and $ 699,555 for the Fairfield Area High School Track. The total costs incurred on these projects as of June 30, 2017 is $ 62,905 and $ 175,648, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ -	$ 833,876	$ 833,876	0.00%	$ 6,242,345	13.36%
1/1/2011	$ -	$ 596,176	$ 596,176	0.00%	$ 6,260,078	9.52%
1/1/2008	$ -	$ 711,153	$ 711,153	0.00%	$ 5,736,460	12.40%

FAIRFIELD AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017

	Budget		Actual (Budgetary/	Variance with Final
	Original	Final	GAAP Basis)	Budget
REVENUES				
Local Sources				
Taxes	$ 9,974,550	$ 9,974,550	$ 10,456,945	$ 482,395
Investment earnings	18,000	18,000	28,776	10,776
Revenue from intermediate sources	111,875	147,249	145,023	(2,226)
Other	181,370	181,370	294,463	113,093
State sources	6,404,617	6,404,617	6,747,414	342,797
Federal sources	136,413	161,235	165,127	3,892
Total revenues	16,826,825	16,887,021	17,837,748	950,727
EXPENDITURES				
Instruction				
Regular programs	6,769,523	6,298,576	6,298,586	(10)
Special programs	2,208,695	2,222,106	2,222,107	(1)
Vocational education programs	784,818	766,134	766,132	2
Other instructional programs	89,884	94,652	94,655	(3)
Total instruction	9,852,920	9,381,468	9,381,480	(12)
Support Services				
Pupil personnel	489,012	512,154	512,157	(3)
Instructional staff	275,399	277,080	277,081	(1)
Administration	1,422,739	1,342,193	1,374,623	(32,430)
Pupil health	136,292	146,489	146,491	(2)
Business	322,916	332,835	332,836	(1)
Operation and maintenance of plant	1,159,347	1,165,854	1,165,860	(6)
Student transportation	849,192	857,848	857,851	(3)
Central	250,316	205,224	205,223	1
Total support services	4,905,213	4,839,677	4,872,122	(32,445)
Operation of Noninstruction Services				
Student activities and community services	495,317	508,317	508,319	(2)
Total operation of noninstructional services	495,317	508,317	508,319	(2)
Debt Service				
Principal	986,000	987,583	987,583	-
Interest	482,542	483,110	483,110	-
Total debt service	1,468,542	1,470,693	1,470,693	-
Total expenditures	16,721,992	16,200,155	16,232,614	(32,459)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	32,430	32,430
Interfund transfers	(139,471)	(721,505)	(846,296)	(124,791)
Total other financing sources and (uses)	(139,471)	(721,505)	(813,866)	(92,361)
Net change in fund balances	$ (34,638)	$ (34,639)	$ 791,268	$ 825,907

Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System
Year Ended June 30, 2017

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0510%	$ 25,273,982	$ 6,608,165	382.47%	50.14%
2016	0.0512%	$ 22,177,438	$ 6,583,949	336.84%	54.36%
2015	0.0522%	$ 20,661,134	$ 6,666,890	309.91%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Schedule of School District's Contributions – Public Employee's Retirement System
Year Ended June 30, 2017

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2017	$ 1,905,521	$ 1,905,521	$ -	$ 6,952,080	27.4%
2016	$ 1,648,379	$ 1,648,379	$ -	$ 6,608,165	24.9%
2015	$ 1,324,963	$ 1,324,963	$ -	$ 6,583,949	20.1%

NOTE

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

Detailed Original Budget Comparison Schedule - General Fund
Year Ended June 30, 2017

	Original	Actual	Variance
REVENUES FROM LOCAL SOURCES			
Taxes			
Current and interim real estate taxes	$ 7,628,924	$ 8,007,886	$ 378,962
Public utility realty taxes	12,000	11,316	(684)
Payments in lieu of taxes	8,626	8,626	-
Current Act 511 taxes - flat rate assessments	2,160,000	2,232,756	72,756
Delinquencies on taxes levied/assessed	165,000	196,361	31,361
Total taxes	9,974,550	10,456,945	482,395
Earnings on investments	18,000	28,776	10,776
Revenue from intermediary sources	111,875	145,023	33,148
Rentals	18,000	20,668	2,668
Contributions and donations from private sources	15,000	27,167	12,167
Refunds and other miscellaneous revenue	148,370	246,628	98,258
Total revenue from local sources	10,285,795	10,925,207	639,412
REVENUE FROM STATE SOURCES			
Basic instructional funding	3,342,760	3,468,322	125,562
Tuition for orphans and private-home placements	1,000	8,821	7,821
Vocational education	24,200	29,596	5,396
Migratory children	-	114	114
Special education funding for school aged pupils	618,896	633,717	14,821
Transportation	320,000	407,840	87,840
Rental and sinking fund payments	176,002	354,455	178,453
Health services	20,500	19,038	(1,462)
State property tax reduction allocation	459,717	459,717	-
State liquid fuels	-	3,687	3,687
Ready to Learn block grant	130,979	147,924	16,945
State share of social security and retirement	1,310,563	1,214,183	(96,380)
Total revenue from state sources	6,404,617	6,747,414	342,797
REVENUE FROM FEDERAL SOURCES			
ESEA - Title I	94,238	110,951	16,713
ESEA - Title II	31,898	32,496	598
Vocational education	10,277	17,788	7,511
Other federal grants	-	3,892	3,892
Total revenue from federal sources	136,413	165,127	28,714
Total revenues	$ 16,826,825	$ 17,837,748	$ 1,010,923

	Original	Actual	Variance
INSTRUCTION			
Regular programs			
Elementary/Secondary	$ 6,769,523	$ 6,298,586	$ 470,937
Special programs			
Gifted students	31,093	983	30,110
Learning support	2,177,602	2,221,124	(43,522)
Total special programs	2,208,695	2,222,107	(13,412)
Vocational educational programs			
Agricultural education	144,951	172,684	(27,733)
Home economics education	102,639	101,173	1,466
Industrial arts education	107,234	105,905	1,329
Business education	284,998	281,613	3,385
Technical education	144,996	104,757	40,239
Total vocational education	784,818	766,132	18,686
Other instructional programs			
Drivers education	74,825	59,822	15,003
Additional education	15,059	34,833	(19,774)
Total other instructional programs	89,884	94,655	(4,771)
Total instruction	9,852,920	9,381,480	471,440
SUPPORT SERVICES			
Pupil personnel guidance	489,012	512,157	(23,145)
Instructional staff			
Professional services	286	-	286
School library	248,363	234,955	13,408
Curriculum and staff development	26,750	42,126	(15,376)
Total instructional staff	275,399	277,081	(1,682)
Administration			
Board services	78,300	72,722	5,578
Tax assisted services	89,933	47,218	42,715
Legal	50,000	33,742	16,258
Office of Superintendent	395,382	449,273	(53,891)
Community relations	13,400	8,571	4,829
Office of Principal	795,724	761,958	33,766
Other	-	1,139	(1,139)
Total administration	$ 1,422,739	$ 1,374,623	$ 48,116

Detailed Original Budget Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2017

	Original	Actual	Variance
Pupil health	$ 136,292	$ 146,491	$ (10,199)
Business	322,916	332,836	(9,920)
Operation and maintenance of plant services	1,159,347	1,165,860	(6,513)
Student transportation	849,192	857,851	(8,659)
Central and other support services	250,316	205,223	45,093
Total support services	4,905,213	4,872,122	33,091
OPERATION OF NON-INSTRUCTIONAL SERVICES			
Student activities and community services			
School sponsored student activities	92,468	77,056	15,412
School sponsored athletics	402,849	430,999	(28,150)
Community services	-	264	(264)
Total operations of non-instructional services	495,317	508,319	(13,002)
DEBT SERVICE			
Principal	986,000	987,583	(1,583)
Interest	482,542	483,110	(568)
Total debt service	1,468,542	1,470,693	(2,151)
Total expenditures	16,721,992	16,232,614	489,378
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	-	32,430	32,430
Interfund transfers	(139,471)	(846,296)	(706,825)
Total other financing sources (uses)	(139,471)	(813,866)	(674,395)
Net change in fund balance	$ (34,638)	$ 791,268	$ 825,906