

TUNKHANNOCK AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT

JUNE 30, 2016

AND

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

AND

SUPPLEMENTARY INFORMATION

TABLE OF CONTENTS

<u>EXHIBIT</u>	<u>PAGE</u>	
	1-3	REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
	4-13	MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
	14	STATEMENT OF NET ASSETS
	15	STATEMENT OF NET ACTIVITIES
	16	BALANCE SHEET – GOVERNMENTAL FUNDS
	17	RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
	18	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
	19	RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
	20	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND
	21	STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
	22	RECONCILIATION OF PROPRIETARY FUND NET ASSETS TO ENTITY WIDE NET ASSETS
	23	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS- PROPRIETARY FUNDS
	24	RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS-PROPRIETARY FUND TO STATEMENT OF NET ACTIVITIES
	25	STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
	26	STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
	27	STATEMENT OF CHANGES IN NET ASSETS – FIDUCIARY FUNDS
	28-50	NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION – OTHER FINANCIAL STATEMENTS

51	SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY
52	SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PENSION PLAN

SUPPLEMENTARY INFORMATION – OTHER FINANCIAL STATEMENTS

A	53	STATEMENT OF REVENUE, EXPENDITURES AND UNRESERVED
SCHEDULE		FUND BALANCE – GENERAL FUND
1	54	REVENUE FROM LOCAL SOURCES
2	54	REVENUE FROM STATE SOURCES
3	54	REVENUE FROM FEDERAL SOURCES
4	55	INSTRUCTION – REGULAR PROGRAMS
5	55	INSTRUCTION – SPECIAL PROGRAMS
6	55	INSTRUCTION – VOCATIONAL PROGRAMS
7	56	OTHER INSTRUCTIONAL PROGRAMS E/S
8	56	INSTRUCTION – ADULT EDUCATION PROGRAMS
9	56	COMMUNITY / JR. COLLEGE EDUCATION PROGRAMS
10	56	INSTRUCTION-PRE-K
11	56	SUPPORT SERVICES – PUPIL PERSONNEL
12	57	SUPPORT SERVICES – INSTRUCTIONAL SERVICES
13	57	SUPPORT SERVICES – ADMINISTRATIVE
14	57	SUPPORT SERVICES – PUPIL HEALTH
15	58	SUPPORT SERVICES – BUSINESS
16	58	SUPPORT SERVICES – OPERATION & MAINTENANCE OF PLANT SERVICES
17	58	SUPPORT SERVICES – STUDENT TRANSPORTATION SERVICES
18	59	SUPPORT SERVICES-CENTRAL
19	59	SUPPORT SERVICES - OTHER
20	59	OPERATION OF NONINSTRUCTIONAL SERVICES – STUDENT ACTIVITIES
21	60	OPERATION OF NONINSTRUCTIONAL SERVICES – COMMUNITY SERVICES
22	60	FACILITIES ACQUISITION, CONSTRUCTION & IMPROVEMENT SERVICES
23	60	DEBT SERVICE
24	60	FUND TRANSFERS
25	60	BUDGETARY RESERVE
	61-70	2016 SINGLE AUDIT REPORT

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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of School Directors
Tunkhannock Area School District
Tunkhannock, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Tunkhannock Area School District's preparation and fair presentation of the financial statements in order to design audit procedures that are

(TUNKHANNOCK AREA SCHOOL DISTRICT)
(INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED)

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tunkhannock Area School District'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 Tunkhannock Area School District, Tunkhannock, Pennsylvania, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of the District's proportionate share of the net pension liability and the schedule of District's contributions to the pension plan on pages 51 to 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

(TUNKHANNOCK AREA SCHOOL DISTRICT)
(INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED)

Other Information

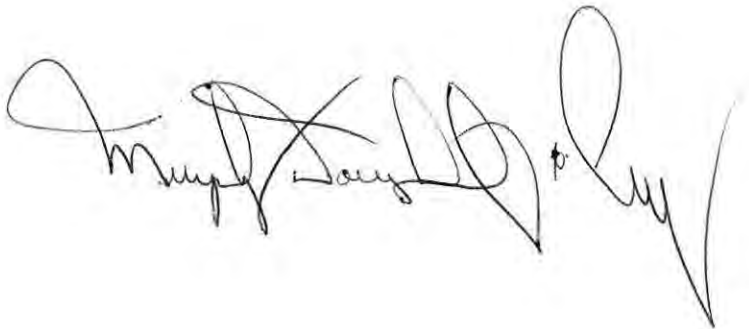
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tunkhannock Area School District's basic financial statements. The supplementary information on pages 53 through 60 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The supplementary information on pages 53 through 60 as listed in the table of contents and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 53 through 60 as listed in the table of contents and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with "Government Auditing Standards", we have also issued our report dated February 2, 2017 on our consideration of the Tunkhannock Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Tunkhannock Area School District's internal control over financial reporting and compliance.

Moscow, Pennsylvania
February 2, 2017



TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The Tunkhannock Area School district's discussion and analysis provides an overview of the district's financial performance during the fiscal year that ended on June 30, 2016. The intent of the Management Discussion and Analysis (MDA) is to look at the school district's financial performance as a whole. Please read it in conjunction with the district's financial statements and notes to the financial statements, which immediately follow this section.

The MDA is a component of the reporting model specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999.

DISTRICT FINANCIAL STRUCTURE

The Tunkhannock Area School District was formed by state law and began operations around 1970 as a School District of the Third Class.

Tunkhannock is approximately 30 miles northwest of Scranton, PA. Tunkhannock Area School District encompasses an area approximately 292 square miles in Wyoming County. The District is comprised of 13 municipalities. These include Eaton Township, Falls Township, Forkston Township, Lemon Township, Mehoopany Township, Monroe Township, North Branch Township, Northmoreland Township, Overfield Township, Tunkhannock Borough, Tunkhannock Township, Washington Township, and Windham Township. These 13 municipalities have a total population of 19,490 as of the 2010 census. The district had a student population of 2,425 as of June 1, 2016.

The governing body of the School District is a board of nine school directors who are each elected to a four-year term. The district is divided into three regions and each region elects 3 directors. Daily operations and management of the School District is carried out by the administrative staff, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

The School Directors serve on the Board without compensation. These Directors have the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in the District, between the ages of six and twenty-one years, who may attend.

The Board of School Directors have the power to determine its budget; to approve and modify that budget; to levy taxes, set rates and establish charges; and to issue bonded debt. The powers may be exercised without substantive approval by another government.

The District is subject to the general review of the Pennsylvania Department of Education on matters that are relevant to the determination of fiscal independence. The review generally includes an approval process that is compliance oriented and is more ministerial than substantive in nature. These reviews occur annually by independent auditors and every two years by the Office of the Auditor General for the Commonwealth of Pennsylvania.

The District consists of four elementary schools (grades K-4), one middle school (grades 5-8) and one high school (grades 9-12).

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

BUDGET PREPARATION AND ADOPTION

The development, review and adoption of the 2015-16 Governmental Fund Budget was completed with a detailed and exhaustive review of every revenue and expenditure item within the context of the District's mission, goals, and financial policies. The budget review process was conducted over several meetings from January through June 2015. The final budget adoption was on June 25, 2015.

CURRICULUM AND INSTRUCTION GOALS

Each year the Board of Directors adopts Curriculum and Instruction Goals as a vehicle to improve the education program to meet the guidelines of the Strategic Plan. Budget priorities for 2015-16 addressed those expenditures that most enhanced the educational process via the strategic plan. The allocation of revenue and expenditures to support educational programs and services defined by the District's mission and goals are articulated through financial and operating policies. It is a delicate balance of policy choices. It also represents a delicate balance between the education needs of students and the ability of the community to provide the necessary financial support.

FINANCIAL HIGHLIGHTS

- ♦ Overall revenues in the general fund were \$45,322,871, which is a 2.6% increase from last year. Total expenditures from the General fund were \$45,686,694 which is a 16.8% increase from last year. Refer to Figures 1 & 2 for classification of general fund revenues and expenses.
- ♦ The district revenues are comprised of Local, State and Federal sources. As shown in Figure 1.
- ♦ Local Revenues are 52% (\$23,600,497) of the total, State Revenues are 46% (\$20,919,642) and Federal Revenues are 2% (\$802,732).
- ♦ Local Revenues rose by only 0.1% or \$26,268 as the increase in current real estate tax receipts resulting from the real-estate millage rate hike and higher assessments were offset by a large drop in Gas Lease Revenues (\$117,195), declines in Delinquent Tax collections (\$64,671) Real Estate Transfer taxes (\$51,478) Earned Income taxes (\$42,984) and the absence of a credit from the NEPA School District Health Trust in this fiscal year. Current Real Estate Tax revenue increased by 2.5% or \$456,551. There was a 1.0 mil tax increase for the 2015-16 fiscal year. The value of a mill (gross) for 2015-16 was \$297,331 as compared to \$294,879 for 2014-15.
- ♦ State Revenues increased by \$1,141,636 or 5.8% in 2015-16 due primarily to the \$816,488 increase in PSERS retirement and \$155,156 Social Security reimbursement payments. The State subsidies for Basic Education and Transportation also increased by \$162,807 and \$163,346 respectively. The Pre-K-K Counts pass-through grant funding dropped by \$114,877.



Figure 1

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

- ♦ Federal Revenues decreased by \$31,208 or 3.7% due to a modest drop in Title I funding and slightly lower claim reimbursements under the School Based Access Program.

- ♦ Total Expenditures & Other Financing from the General Fund increased by \$5,773,480 or 13.4% mostly as a result the settlement of the new Collective Bargaining Agreement struck with the Tunkhannock Area's Education Association. The retroactive component of the new agreement accounted for a \$3,246,252 spike in salary expenses while step and level advancements postponed during the 2012-13 through 2014-15 school years and reflected at the beginning of 2015-16 school year resulted in an increase of \$1,266,048 in teacher base salaries. . In Figure 2 you can see the breakdown of expenditures for 2015-16. Instructional costs represent 64% (\$30,994,784) of the total expenditures and Instructional Student Support was \$3,282,546 or 7%. Operation & Maintenance of Buildings (\$4,773,576 or 10%) and Other Financing Uses & Debt Service (\$3,058,113 or 6%) represent the next most significant expenditure components.

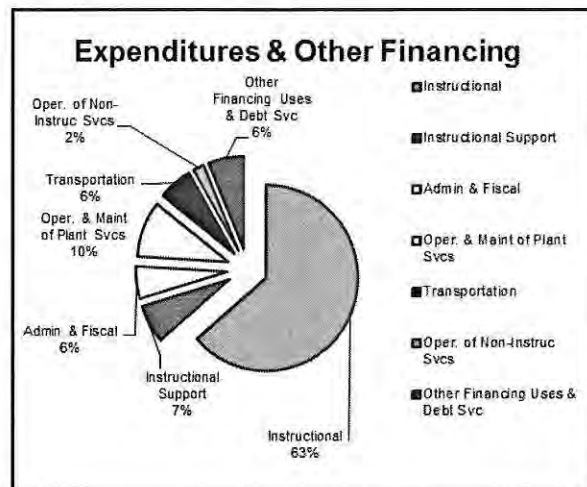


Figure 2

- ♦ Instructional expenditures increased by \$6,171,053 (24.9%). The major increases were salaries (up \$4,277,290 or by 33.6%), employer retirement contributions to PSERS (up \$1,400,693 or by 50.6%) and social security contributions (up \$327,401 or by 33.6%). A significant portion of each of these spikes is attributable to the one-time/non-recurring retroactive component of the new teacher's agreement – \$2.58 million of salaries, \$473 thousand of PSERS contributions and \$197 thousand of social security contributions. Healthcare benefits expenses also increased (up \$133,763 or by 3.6%). These increases were marginally offset by modest declines in instructional equipment and supplies purchases (down \$185,839 or by 16.9%).
- ♦ The Operation and Maintenance of Plant Services expenditures increased by 2.6% (\$120,510). A significant portion of expense increases were offset by savings of \$217,946 (52.3%) in heating oil outlays due to the extremely mild winter. Employee salaries & benefits expenses were up 4.5% or \$116,872 – primarily due to increases of \$76,362 in retirement contributions and \$36,997 in custodial substitute salary payments. Purchased property services increased 8.6% or \$95,218 – a \$118,016 (43.4%) increase in construction services expenditures was partially offset by a \$22,527 (70%) decrease in snow-plowing expense. The building projects came to an end in 2007-08. All buildings are renovated and the oldest building is our Middle School which was built in 1998.
- ♦ The Commonwealth of Pennsylvania largely funds transportation. Reimbursements are one year behind actual costs. Due to the large area covered by the district, our transportation costs of \$2,944,379 represent 6% of total expenditures. Transportation costs rose by 2.9% or \$81,499.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different perspectives of the district:

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

- ♦ The first two basic financial statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- ♦ The remaining basic financial statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail.

The financial statements also include notes that explain certain data in the statements and provide more comprehensive information. The financial statements are followed by a section of required supplementary information that further explains the financial statements with a comparison of the district's budget for the year.

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net position included all of the district's net assets and how they have changed. Net position is the difference between the district's assets and liabilities and are considered one way to measure the district's financial health. The statement of activities accounts for all of the current year's revenues and expenditures, regardless of whether the asset is received or paid.

- ♦ Over time, increases or decreases in the district's net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- ♦ To assess the overall financial condition of the district's additional non-financial factors, such as changes in the district's property tax base, the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the district activities are divided into two categories:

- ♦ *Governmental activities:* Most of the district's basic services are included here such as regular, special and adult education, transportation, administration, and community services. Property taxes and state subsidies finance most of the activities that occur in the General Fund.
- ♦ *Business-type activities:* The district's food service program revenues and expenditures are recorded here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State Law and by bond covenants. The district established other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The district has three types of funds:

- *Government funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) the cash and other financial assets that can be readily converted to cash flow in

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

and out (2) the balances left at year-end are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or difference) between them.

- *Proprietary funds:* These funds are used to account for district activities that are similar to business operations in the private sector. When the district charges fees for services provided to customers, the services are usually reported a proprietary funds. The Food Service Fund is the district's proprietary fund and is the same as the business-type activities reported in the district-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The district is responsible for ensuring that those to whom the assets belong use them only for their intended purpose. The District excludes these activities from the district-wide financial statements because they cannot use these assets to finance its operations.

Tunkhannock Area School District
Major Features
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (Except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business – Food Services	Instances in which the School District is the trustee or agent to someone else's resources-scholarship funds.
Required financial statements	Statements of net assets; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net assets; statement of revenues, expenses and changes in net assets; statement of cash flows	Statement of fiduciary net assets; statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The district's total net position was negative \$445,097,245 at June 30, 2016. This reflects a 23.8% continued deterioration caused primarily by increased pension liabilities as well as the significant drop in Cash & Cash Equivalent balances driven largely by the funding requirements of the new collective bargaining agreement with the Tunkhannock Area Education Association.

Current Assets

The Current Assets are comprised of 69.9% (\$9,809,001) Cash and Cash Equivalents. The next largest component of Current Assets is \$2,572,387 in Intergovernmental Receivables. (See figure 4)

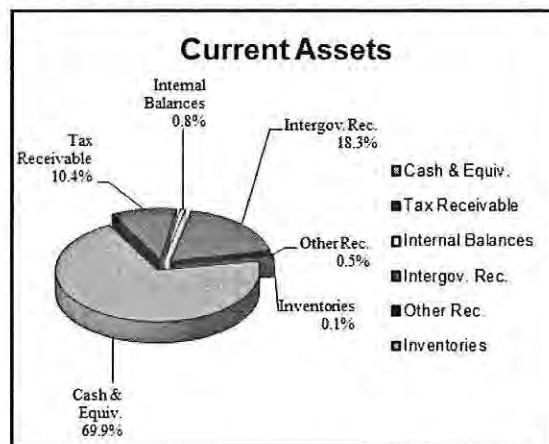


Figure 4

Non Current Assets & Deferred Outflows

As shown below in Figure 5, Building & Building Improvements combined with Fixtures & Equipment assets accounted for 76% (\$29,933,073) of the Non-Current Assets & Deferred Outflows. The Deferred Amount related to pensions is \$7,701,333 or 21% of the total Non-Current Assets & Deferred Outflows.

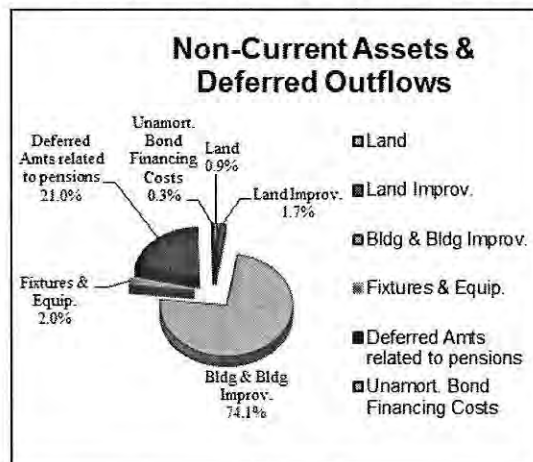


Figure 5

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Liabilities

Accrued Salaries and Benefits account for 33.4% (\$3,142,031) of the Current Liabilities. The next largest component of current liabilities is the Current Portion of Long-Term Obligations at 27.9% (\$2,620,000) and these are shown below in Figure 6.

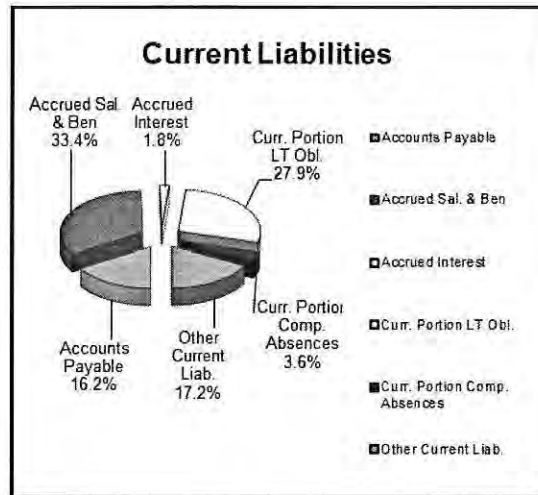


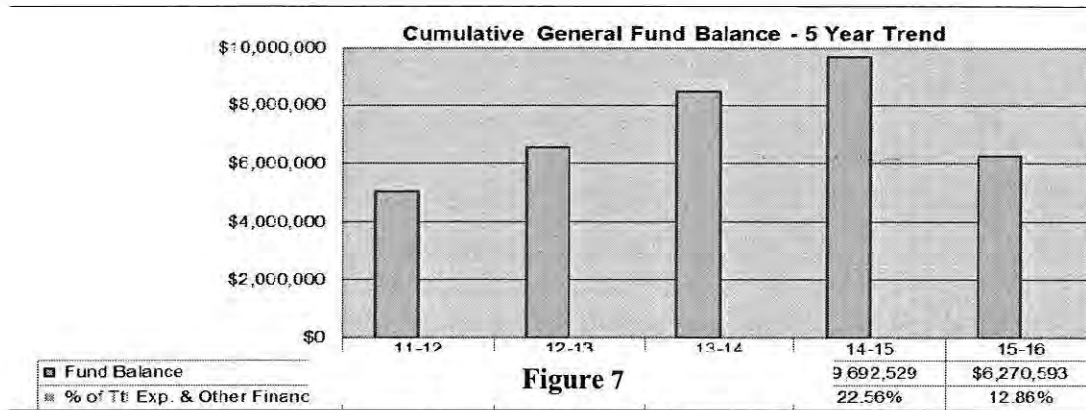
Figure 6

The Net Pension Liability increased by \$7.8 million or 13.7% and to \$64,597,791 which is the largest Non-Current Liability and represents 77.4% of total Non-Current Liabilities. Bonds Payable of \$17,625,000 is the next significant component of non-current liabilities representing 21.1% of the total. (figures are shown below).

Net Pension Liability	\$ 64,597,791	77.44%
Bonds Payable	\$ 17,625,000	21.13%
Long-term portion of Compensated Absences	\$ 1,005,868	1.21%
Long-term portion of Special Term. Benefits	\$ 27,604	0.03%
OBEP Obligation	\$ 155,209	0.19%

The General Fund Balance has reversed a 5-year growth trend (see Figure 7 below) with a reduction of \$3,421,936 used largely to fund the new Collective Bargaining Agreement with the Tunkhannock Area Education Association and increased employer retirement contribution expenses resulting from the PSERS funding issues.

**TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**



**Comparative Analysis –
Years Ending 2015 & 2016**

In comparing the Statement of Net Position as of June 30th for 2015 versus 2016, the Total Net Position went from negative \$36,514,039 to a negative \$45,186,523. This change was a result of increased pension liabilities as well as the significant drop in Cash & Cash Equivalent balances driven largely by the funding requirements of the new collective bargaining agreement with the Tunkhannock Area Education Association.. The effect is a reduction in the net position of governmental activities and business type activities of \$8,486,933 and \$185,551 respectively.

Refer to Figure 8 below to view the comparison.

Condensed Statement of Net Position	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2015	2016	2015	2016	2015	2016	Change
Current Assets	\$16,653,692	\$14,029,875	\$334,252	\$202,631	\$16,987,944	\$14,232,506	-16.22%
Non-Current Assets & Deferred Outflows	\$36,171,417	\$36,702,984	\$439,636	\$441,474	\$36,611,053	\$37,144,458	1.46%
Total Assets	\$52,825,109	\$50,732,859	\$773,888	\$644,105	\$53,598,997	\$51,376,964	-4.15%
Current Liabilities	\$8,126,644	\$9,406,834	\$169,050	\$144,110	\$8,295,694	\$9,550,944	15.13%
Non-Current Liabilities	\$78,284,291	\$83,411,472	\$486,413	\$570,493	\$78,770,704	\$83,981,965	6.62%
Total Liabilities	\$86,410,935	\$92,818,306	\$655,463	\$714,603	\$87,066,398	\$93,532,909	7.43%
Invested in Capital net of related debt	\$6,841,257	\$7,652,368	\$390,005	\$365,654	\$7,231,262	\$8,018,022	10.88%
Restricted	\$854,579	\$860,040	\$0	\$0	\$854,579	\$860,040	0.64%
Unrestricted	(\$44,306,143)	(\$53,609,653)	(\$293,732)	(\$454,932)	(\$44,599,860)	(\$54,064,585)	21.22%
Total Net Position	(\$36,610,312)	(\$45,097,245)	\$96,273	(\$89,278)	(\$36,514,039)	(\$45,186,523)	23.75%

Figure 8

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The Statement of Activities Comparison reflects an increase in program revenues of 10.21% driven by increased operating grants general revenues increased by only 0.35% as increases in property taxes and subsidies were mostly offset by a decrease in Other revenue of 13.6% due largely to the absence of a credit from the NEPA School District Health Trust in the 2015-16 fiscal year. Expenses increased 24.18% in total as a result of a \$9.5 million or 36.5% increase in Instructional Expenses. Maintenance & Operations expenses rose by 10.4% (\$474,924) while Admin & Business expenses were up 8.39% (\$252,560). These results can be reviewed on the table in Figure 9 shown below.

Changes in Net Assets from Operating Results	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2015	2016	2015	2016	2015	2016	Change
<u>Program Revenues</u>							
Charges for Services	\$63,026	\$75,521	\$547,513	\$548,428	\$610,539	\$623,949	2.20%
Operating Grants & Contributions	\$9,074,325	\$10,069,289	\$726,173	\$780,654	\$9,800,498	\$10,849,943	10.71%
<u>General Revenues</u>							
Property Taxes	\$20,383,999	\$20,716,224			\$20,383,999	\$20,716,224	1.63%
Grants/Subsidies/Contributions not restricted	\$11,859,795	\$12,023,066			\$11,859,795	\$12,023,066	1.38%
Fund Transfer	(\$150,000)	\$0	\$150,000	\$0	\$0	\$0	#DIV/0!
Other	\$2,738,204	\$2,364,492	\$378	\$538	\$2,738,582	\$2,365,030	-13.64%
Total Revenues	\$34,831,998	\$35,103,782	\$150,378	\$538	\$34,982,376	\$35,104,320	0.35%
<u>Expenses</u>							
Instruction	\$26,097,481	\$35,609,863			\$26,097,481	\$35,609,863	36.45%
Inst Student Support	\$3,389,364	\$3,639,312			\$3,389,364	\$3,639,312	7.37%
Admin & Business	\$3,009,514	\$3,262,074			\$3,009,514	\$3,262,074	8.39%
Maintenance & Operations	\$4,548,495	\$5,023,419			\$4,548,495	\$5,023,419	10.44%
Transportation	\$2,866,103	\$2,951,043			\$2,866,103	\$2,951,043	2.96%
Interest on Long Term Debt	\$576,882	\$875,404			\$576,882	\$875,404	51.75%
Unallocated Dep	\$1,382,302	\$1,251,323			\$1,382,302	\$1,251,323	-9.48%
Other	\$1,133,278	\$1,123,087			\$1,133,278	\$1,123,087	-0.90%
Food Service	\$0	\$0	\$1,489,194	\$1,515,171	\$1,489,194	\$1,515,171	1.74%
Total Expenses	\$43,003,419	\$53,735,525	\$1,489,194	\$1,515,171	\$44,492,613	\$55,250,696	24.18%
Change in Net Position	\$965,930	(\$8,496,933)	(\$65,130)	(\$185,551)	\$900,800	(\$8,672,484)	-1062.75%

Figure 9

TUNKHANNOCK AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, investors and creditors, with a general overview of the district's finances and to demonstrate the district's accountability. If you have any questions about this report or need additional information, please contact Patrick J. O'Shea, Business Manager at (570) 836-8226 or by mail at the Tunkhannock Area School District, 41 Philadelphia Avenue, Tunkhannock, PA 18657.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 9,809,001	\$ 79,782	\$ 9,888,783
Investments	0	0	0
Taxes Receivable, Net	1,453,026	0	1,453,026
Interfund Receivables	106,794	0	106,794
Intergovernmental Receivables	2,572,387	87,355	2,659,742
Inventories	13,384	34,665	48,049
Prepaid Expenses	0	0	0
Other Receivables, Net	75,283	829	76,112
Total Current Assets	<u>14,029,875</u>	<u>202,631</u>	<u>14,232,506</u>
<u>NON-CURRENT ASSETS</u>			
Land	326,860	0	326,860
Land improvements	2,359,102	0	2,359,102
Building and building improvements	54,146,440	836,205	54,982,645
Fixtures and equipment	4,411,503	357,604	4,769,107
Accumulated Depreciation	(32,351,969)	(828,155)	(33,180,124)
Total Non-current Assets	<u>28,891,936</u>	<u>365,654</u>	<u>29,257,590</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	7,701,333	75,820	7,777,153
Unamortized deferred charges on bond refunding	109,715	0	109,715
Total Deferred Outflows of Resources	<u>7,811,048</u>	<u>75,820</u>	<u>7,886,868</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>50,732,859</u>	<u>644,105</u>	<u>51,376,964</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund Payables	7,212	106,794	114,006
Accounts Payable	1,523,846	0	1,523,846
Accrued Salaries & Benefits	3,142,031	0	3,142,031
Accrued Interest	165,446	0	165,446
Payroll Deductions and Withholdings	1,253,752	0	1,253,752
Unearned Revenues	0	37,316	37,316
Current Portion of Compensated Absences	335,289	0	335,289
Current portion of Special Termination Benefits	359,258	0	359,258
Other Current Liabilities	0	0	0
Current Portion of Long-Term Obligations	2,620,000	0	2,620,000
Total Current Liabilities	<u>9,406,834</u>	<u>144,110</u>	<u>9,550,944</u>
<u>NON-CURRENT LIABILITIES</u>			
Bonds Payable	17,625,000	0	17,625,000
Net Pension Liability	64,597,791	550,679	65,148,470
Long-Term Portion of Compensated Absences	1,005,868	0	1,005,868
Long-Term Portion of Special Termination Benefits	27,604	0	27,604
OPEB Obligation	155,209	19,814	175,023
Total Non-current Liabilities	<u>83,411,472</u>	<u>570,493</u>	<u>83,981,965</u>
<u>TOTAL LIABILITIES</u>	<u>92,818,306</u>	<u>714,603</u>	<u>93,532,909</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	1,907,515	18,780	1,926,295
Unamortized premium on issuance of bonds	1,104,283	0	1,104,283
Total Deferred Inflows of Resources	<u>3,011,798</u>	<u>18,780</u>	<u>3,030,578</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	7,652,368	365,654	8,018,022
Restricted for:			
Capital Projects	860,040	0	860,040
Unrestricted	(53,609,653)	(454,932)	(54,064,585)
<u>TOTAL NET POSITION</u>	<u>(\$45,097,245)</u>	<u>\$ (89,278)</u>	<u>(\$45,186,523)</u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2016

			PROGRAM REVENUES			NET (EXPENSE) AND	
			OPERATING GRANTS	CAPITAL GRANTS	GOVERNMENTAL	CHANGES IN NET ASSETS	
	EXPENSES	CHARGES FOR	AND CONTRIBUTIONS	AND CONTRIBUTIONS	ACTIVITIES	BUSINESS-TYPE	TOTAL
		SERVICES				ACTIVITIES	
<u>GOVERNMENTAL ACTIVITIES</u>							
<u>INSTRUCTION:</u>							
Regular	\$ 25,227,983	\$ 31,566	\$ 3,383,351	\$ -	\$ (21,813,066)	\$ -	\$ (21,813,066)
Special	7,764,481		2,739,134		(5,025,347)		(5,025,347)
Vocational	2,160,741		270,409		(1,890,332)		(1,890,332)
Other Instructional Programs	217,808		3,264		(214,544)		(214,544)
Adult Education Programs	0		0		0		0
Community/Jr. College Programs	0	0	0		0		0
Pre-K Education Programs	238,850		199,042		(39,808)		(39,808)
TOTAL INSTRUCTIONAL SERVICES	<u>35,609,863</u>	<u>31,566</u>	<u>6,595,200</u>		<u>(28,983,097)</u>		<u>(28,983,097)</u>
<u>SUPPORT SERVICES:</u>							
Pupil Personnel	1,687,924		141,395		(1,546,529)		(1,546,529)
Instructional Staff	1,194,499		86,135		(1,108,364)		(1,108,364)
Administration	2,556,355		196,256		(2,360,099)		(2,360,099)
Pupil Health	756,889		110,265		(646,624)		(646,624)
Business	705,418		37,151		(668,267)		(668,267)
Operation and Maintenance of Plant Services	5,023,419	21,289	251,965		(4,750,165)		(4,750,165)
Student Transportation Services	2,951,043		1,749,344		(1,201,699)		(1,201,699)
Central	301		0		(301)		(301)
Other Support Services	69,410		0		(69,410)		(69,410)
TOTAL SUPPORT SERVICES	<u>14,945,258</u>	<u>21,289</u>	<u>2,572,511</u>		<u>(12,351,458)</u>		<u>(12,351,458)</u>
<u>OPERATION OF</u>							
<u>NON-INSTRUCTIONAL SERVICES</u>							
Unallocated depreciation expense	1,053,677	22,666	68,014		(962,997)		(962,997)
Refund of prior years receipts	1,251,323				(1,251,323)		(1,251,323)
Interest on Long-Term Debt	0				0		0
	875,404		833,564		(41,840)		(41,840)
TOTAL GOVERNMENTAL ACTIVITIES	<u>53,735,525</u>	<u>75,521</u>	<u>10,069,289</u>		<u>(43,590,715)</u>	<u>0</u>	<u>(43,590,715)</u>
<u>BUSINESS-TYPE ACTIVITIES</u>							
Food Service	1,515,171	548,428	780,654	0	0	(186,089)	(186,089)
TOTAL PRIMARY GOVERNMENT	<u>\$ 55,250,696</u>	<u>\$ 623,949</u>	<u>\$ 10,849,943</u>	<u>\$ -</u>	<u>\$ (43,590,715)</u>	<u>\$ (186,089)</u>	<u>\$ (43,776,804)</u>
<u>GENERAL REVENUES</u>							
Property taxes, levied for general purposes					20,716,224		20,716,224
Public utility realty, per capita and occupational taxes levied for general purposes					2,012,778		2,012,778
Grants, subsidies and contributions not restricted					12,023,066		12,023,066
Investment earnings					109,223	538	109,761
Fund transfer					0	0	0
Miscellaneous income					242,491		242,491
TOTAL GENERAL REVENUES					<u>35,103,782</u>	<u>538</u>	<u>35,104,320</u>
Change in Net Position					(8,486,933)	(185,551)	(8,672,484)
NET POSITION, BEGINNING OF YEAR, AS RESTATED					(36,610,312)	96,273	(36,514,039)
NET POSITION, END OF YEAR					<u>\$ (45,097,245)</u>	<u>\$ (89,278)</u>	<u>\$ (45,186,523)</u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,929,276	\$ 860,040	\$ -	\$ 9,789,316
Investments			0	0
Taxes Receivable, Net	1,453,026		0	1,453,026
Interfund Receivables	106,794		0	106,794
Intergovernmental Receivables	2,572,387		0	2,572,387
Inventories	13,384			13,384
Prepaid Expenses	0			0
Other Receivables, Net	75,283		0	75,283
TOTAL ASSETS	13,150,150	860,040	0	14,010,190
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund Payables	7,212	0	0	7,212
Accounts Payable	1,523,846			1,523,846
Accrued Salaries & Benefits	3,142,031			3,142,031
Payroll Deductions and Withholdings	1,253,752			1,253,752
Other Current Liabilities	0			0
TOTAL LIABILITIES	5,926,841	0	0	5,926,841
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	952,716			952,716
TOTAL DEFERRED INFLOWS OF RESOURCES	952,716			952,716
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories	13,384		0	13,384
Prepaid expenses	0			0
Restricted for:				
Capital outlays		860,040		860,040
Committed for:				
Future pension obligations	4,300,000		0	4,300,000
Future capital improvements	1,500,000		0	1,500,000
Unassigned:				
Unassigned	457,209	0	0	457,209
TOTAL FUND BALANCES	6,270,593	860,040	0	7,130,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,150,150	\$ 860,040	\$ -	\$ 14,010,190

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Governmental Fund Balance \$ 7,130,633

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	326,860
Land improvements	2,359,102
Buildings and building improvements	54,146,440
Furniture and equipment	4,411,503
Accumulated Depreciation	(32,351,969)
Total Capital Assets	28,891,936

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are unearned in the funds.

952,716

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

Deferred outflows of resources related to pensions	7,701,333
Deferred inflows of resources related to pensions	(1,907,515)
Total Deferred Outflows and Inflows of Resources	5,793,818

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(20,245,000)
Bond premium, net of amortization	(1,104,283)
Bond refunding deferred charges, net of amortization	109,715
Accrued interest	(165,446)
Special termination benefits	(386,862)
OPEB Obligation	(155,209)
Net pension liability	(64,597,791)
Compensated absences	(1,341,157)
Total Liabilities	(87,886,033)

Net assets of the Internal Service Fund 19,685

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (45,097,245)

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2016

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$23,600,497	\$ 5,461	\$ -	\$ 23,605,958
State Sources	20,919,642			20,919,642
Federal Sources	802,732			802,732
<u>TOTAL REVENUES</u>	<u>45,322,871</u>	<u>5,461</u>	<u>0</u>	<u>45,328,332</u>
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	21,617,444			21,617,444
Special	6,998,656			6,998,656
Vocational	1,926,821			1,926,821
Other Instructional Programs	213,013			213,013
Adult Education Programs	0			0
Community/Jr. College Programs	0			0
Pre-K Education Programs	238,850			238,850
<u>Total Instructional Services</u>	<u>30,994,784</u>	<u>0</u>	<u>0</u>	<u>30,994,784</u>
<u>Support Services</u>				
Pupil Personnel	1,480,265			1,480,265
Instructional Staff	1,067,998			1,067,998
Administration	2,268,125	0	0	2,268,125
Pupil Health	664,873			664,873
Business	469,179		181,678	650,857
Operation and Maintenance of plant services	4,773,576	0		4,773,576
Student Transportation Services	2,944,379			2,944,379
Central	301			301
Other Support Services	69,410			69,410
<u>Total Support Services</u>	<u>13,738,106</u>	<u>0</u>	<u>181,678</u>	<u>13,919,784</u>
Operation of Non- Instructional Services	953,791			953,791
Capital Outlay	0	0	0	0
<u>Debt Service</u>				
Interest	13	0	883,918	883,931
Principal	0	0	14,245,000	14,245,000
<u>TOTAL EXPENDITURES</u>	<u>45,686,694</u>	<u>0</u>	<u>15,310,596</u>	<u>60,997,290</u>
<u>EXCESS (DEFICIENCY)</u> <u>OF REVENUES</u> <u>OVER EXPENDITURES</u>	<u>(363,823)</u>	<u>5,461</u>	<u>(15,310,596)</u>	<u>(15,668,958)</u>
<u>OTHER FINANCING SOURCES</u> <u>(USES)</u>				
Refund of prior years expenditures	0	0		0
Bond premium			737,483	737,483
Proceeds from bond refunding	0		11,515,000	11,515,000
Refund of prior years receipts	0	0		0
Sale of Fixed Assets	0			0
Operating Transfers In	0	0	3,058,113	3,058,113
Operating Transfers Out	(3,058,113)		0	(3,058,113)
<u>TOTAL OTHER FINANCING</u> <u>SOURCES (USES)</u>	<u>(3,058,113)</u>	<u>0</u>	<u>15,310,596</u>	<u>12,252,483</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(3,421,936)</u>	<u>5,461</u>	<u>0</u>	<u>(3,416,475)</u>
<u>FUND BALANCES-BEGINNING</u>	<u>9,692,529</u>	<u>854,579</u>	<u>0</u>	<u>10,547,108</u>
<u>CHANGE IN INVENTORY</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCES-ENDING</u>	<u>\$ 6,270,593</u>	<u>\$ 860,040</u>	<u>\$ -</u>	<u>\$ 7,130,633</u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

Net change in Fund Balances-Total Governmental Funds \$ (3,416,475)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	120,204
Depreciation expense	(1,251,323)
Excess of depreciation expense over capital outlay	<u>(1,131,119)</u>

Bond proceeds are reported as revenue but the proceeds increases the long term liabilities in the statement of net position. (11,515,000)

Repayment of long-term debt and related bond costs is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond premium	(737,483)
Bond refunding deferred charges amortization	(22,887)
Bond premium amortization	(27,400)
Bond and note principal payments	14,245,000
	<u>13,457,230</u>

Some revenues that will not be collected for several months after the District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year:

Property taxes (79,912)

Governmental funds report district pension contributions as expenditures. However in the Statement of Net Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense:

District pension contributions	5,325,129
Cost of pension benefits earned, net of employee contributions	(10,654,425)
Total	<u>(5,329,296)</u>

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	58,815
Increase in special termination benefits	(212,420)
Increase in OPEB Obligation	(33,167)
Increase in compensated absences	(284,072)
	<u>(470,844)</u>

Excess expenditures over revenues of Internal Service Fund (1,517)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (8,486,933)

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Local Sources	\$ 23,136,661	\$ 23,136,661	\$ 23,600,497	\$ 463,836
State Sources	20,464,535	20,691,524	20,919,642	228,118
Federal Sources	882,979	882,979	802,732	(80,247)
TOTAL REVENUES	44,484,175	44,711,164	45,322,871	611,707
<u>EXPENDITURES</u>				
Instructional Services				
Regular	18,847,594	21,024,837	21,617,444	(592,607)
Special	7,203,959	7,203,959	6,998,656	205,303
Vocational	1,698,405	1,698,405	1,926,821	(228,416)
Other Instructional Programs	264,071	264,071	213,013	51,058
Adult Education Programs	0	0	0	0
Community/Jr. College Programs	0	0	0	0
Pre-K Education Programs	221,590	221,590	238,850	(17,260)
TOTAL INSTRUCTIONAL SERVICES	28,235,619	30,412,862	30,994,784	(581,922)
Support Services				
Pupil Personnel	1,543,957	1,541,957	1,480,265	61,692
Instructional Staff	1,272,832	1,274,832	1,067,998	206,834
Administration	2,435,943	2,435,943	2,268,125	167,818
Pupil Health	623,678	623,678	664,873	(41,195)
Business	493,749	493,749	469,179	24,570
Operation and Maintenance of plant services	0	5,141,841	4,773,576	368,265
Student Transportation Services	2,925,171	2,925,171	2,944,379	(19,208)
Central	47,508	47,508	301	47,207
Other Support Services	70,000	70,000	69,410	590
TOTAL SUPPORT SERVICES	14,554,679	14,554,679	13,738,106	816,573
Operation of Non-Instructional Services	953,116	953,116	953,791	(675)
Capital Outlay	0	0	0	0
<u>Debt Service</u>				
Interest	0	0	13	(13)
Principal	0	0	0	0
TOTAL EXPENDITURES	43,743,414	45,920,657	45,686,694	233,963
EXCESS (DEFICIENCY) of Revenues OVER EXPENDITURES	740,761	(1,209,493)	(363,823)	845,670
<u>OTHER FINANCING SOURCES (USES)</u>				
Refund of prior years expenditures	0	0	0	0
Proceeds from bond refunding	0	0	0	0
Refund of prior years receipts	0	0	0	0
Sale of Fixed Assets	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	(3,412,684)	(3,412,684)	(3,058,113)	354,571
Budgetary Reserve	(1,950,254)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(5,362,938)	(3,412,684)	(3,058,113)	354,571
Net Changes in Fund Balances	(4,622,177)	(4,622,177)	(3,421,936)	\$ 1,200,241
FUND BALANCES-BEGINNING	9,692,529	9,692,529	9,692,529	
CHANGE IN INVENTORY	0	0	0	
FUND BALANCES-ENDING	\$ 5,070,352	\$ 5,070,352	\$ 6,270,593	

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 79,782	\$ 19,685	\$ 99,467
Investments			
Taxes Receivable, Net	0		0
Interfund Receivables	0		0
Intergovernmental Receivables	87,355		87,355
Other Receivables, Net	829		829
Inventories	34,665		34,665
Prepaid Expenses			
Total Current Assets	<u>202,631</u>	<u>19,685</u>	<u>222,316</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	357,604		357,604
Accumulated depreciation	<u>(340,345)</u>		<u>(340,345)</u>
Total Non-current Assets	<u>17,259</u>	<u>0</u>	<u>17,259</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	75,820	0	75,820
Total Deferred Outflows of Resources	<u>75,820</u>	<u>0</u>	<u>75,820</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>295,710</u>	<u>19,685</u>	<u>315,395</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund Payables	106,794		106,794
Accounts Payable	0		0
Accrued Salaries & Benefits	0		0
Payroll Deductions and Withholdings	0		0
Unearned Revenues	37,316		37,316
Total Current Liabilities	<u>144,110</u>	<u>0</u>	<u>144,110</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	550,679		550,679
OPEB Obligation	<u>19,814</u>	<u>0</u>	<u>19,814</u>
<u>TOTAL LIABILITIES</u>	<u>714,603</u>	<u>0</u>	<u>714,603</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	18,780	0	18,780
Total Deferred Inflows of Resources	<u>18,780</u>	<u>0</u>	<u>18,780</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	17,259	0	17,259
Unrestricted	<u>(454,932)</u>	<u>19,685</u>	<u>(435,247)</u>
<u>TOTAL NET POSITION</u>	<u>\$(437,673)</u>	<u>\$ 19,685</u>	<u>\$ (417,988)</u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET POSITION
TO THE ENTITY-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL NET POSITION-PROPRIETARY FUNDS	\$ (437,673)
--------------------------------------	--------------

Amounts reported for business-type activities in the statement of net position are different because:

Building costs and the related accumulated depreciation are allocated to business-type activities on the Entity-Wide Statement of Net Position only; they are not recorded in the Proprietary Fund.	<u>348,395</u>
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TOTAL NET POSITION-BUSINESS-TYPE ACTIVITIES	<u><u>\$ (89,278)</u></u>
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The accompanying notes are an integral part of these financial statements.
22.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 548,428	\$ -	\$ 548,428
<u>OPERATING EXPENSES</u>			
Salaries	510,560		510,560
Employee benefits	354,760	1,689	356,449
Other purchased services	30,333		30,333
Supplies	596,035		596,035
Depreciation	5,495		5,495
Total Operating Expenses	<u>1,497,183</u>	<u>1,689</u>	<u>1,498,872</u>
Operating Income (Loss)	<u>(948,755)</u>	<u>(1,689)</u>	<u>(950,444)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	538	172	710
Operating transfer	0	0	0
Contributed capital	0		0
State sources	42,437		42,437
Federal sources	738,217		738,217
Total Non-Operating Revenue (Expenses)	<u>781,192</u>	<u>172</u>	<u>781,364</u>
Change in net position	(167,563)	(1,517)	(169,080)
NET POSITION, BEGINNING OF YEAR	<u>(270,110)</u>	<u>21,202</u>	<u>(248,908)</u>
NET POSITION, END OF YEAR	<u><u>\$ (437,673)</u></u>	<u><u>\$ 19,685</u></u>	<u><u>\$ (417,988)</u></u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
OF THE PROPRIETARY FUND TO THE STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

TOTAL CHANGE IN NET POSITION-PROPRIETARY FUNDS	\$ (167,563)
--	--------------

Amounts reported for business-type activities in the statement of net position are different because:

Building costs and the related accumulated depreciation are allocated to business-type activities on the Entity-Wide Statement of Net Position only; they are not recorded in the Proprietary Fund.	<u>(17,988)</u>
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TOTAL CHANGE IN NET POSITION-BUSINESS-TYPE ACTIVITIES	<u><u>\$ (185,551)</u></u>
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The accompanying notes are an integral part of these financial statements.
24.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 545,732	\$ -	\$ 545,732
Cash payments to suppliers for goods and services	(504,528)	(1,689)	(506,217)
Cash payments to employees for services	(833,005)	0	(833,005)
Cash payments for other operating expenses	0	0	0
Net Cash Provided by (used for) Operating Activities	<u>(791,801)</u>	<u>(1,689)</u>	<u>(793,490)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	39,792		39,792
Federal sources	582,322		582,322
Net Cash Provided by (used for) Non-capital Financing Activities	<u>622,114</u>	<u>0</u>	<u>622,114</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	0	0	0
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Operating transfer	0	0	0
Earnings on investments	538	172	710
Net Cash Provided by (used for) Investing Activities	<u>538</u>	<u>172</u>	<u>710</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(169,149)	(1,517)	(170,666)
CASH AND CASH EQUIVALENTS, BEG. OF YEAR	248,931	21,202	270,133
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,782</u>	<u>\$ 19,685</u>	<u>\$ 99,467</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	(948,755)	(1,689)	(950,444)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	5,495		5,495
Other adjustments	115,496		
(Increase) decrease in other receivables	(829)		
(Increase) decrease in inventories	6,344		6,344
(Increase) decrease in deferred outflows	(26,189)		(26,189)
Increase (decrease) in OPEB Obligation	2,919		2,919
Increase (decrease) in interfund payable	(23,073)		
Increase (decrease) in net pension liability	82,030		82,030
Increase (decrease) in deferred inflows	(3,372)		(3,372)
Increase (decrease) in deferred revenue	(1,867)		
Total Adjustments	<u>156,954</u>	<u>0</u>	<u>67,227</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (791,801)</u>	<u>\$ (1,689)</u>	<u>\$ (883,217)</u>

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	
	<u>SCHOLARSHIP</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 47,768	\$150,779
Investments	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 47,768</u>	<u>\$150,779</u>
<u>LIABILITIES</u>		
Due to Students	<u>0</u>	<u>150,779</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$150,779</u>
<u>NET POSITION</u>		
Held in Trust for Scholarships	<u><u>\$ 47,768</u></u>	

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2016

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>SCHOLARSHIP</u>
<u>ADDITIONS</u>		
Investment income	\$ 20	
Contributions	<u>2,000</u>	
Total Additions	<u>2,020</u>	
<u>DEDUCTIONS</u>		
Scholarships awarded		<u>3,225</u>
Total Deductions		<u>3,225</u>
Change in net position	(1,205)	
NET POSITION, BEGINNING OF YEAR	<u>48,973</u>	
NET POSITION, END OF YEAR	<u>\$ 47,768</u>	

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tunkhannock Area School District (the District) provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in the Townships of Eaton, Falls, Forkston, Lemon, Mehoopany, Monroe, North Branch, Northmoreland, Overfield, Tunkhannock, Washington and Windham and the Borough of Tunkhannock. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The District has a nine-member elected school board and an appointed Superintendent and Business Manager who oversee the daily operations of the District.

The following is a summary of the District's significant accounting policies:

A. REPORTING ENTITY

Consistent with guidance contained in Statement No. 14, as amended by Statement 39, of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity, the criteria used by the District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria:

The District is financially accountable for:

- * Organizations that make up the District's legal entity.
- * Legally separate organizations if District officials appoint a majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District as defined below.

Impose Its Will – If the District can significantly influence the programs, projects or activities of, or the level of services performed or provided by the organization.

Financial Benefit or Burden – If the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to the organization or (3) is obligated in some manner for the debt of the organization.

- * Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the District.

As defined, there are no other related organizations which should be included in the financial statements. The reporting entity will consist solely of the accounts and funds of the District.

B. BASIS OF PRESENTATION, FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The following fund types are used by the District:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental fund types:

GENERAL FUND

The General Fund accounts for the general operations of the District and all financial transactions not properly accounted for in another fund.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources, sources for and the payment of, general long-term debt principal and interest.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts is used to account for debt proceeds and other resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

PROPRIETARY FUND TYPES

Proprietary Fund Types account for operations that are financed and operated in a manner similar to private business enterprises.

FOOD SERVICE FUND

The Food Service Fund accounts for all financial resources associated with the operations of the cafeterias.

INTERNAL SERVICE FUND

The unbudgeted Internal Service Funds account for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The Self-Insured Unemployment Compensation Program is accounted for as an Internal Service Fund. Operating revenues consist of charges for insurance services. Operating expenses consist mainly of insurance costs. All other revenues and expenses are reported as non-operating.

FIDUCIARY FUND TYPES (TRUST AND AGENCY FUNDS)

Fiduciary Fund Types account for assets held by a governmental unit in a trustee capacity or as an agent for other funds.

AGENCY FUND

Agency funds are used to account for assets held by the District as an agent. Agency funds are custodial in nature and do not involve measurement or results of operations. The following is in the District's agency fund:
The Student Activity Fund accounts for programs operated and sponsored by various clubs and organizations.

TRUST FUND

Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments are therefore not available to support the School District's own programs. The following is in the District's trust fund:
The private purpose trust accounts for scholarship funds for the students.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as the trust and agency fund. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged for services.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide, proprietary fund and component unit financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible with the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end, are recorded as deferred revenue to be recognized as revenue when the taxes are collected.

Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The District does not allocate any indirect expenses including depreciation.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

E. BUDGETARY DATA

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the Superintendent, together with the Business Office, to prepare and submit a plan of financial operation to the School Board.

F. INTERFUND TRANSACTIONS

Advances between funds are accounted for in the appropriate interfund receivables and payable accounts. Any outstanding amounts (reported in "due from" asset accounts) are considered "available spendable resources". As of June 30, 2016 the outstanding interfund balance was \$106,794.

G. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, certificates of deposit and liquid asset funds, are all carried at cost, which approximates fair value.

H. TAXES RECEIVABLE AND UNEARNED TAX REVENUES

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other tax receivables is recorded as unearned tax revenues.

I. INVENTORIES AND PREPAID EXPENSES

Inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

Prepaid expenses represent the cost of goods and services that has been paid for in advance of receipt. The consumption method is used to account for prepaid expenses in all fund types. Under the consumption method, prepaid expenses are recorded as assets and expended or expensed as the goods or services are received.

Inventories and prepaid expenses in the General Fund are reported as a nonspendable fund balance, which indicates that the amounts do not represent spendable resources and that they are unavailable for appropriation.

J. CAPITAL ASSETS AND DEPRECIATION

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$10,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally as follows:

Land improvements	15-40 years
Buildings and building improvements	15-40 years
Furniture, fixtures & equipment	5-10 years

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The capital leases, and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. LIABILITY FOR FUTURE COMPENSATED ABSENCES

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated. The rate paid varies by position. Vacation leave is available only to administrative and twelve month support employees. Vacation pay is earned in the year in which the service has been performed. Employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

At June 30, 2016 the District had a compensated absence liability of \$1,341,157.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

M. PENSION PLAN

Substantially all full-time and part-time employees of the District participates in a cost-sharing multiple employer defined pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The District made all required contributions for the year ended June 30, 2016 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

N. UNEARNED REVENUES

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. On governmental fund financial statements the unearned revenues represent delinquent taxes receivable not collected within 60 days subsequent to the District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years.

O. NET POSITION

Net position represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. USE OF ESTIMATES

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

Q. SELF-INSURANCE

The District is self-insured for unemployment compensation claims. The aggregate annual claims amounted to \$1,689. The District accounts for its self-insurance activity in its Internal Service Fund.

R. FUND BALANCES

Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was implemented during fiscal year 2011. The statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent because they are either in a) nonspendable form or b) legally or contractually required to be maintained in tact.

Restricted- Amounts which can be spent only for specific purposes because of state and federal laws, or externally imposed conditions by grantors or creditors.

Committed- Amounts which can be spent only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned- Amounts which can be spent only for specific purposes determined by a committee or individual authorized by the Board of Education.

Unassigned- All amounts not included in other spendable classifications.

S. ALLOCATION OF INDIRECT EXPENSES

The District does not allocate any indirect expenses including depreciation.

T. OTHER POST-EMPLOYMENT BENEFITS

In the fiscal year ended June 30, 2009, the School District adopted Statement of Governmental Accounting Standards Board ("GASB"), Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). GASB 45 requires the School District to recognize a liability for the actuarial determined net other post-employment benefits obligation "OPEB" in the statement of net assets. The net OPEB liability in the year of adoption is calculated as the annual OPEB cost, less contributions made during the year. This statement also requires calculation and disclosure of the actuarial accrued liability "AAL", the plan assets (if any), and the funded status of the AAL. Changes to the net OPEB will be recognized through a change in unrestricted net assets based on the annual OPEB cost, interest on the net OPEB, and adjustments to the ARC. The annual OPEB cost includes amortization of the unfunded AAL, which is being amortized using level dollar method over a 21 year period, beginning July 1, 2014.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

U. DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Asset and Liabilities (GASB 65). Under GASB 65, in addition to liabilities the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a decrease in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category. The first is the unamortized premium on debt issuance reported in the government-wide financial statement of net position. An unamortized premium results from the difference between the face value of a bond and the price above this face value, at which the bond has been issued. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the unavailable property tax revenue reported in the balance sheet of the governmental funds financial statements. Unavailable property tax revenue represents property taxes not collected (delinquent taxes) within 60 days subsequent to the District's year-end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The third is the amounts related to the pension that include the difference between actual and projected investment earning and the difference between the District's actual and proportionate share of pension contributions.

V. DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Asset and Liabilities (GASB 65). Under GASB 65, in addition to assets the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred charge on refunding of debt reported in the government-wide financial statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second represents the amounts related to pensions such as the District's contributions for the period subsequent to the measurement date.

W. PENSION LIABILITY

Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, to be in conformity with generally accepted accounting principles.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for pensions. The statement also enhances note disclosure and required supplementary information for government pension plans.

Statement No. 71 establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1, which permits funds to be temporarily invested in: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings or time accounts, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, (4) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and (5) shares of certain investment companies registered under the Investment Companies Act of 1940 and the Securities Act of 1933 which invest only in instruments listed in (1) – (4) listed above, maintain a constant per share net asset value and are rated in the highest category by a nationally recognized rating agency.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2016, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$10,649,925 of which, \$10,149,925 was exposed to custodial credit risk. \$10,149,925 of the bank balance was uninsured but was collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

Interest Rate Risk:

The District does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk:

The District does have an investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk:

The District places no limit on the amount the District may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

Real estate taxes and taxpayer-assessed taxes are recognized as revenue when available on the modified accrual basis, which means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed sixty days.

The government-wide financial statements recognize real estate tax revenue when the taxes are levied. Estimated collectible delinquent taxes at June 30, 2016 are as follows:

	<u>OUTSTANDING BALANCE</u>	<u>ESTIMATED UNCOLLECTIBLE</u>	<u>ESTIMATED COLLECTIBLE</u>
Real estate taxes	<u>\$ 1,453,026</u>	<u>\$ -0-</u>	<u>\$ 1,453,026</u>

The tax on real estate, as levied by the Board, was 73.0 mills (\$ 73.00 per \$1,000 of assessed valuation) for fiscal 2016. Assessed valuations of property are determined by Wyoming County and the elected tax collectors

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)
(NOTE 3 – TAXES RECEIVABLE-CONTINUED)

are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	-Levy Date
August 1 – September 30	-2% Discount Period
October 1 – November 30	-Face Payment Period
December 1 – December 31	-10% Penalty Period
January 1	-Lien Date

NOTE 4 – DUE FROM OTHER GOVERNMENTS

A summary of the receivables due from other governments at June 30, 2016 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$ 123,647	\$ 81,848	\$ 205,495
State subsidies	2,086,831	5,507	2,092,338
Other	<u>361,909</u>	<u>-0-</u>	<u>361,909</u>
Total Due from Other Governments	<u>\$2,572,387</u>	<u>\$ 87,355</u>	<u>\$2,659,742</u>

NOTE 5 – CAPITAL ASSETS

A summary of changes in the capital assets is as follows:

	<u>BALANCE</u> <u>2015</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>2016</u>
Governmental activities:			
Land	\$ 326,860	\$ -0-	\$ 326,860
Land improvements	2,222,849	136,253	2,359,102
Buildings & building improvements	54,146,440	-0-	54,146,440
Furniture & equipment	<u>4,427,552</u>	<u>(16,049)</u>	<u>4,411,503</u>
Total Historical Cost	<u>61,123,701</u>	<u>120,204</u>	<u>61,243,905</u>
LESS: Accumulated depreciation:			
Land improvements	1,668,297	58,802	1,727,099
Buildings & building improvements	25,782,059	1,164,760	26,946,819
Furniture & equipment	<u>3,650,290</u>	<u>27,761</u>	<u>3,678,051</u>
Total Accumulated Depreciation	<u>31,100,646</u>	<u>(1,251,323)</u>	<u>32,351,969</u>
Governmental Activities, net	<u>30,023,055</u>	<u>(1,131,119)</u>	<u>28,891,936</u>
Business-type activities:			
Buildings & improvements	836,205	-0-	836,205
Furniture and equipment	357,604	-0-	357,604
Accumulated depreciation	<u>(803,804)</u>	<u>(24,351)</u>	<u>(828,155)</u>
Business-type Activities, net	<u>\$ 390,005</u>	<u>\$ (24,351)</u>	<u>\$ 365,654</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)
(NOTE 5 – CAPITAL ASSETS-CONTINUED)

Depreciation expense of \$1,251,323 was charged to governmental activities as unallocated depreciation.

NOTE 6 – BONDS AND NOTES PAYABLE

During its June 30, 2005 fiscal year, the District issued General Obligation Bonds, Series 2005, in the principal amount of \$23,480,000. The proceeds of the issue are being used to refinance the 1998 and 2001 bond issue. The interest rates on the 2005 Bond Issue range from 3.00% to 5.00% with final payment due July 15, 2019. The issue was refunded through issuance of General Obligation Bonds, Series of 2015.

During its June 30, 2005 fiscal year, the District issued General Obligation Bonds, Series 2005A, in the principal amount of \$9,100,000. The proceeds of the issue are being used to finance improvements to the Roslund Elementary and Mill City Elementary Schools, and pay certain costs and expenses related to the issuance of the bonds. The interest rates on the 2005A Bond Issue range from 2.635% to 4.375% with final payment due January 15, 2023. The issue was refunded through issuance of General Obligation Bonds, Series of 2011.

During its June 30, 2011 fiscal year, the District issued General Obligation Bonds, Series of 2010, in the principal amount of \$6,635,000. The proceeds of the issue were used to currently refund the District's outstanding General Obligation Bonds, Series of 2003. The interest rates on the 2010 Bond Issue range from 1.00% to 3.15%. The issue was refunded through issuance of General Obligation Bonds, Series of 2016.

During its June 30, 2012 fiscal year, the District issued General Obligation Bonds, Series of 2011, in the principal amount of \$8,815,000. The proceeds of the issue were used to currently refund the District's outstanding General Obligation Bonds, Series A of 2005. The interest rates on the 2011 Bond Issue range from 1.00% to 3.625% with final payment due January 2023. The issue was refunded through issuance of General Obligation Bonds, Series of 2016.

During its June 30, 2012 fiscal year, the District issued General Obligation Note, Series of 2011, in the principal amount of \$1,185,000. The proceeds of the issue were used to fund various renovations, improvements and enhancements to the District's facilities. The interest rate on the 2011 Note is fixed at 3.85% with final payment due September 2026. The issue was refunded through issuance of General Obligation Bonds, Series of 2015.

During its June 30, 2012 fiscal year, the District issued General Obligation Note, Series of 2012, in the principal amount of \$615,000. The proceeds of the issue were used to fund various renovations, improvements and enhancements to the District's facilities. The interest rate on the 2012 Note is fixed at 3.85% with final payment due September 2026. The issue was refunded through issuance of General Obligation Bonds, Series of 2015.

During its June 30, 2015 fiscal year, the District issued General Obligation Bonds, Series of 2015, in the principal amount of \$10,115,000. The proceeds of the issue were used to currently refund the District's outstanding General Obligation Bonds, Series of 2005, General Obligation Note, Series of 2011, and the General Obligation Note, Series of 2012. The interest rates on the 2015 Bond Issue range from 0.75% to 4.00% with final payment due July 2026.

During its June 30, 2016 fiscal year, the District issued General Obligation Bonds, Series of 2016, in the principal amount of \$11,515,000. The proceeds of the issue were used to currently refund the District's outstanding General Obligation Bonds, Series of 2010, and advance refund the General Obligation Bonds, Series of 2011. The interest rates on the 2016 Bond Issue range from 0.77% to 4.00% with final payment due January 2023.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)
(NOTE 6 – BONDS AND NOTES PAYABLE-CONTINUED)

The following summarizes the changes in bonds and notes payable in 2016:

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
Series of 2010	\$ 4,255,000	\$ -0-	\$ (4,255,000)	\$ -0-
Series of 2011	8,605,000	-0-	(8,605,000)	-0-
Series of 2015	10,115,000	-0-	(1,385,000)	8,730,000
Series of 2016	<u>-0-</u>	<u>11,515,000</u>	<u>-0-</u>	<u>11,515,000</u>
 TOTAL	 <u>\$22,975,000</u>	 <u>\$11,515,000</u>	 <u>\$ (14,245,000)</u>	 <u>\$ 20,245,000</u>

Total interest paid on these bonds in 2016 was \$883,917. No interest is reported as a direct expense in the statement of activities.

The following summarizes the District's future debt service requirements on these bonds and notes as of June 30, 2016:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 2,620,000	\$ 459,740	\$ 3,079,740
2018	3,075,000	530,131	3,605,131
2019	3,160,000	446,313	3,606,313
2020	3,185,000	329,413	3,514,413
2021	3,130,000	259,063	3,389,063
2022 – 2026	5,040,000	235,878	5,275,878
2027	<u>35,000</u>	<u>3,609</u>	<u>38,609</u>
 TOTAL	 <u>\$ 20,245,000</u>	 <u>\$ 2,264,147</u>	 <u>\$ 22,509,147</u>

NOTE 7 – COMPENSATED ABSENCES

Accrued Sick Pay and Vacation Leave

Accumulated sick pay payable upon retirement of employees under the Public School Employees Retirement System is a long-term liability of the School District and is reported in the government-wide financial statements. Under the terms of the District's various collective bargaining agreements with its employees, retiring employees are entitled to receive a per diem amount for their accumulated unused sick days. Accrued sick pay of \$1,128,796 as reflected in these financial statements represents the amount that would have been payable under the terms of the various collective bargaining agreements computed as if all School District employees had retired effective June 30, 2016. Furthermore, any retired administrative or support staff employee with unused vacation time is also entitled to receive compensation for such time at their current salary base. As a result, accrued vacation pay is reflected in these financial statements in the amount of \$124,636 for administrative and support staff using the same criteria as described above.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)
(NOTE 7 – COMPENSATED ABSENCES-CONTINUED)

Accrued Sabbatical Leave

Sabbatical leave payable is comprised of amounts due under terms of the School District's collective bargaining agreements. The amount comprising the liability for the eligible period of medical sabbatical leave for each employee is based on one-half of their normal compensation plus payroll taxes and a cost for retirement benefits which is based on 100% of normal compensation. The liability for any employees taking a sabbatical leave for health or medical reasons within the ensuing year is reflected as a liability in the General Fund. The portion of the liability reported in the government-wide financial statements is based on an estimate by the School District of the number of remaining qualifying employees who will potentially take a sabbatical leave for the same reasons prior to retirement. The balance at June 30, 2016 was \$87,726.

The following summarizes the changes in compensated absences in 2016:

Balance, July 1, 2015	\$ 1,057,085
Net increase	<u>118,616</u>
Balance, June 30, 2016	1,341,158
LESS: Current portion	<u>335,289</u>
Long-Term Compensated Absences	<u>\$ 1,005,869</u>

The District normally pays its compensated absences from the General Fund.

NOTE 8 – RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. 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.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 8 – RETIREMENT PLAN-CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 and Class T-F members must work until age 65 with a minimum of three 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 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

The contribution policy is set by the state statute and requires contributions by active members, employees, and the Commonwealth of Pennsylvania.

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (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 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 8 – RETIREMENT PLAN-CONTINUED)

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00 percent 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. The rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from the District were \$5,377,555 for the year ended June 30, 2016.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2016 the contribution rate was 0.84 percent of covered payroll and the District contributed \$180,686.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for approximately one-half of the employer contributions made, including contributions related pension and healthcare. The reimbursement recognized by the District for the year ended June 30, 2016 was \$2,792,322.

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

At June 30, 2016, the District reported a liability of \$60,252,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .1391 percent, which was an decrease of .0056 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$10,706,894. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings		\$ 103,480
Changes in proportion	2,399,598	1,611,613
Difference between actual experience and projected experience		211,202
Contributions subsequent to the measurement date	5,377,555	
	<u>\$ 7,777,153</u>	<u>\$1,926,295</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 8 – RETIREMENT PLAN-CONTINUED)

The \$5,377,555 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2017	\$ 84,696
2018	84,696
2019	<u>303,911</u>
	<u>\$ 473,303</u>

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 8 – RETIREMENT PLAN-CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	0.7%
Cash	3.0%	0.9%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	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, 2015.

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 8 – RETIREMENT PLAN-CONTINUED)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 74,266,000	\$60,252,000	\$ 48,473,000

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

At June 30, 2016, the District had an accrued balance due to PSERS of \$1,253,194. This amount represents the District's contractually obligated contributions for wages earned in April 2016 through June 30, 2016. The balance will be paid in September 2016.

NOTE 9 – CONTINGENT LIABILITIES

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

The District is involved, from time to time, in various claims and legal actions arising in the ordinary course of business. In the opinion of the District, the ultimate disposition of any matters outstanding at June 30, 2016 will not have a material effect on the District's financial position.

NOTE 10 – RISK MANAGEMENT

Other Risks

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased various insurance policies to safeguard the assets of the District from risk of loss. There have been no significant reductions in coverage from the prior year. Settlement amounts have not exceeded insurance coverage in the current year, or the past three years.

In September 1999 the District joined with fourteen other Pennsylvania public school entities within Northeastern Pennsylvania to form the Northeast Pennsylvania School Districts Health Trust. The Trust is a

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 10 – RISK MANAGEMENT-CONTINUED)

public entity risk pool designed to provide health and welfare benefits and reimbursement and/or to provide stop-loss coverage for self-funded benefits, and/or to provide death and/or disability benefits through the life or disability insurance on the life of any participant or group coverage for participants. The Trust was established for the sole exclusive benefit of the employees of the member public school entities.

The Trust Agreement permits members to withdraw from the Trust under terms as specified in the agreement withdrawing members are required to pay the Trust Fund all required contributions for claims incurred on behalf of participants and beneficiaries in the Trust Fund who are employees of the withdrawing public school entity.

NOTE 11 – INTERNAL BALANCES, INTERFUND BALANCES, AND TRANSFERS

The following summarizes the interfund transfers in 2016:

	<u>General</u>	<u>Debt Service</u>	<u>Food Service</u>	<u>Capital Projects</u>	<u>TOTAL</u>
TRANSFERS IN	\$ -0-	\$ 3,058,113	\$ -0-	\$ -0-	\$ 3,058,113
TRANSFERS OUT	<u>(3,058,113)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,058,113)</u>
TOTAL	<u>\$(3,058,113)</u>	<u>\$ 3,058,113</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The General Fund transferred funds to the Debt Service Fund to pay long-term debt as it came due.

NOTE 12 – POST-EMPLOYMENT BENEFITS
PLAN DESCRIPTION

The District's collective bargaining agreements with its employees provides for post-employment health insurance benefits for eligible employees who retire with a specified level of service to the District and with PSERS. Administrators, while not party to the contract, are provided similar benefits. The District is providing coverage from the date of retirement until the individual becomes eligible for the federal government health insurance program. The cost of such medical, prescription drug, vision and dental coverage for retirees and spouses is determined by the contract provisions at the time of retirement. The plan provides post-retirement medical, prescription drug, and dental benefits. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. Retired employees who are eligible under the above requirements and choose to participate in the medical plan pay 100% of the composite rate cost of such coverage.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 12 – POST-EMPLOYMENT BENEFITS -CONTINUED)

FUNDING POLICY

The contribution requirements of plan members and the School District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amounts vary depending on classification and years of service with the School District. The School District paid premiums of approximately \$521,000 for the fiscal year ended June 30, 2016.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following show the components of the 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:

Annual required contribution	\$ 910,124
Interest on net OPEB obligation	6,252
Adjustment to annual required contribution	<u>(10,364)</u>
	906,012
Annual OPEB cost (expense)	906,012
Contributions made	<u>(869,926)</u>
Increase (decrease) in net OPEB obligation	36,086
Net OPEB obligation at July 1, 2015	<u>138,937</u>
Net OPEB obligation at June 30, 2016	<u>\$ 175,023</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, And the net OPEB obligation for June 30, 2016 were as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
June 30, 2016	<u>\$ 906,012</u>	<u>96.0%</u>	<u>\$175,023</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)
(NOTE 12 – POSTEMPLOYMENT BENEFITS -CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plans as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	\$7,347,980
Actuarial value of plan assets	<u> </u>
	<u> </u>
Unfunded actuarial accrued liability (UAAL)	<u>\$7,347,980</u>
Funded ratio (actuarial value of plan assets/UAAL)	0%
Covered payroll	<u>\$16,563,109</u>
UAAL as a percentage of covered payroll	44.36%

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 included assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the School District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2014, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the School District's deposits and investments, and an annual healthcare cost trend rate of 6.5% initially, reduced by .5% annually to a rate of 5.5% in 2016 to 4.2% in 2089 and later. UAAL is being amortized as a level percentage of payroll over a twenty one year period on an open basis.

NOTE 13 - SPECIAL TERMINATION BENEFITS

Early retirement incentive pertains to employees who have attained 25 years of more of service. Payments will be in one lump sum at retirement or in annual payments for five years from the date of their retirement. Shown below is a table of the amount that will be paid by the School District based on the number of years of service, to a teacher who elected early retirement:

<u>Years of Service</u>	<u>Amount</u>
25 to 30 years	\$10,000
31 years	9,000
32 years	8,000
33 years	7,000
34 years	6,000
35 years	5,000
36 years	4,000
37 years	3,000

Sixteen retirees are receiving this benefit. The District used a discount rate of 3.50% to estimate the effect of making the cash payments over multiple periods.

The following summarizes the changes in special termination benefits in 2016:

Balance @ July 1, 2015	\$ 178,545
Net Decrease	<u>(17,611)</u>
Balance @ June 30, 2016	\$ 388,340
Less: Unamortized discount	<u>1,478</u>
Present value of special termination benefits	386,862
Less: Current portion	<u>359,258</u>
Long-Term portion of special termination benefits	<u>\$ 27,604</u>

The District normally pays special termination benefits from the General Fund.

REQUIRED

SUPPLEMENTARY INFORMATION

TUNKHANNOCK AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PENSION LIABILITY

Last Ten (10) Fiscal Years*

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1391%	0.1447%	0.1334%
District's proportionate share of the net pension liability	\$ 60,252,000	\$ 57,274,000	\$ 54,609,000
District's covered-employee payroll	\$ 17,898,264	\$ 18,459,630	\$ 17,120,048
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.64%	310.27%	318.98%
Plan fiduciary net position as a percentage of the total pension liability	54.35%	57.24%	54.49%

*This schedule is presented to illustrate the requirement to show information for ten (10) years, however, until a full 10-year trend is complete, available information is presented.

The accompanying notes are an integral part of these financial statements.

TUNKHANNOCK AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PENSION PLAN

Last Ten (10) Fiscal Years*

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 5,377,555	\$ 3,614,102	\$ 2,859,742
Contributions in relation to the contractually required contribution	<u>\$ (5,377,555)</u>	<u>\$ (3,614,102)</u>	<u>\$ (2,859,742)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 17,898,264	\$ 17,629,765	\$ 18,459,630
Contributions as a percentage of covered-employee payroll	30.0%	20.5%	15.5%

Amounts are based on actual contributions during the fiscal year.

*This schedule is presented to illustrate the requirement to show information for ten (10) years, however, until a full 10-year trend is complete, available information is presented.

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION

OTHER FINANCIAL STATEMENTS

TUNKHANNOCK AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND UNRESERVED FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2016

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$23,136,661	\$23,600,497	\$ 463,836	\$23,574,229
State Sources	2	20,691,524	20,919,642	228,118	19,778,006
Federal Sources	3	882,979	802,732	(80,247)	833,940
Interfund transfers		0	0	0	0
Refund of prior year expenditures		0	0	0	0
TOTAL REVENUES		<u>44,711,164</u>	<u>45,322,871</u>	<u>611,707</u>	<u>44,186,175</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	21,024,837	21,617,444	(592,607)	16,484,619
1200-INSTRUCTION-					
Special Programs	5	7,203,959	6,998,656	205,303	6,189,551
1300-VOCATIONAL EDUCATION	6	1,698,405	1,926,821	(228,416)	1,674,637
1400-OTHER INSTRUCTIONAL PROGRAMS-E/S	7	264,071	213,013	51,058	236,923
1600-INSTRUCTION-ADULT EDUCATION PROGRAMS	8	0	0	0	0
1700-COMMUNITY / JR COLLEGE EDUCATION PROGRAMS	9	0	0	0	0
1800-INSTRUCTION-PRE-K EDUCATION PROGRAMS	10	221,590	238,850	(17,260)	238,001
2100-SUPPORT SERVICES					
Pupil Personnel	11	1,541,957	1,480,265	61,692	1,412,533
2200-SUPPORT SERVICES					
Instructional Staff	12	1,274,832	1,067,998	206,834	1,181,795
2300-SUPPORT SERVICES					
Administration	13	2,435,943	2,268,125	167,818	2,175,915
2400-SUPPORT SERVICES					
Pupil Health	14	623,678	664,873	(41,195)	587,150
2500-SUPPORT SERVICES					
Business	15	493,749	469,179	24,570	441,904
2600-SUPPORT SERVICES					
Operation and Maintenance of plant services	16	5,141,841	4,773,576	368,265	4,653,066
2700-SUPPORT SERVICES					
Student Transportation Services	17	2,925,171	2,944,379	(19,208)	2,862,880
2800-SUPPORT SERVICES					
Central	18	47,508	301	47,207	45,409
2900-SUPPORT SERVICES					
Other Support Services	19	70,000	69,410	590	67,678
3200-OPERATION OF NONIN- STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	20	908,175	917,297	(9,122)	821,275
3300-COMMUNITY SERVICES	21	44,941	36,494	8,447	28,033
4000-FACILITIES ACQUISITION, CONSTRUCTION & IMPROVE- MENT SERVICES	22	0	0	0	0
5100-DEBT SERVICE	23	0	13	(13)	171,811
5200-FUNDS TRANSFER	24	3,412,684	3,058,113	354,571	3,698,147
5900-BUDGETARY RESERVE	25	0	0	0	0
		<u>49,333,341</u>	<u>48,744,807</u>	<u>588,534</u>	<u>42,971,327</u>
EXCESS (EXPENDITURES) OVER REVENUES		<u>\$ (4,622,177)</u>	<u>\$ (3,421,936)</u>	<u>\$1,200,241</u>	<u>\$ 1,214,848</u>
FUND BALANCES-BEGINNING			9,692,529		8,477,681
CHANGE IN INVENTORY			0		0
FUND BALANCES-ENDING			<u>\$ 6,270,593</u>		<u>\$ 9,692,529</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE 1

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$ 18,845,588	\$ 19,070,970	\$ 225,382	\$ 18,614,419
Public utility realty tax	25,000	25,052	52	26,278
Payments in lieu of taxes	37,000	36,223	(777)	36,801
Per capita-Section 679	59,755	47,317	(12,438)	47,228
Per capita-Act 511	59,755	47,317	(12,438)	47,228
Occupation tax	50,000	48,543	(1,457)	46,426
Earned income tax	1,775,000	1,844,549	69,549	1,887,533
Real estate transfer taxes	220,000	226,665	6,665	278,143
Delinquent taxes	1,412,000	1,462,278	50,278	1,526,949
Earnings on investments	118,300	103,590	(14,710)	135,680
Rentals	25,000	21,289	(3,711)	20,175
Tuition	19,000	31,566	12,566	25,926
Receipts from other LEAs	284,888	369,981	85,093	325,163
Miscellaneous	205,375	265,157	59,782	556,280
	<u>\$ 23,136,661</u>	<u>\$ 23,600,497</u>	<u>\$ 463,836</u>	<u>\$ 23,574,229</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 11,089,981	\$ 10,878,851	\$ (211,130)	\$ 10,716,044
Section 1305 & 1306	100,000	152,605	52,605	210,728
Homebound instruction	0	0	0	0
Vocational education	85,346	83,170	(2,176)	101,909
Migratory children	200	279	79	400
Special education of exceptional pupils	1,808,280	1,734,571	(73,709)	1,701,818
Education assistance program	67,184	0	(67,184)	0
Transportation	1,673,618	1,744,807	71,189	1,581,461
Rentals and sinking fund payments	847,346	833,564	(13,782)	972,705
Health services	50,000	47,611	(2,389)	48,453
Pre-K counts	221,590	199,042	(22,548)	313,919
Extra grants	0	472,208	472,208	329,743
Revenue for social security	780,546	836,397	55,851	681,241
Revenue for retirement	2,460,850	2,792,322	331,472	1,975,834
PA accountability	271,173	0	(271,173)	0
Charter school	91,195	0	(91,195)	0
Property tax relief	1,144,215	1,144,215	0	1,143,751
	<u>\$ 20,691,524</u>	<u>\$ 20,919,642</u>	<u>\$ 228,118</u>	<u>\$ 19,778,006</u>

SCHEDULE 3

<u>REVENUE FROM FEDERAL SOURCES</u>				
Chapter I	\$ 587,718	\$ 519,340	\$ (68,378)	\$ 561,124
Title II	159,865	142,297	(17,568)	117,255
Vocational education	28,396	27,963	(433)	27,763
Title V	0	0	0	0
Medical assistance	107,000	113,132	6,132	127,798
ARRA	0	0	0	0
Other grants	0	0	0	0
	<u>\$ 882,979</u>	<u>\$ 802,732</u>	<u>\$ (80,247)</u>	<u>\$ 833,940</u>

The accompanying notes are an integral part of these financial statements.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 4</u>				
<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 12,273,869	\$ 12,832,642	\$ (558,773)	\$ 9,105,965
Employee benefits	6,724,372	7,245,075	(520,703)	5,786,519
Purchased professional and technical services	49,000	160,811	(111,811)	44,868
Purchased property services	123,400	59,363	64,037	57,528
Other purchased services	659,099	563,768	95,331	547,341
Supplies	763,812	555,799	208,013	608,410
Property	426,800	196,012	230,788	330,589
Other objects	4,485	3,974	511	3,399
	<u>\$ 21,024,837</u>	<u>\$ 21,617,444</u>	<u>\$ (592,607)</u>	<u>\$ 16,484,619</u>
<u>SCHEDULE 5</u>				
<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 3,063,786	\$ 3,191,604	\$ (127,818)	\$ 2,792,266
Employee benefits	2,218,405	2,265,693	(47,288)	1,969,595
Purchased professional and technical services	1,420,278	951,443	468,835	938,285
Purchased property services	600	215	385	204
Other purchased services	438,070	558,377	(120,307)	453,469
Supplies	59,980	29,894	30,086	33,173
Property	1,000	680	320	610
Other objects	1,840	750	1,090	1,949
	<u>\$ 7,203,959</u>	<u>\$ 6,998,656</u>	<u>\$ 205,303</u>	<u>\$ 6,189,551</u>
<u>SCHEDULE 6</u>				
<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 836,699	\$ 974,869	\$ (138,170)	\$ 804,643
Employee benefits	422,381	507,485	(85,104)	392,162
Purchased professional and technical services	0	9,132	(9,132)	0
Purchased property services	13,730	8,478	5,252	6,249
Other purchased services	266,400	299,045	(32,645)	347,352
Supplies	124,434	86,765	37,669	81,652
Property	32,911	41,047	(8,136)	42,454
Other objects	1,850	0	1,850	125
	<u>\$ 1,698,405</u>	<u>\$ 1,926,821</u>	<u>\$ (228,416)</u>	<u>\$ 1,674,637</u>

The accompanying notes are an integral part of these financial statements.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 7</u>				
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 79,500	\$ 19,982	\$ 59,518	\$ 38,933
Employee benefits	11,071	5,815	5,256	9,324
Purchased professional and technical services	161,000	183,381	(22,381)	184,278
Purchased property services	9,000	484	8,516	1,528
Other purchased services	0	3,100	(3,100)	1,600
Supplies	3,500	251	3,249	1,260
Property	0	0	0	0
Other objects	0	0	0	0
	<u>\$ 264,071</u>	<u>\$ 213,013</u>	<u>\$ 51,058</u>	<u>\$ 236,923</u>
<u>SCHEDULE 8</u>				
<u>1600-INSTRUCTION-ADULT EDUCATION PROGRAMS</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SCHEDULE 9</u>				
<u>1700-COMMUNITY / JR COLLEGE EDUCATION PROGRAMS</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SCHEDULE 10</u>				
<u>1800-INSTRUCTION-PRE-K EDUCATION PROGRAMS</u>	<u>\$ 221,590</u>	<u>\$ 238,850</u>	<u>\$ (17,260)</u>	<u>\$ 238,001</u>
<u>TOTAL INSTRUCTION</u>	<u>\$ 30,412,862</u>	<u>\$ 30,994,784</u>	<u>\$ (581,922)</u>	<u>\$ 24,823,731</u>
<u>SCHEDULE 11</u>				
<u>2100-SUPPORT SERVICES-PUPIL PERSONNEL</u>				
Salaries	\$ 864,172	\$ 865,427	\$ (1,255)	\$ 837,282
Employee benefits	580,375	570,248	10,127	519,516
Purchased professional and technical services	0	1,723	(1,723)	3,198
Purchased property services	2,750	1,661	1,089	2,746
Other purchased services	28,755	16,289	12,466	15,034
Supplies	54,980	21,057	33,923	32,980
Property	8,750	2,656	6,094	0
Other objects	2,175	1,204	971	1,777
	<u>\$ 1,541,957</u>	<u>\$ 1,480,265</u>	<u>\$ 61,692</u>	<u>\$ 1,412,533</u>

The accompanying notes are an integral part of these financial statements.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 12</u>				
<u>2200-SUPPORT SERVICES-INSTRUCTIONAL SERVICES</u>				
Salaries	\$ 681,154	\$ 527,199	\$ 153,955	\$ 598,889
Employee benefits	346,512	333,836	12,676	317,759
Purchased professional and technical services	28,815	4,540	24,275	102,163
Purchased property services	10,600	1,921	8,679	8,093
Other purchased services	44,789	28,307	16,482	33,776
Supplies	160,512	107,647	52,865	110,177
Property	2,450	64,117	(61,667)	10,861
Other objects	0	431	(431)	77
	<u>\$ 1,274,832</u>	<u>\$ 1,067,998</u>	<u>\$ 206,834</u>	<u>\$ 1,181,795</u>
<u>SCHEDULE 13</u>				
<u>2300-SUPPORT SERVICES-ADMINISTRATIVE</u>				
Salaries	\$ 1,131,551	\$ 1,201,207	\$ (69,656)	\$ 1,178,758
Employee benefits	728,745	666,895	61,850	694,660
Purchased professional and technical services	341,400	219,088	122,312	200,043
Purchased property services	22,200	15,546	6,654	13,428
Other purchased services	99,137	86,654	12,483	60,562
Supplies	36,850	13,774	23,076	11,194
Property	54,070	28,100	25,970	1,221
Other objects	21,990	36,861	(14,871)	16,049
	<u>\$ 2,435,943</u>	<u>\$ 2,268,125</u>	<u>\$ 167,818</u>	<u>\$ 2,175,915</u>
<u>SCHEDULE 14</u>				
<u>2400-SUPPORT SERVICES-PUPIL HEALTH</u>				
Salaries	\$ 363,126	\$ 383,482	\$ (20,356)	\$ 343,375
Employee benefits	228,832	246,780	(17,948)	219,417
Purchased professional and technical services	8,500	22,555	(14,055)	11,459
Purchased property services	2,400	125	2,275	592
Other purchased services	2,430	949	1,481	1,380
Supplies	11,960	10,469	1,491	10,786
Property	6,430	513	5,917	141
	<u>\$ 623,678</u>	<u>\$ 664,873</u>	<u>\$ (41,195)</u>	<u>\$ 587,150</u>

The accompanying notes are an integral part of these financial statements.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 15</u>				
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 225,982	\$ 227,387	\$ (1,405)	\$ 218,747
Employee benefits	171,067	172,682	(1,615)	159,564
Purchased professional and technical services	55,000	47,849	7,151	47,743
Purchased property services	5,000	694	4,306	1,064
Other purchased services	16,250	8,812	7,438	9,156
Supplies	12,700	5,234	7,466	2,836
Property	4,750	4,179	571	0
Other objects	3,000	2,342	658	2,794
	<u>\$ 493,749</u>	<u>\$ 469,179</u>	<u>\$ 24,570</u>	<u>\$ 441,904</u>
<u>SCHEDULE 16</u>				
<u>2600-SUPPORT SERVICES-OPERATION OF PLANT SERVICES</u>				
Salaries	\$ 1,578,621	\$ 1,542,185	\$ 36,436	\$ 1,496,427
Employee benefits	1,219,160	1,148,082	71,078	1,076,968
Purchased professional and technical services	8,500	14,419	(5,919)	9,724
Purchased property services	1,259,943	1,200,013	59,930	1,104,795
Other purchased services	268,995	313,776	(44,781)	223,424
Supplies	652,997	388,081	264,916	659,562
Property	146,500	166,355	(19,855)	79,136
Other objects	7,125	665	6,460	3,030
	<u>\$ 5,141,841</u>	<u>\$ 4,773,576</u>	<u>\$ 368,265</u>	<u>\$ 4,653,066</u>
<u>SCHEDULE 17</u>				
<u>2700-SUPPORT SERVICES-STUDENT TRANSPORTATION SERVICES</u>				
Salaries	\$ 27,884	\$ 27,771	\$ 113	\$ 26,985
Employee benefits	21,423	20,870	553	19,625
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	2,848,864	2,882,575	(33,711)	2,802,669
Supplies	17,000	5,194	11,806	13,601
Property	10,000	7,969	2,031	0
Other objects	0	0	0	0
	<u>\$ 2,925,171</u>	<u>\$ 2,944,379</u>	<u>\$ (19,208)</u>	<u>\$ 2,862,880</u>

The accompanying notes are an integral part of these financial statements.
58.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 18</u>				
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 26,747	\$ -	\$ 26,747	\$ 28,466
Employee benefits	12,261	0	12,261	15,762
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	2,000	0	2,000	77
Supplies	4,500	301	4,199	105
Property	1,000	0	1,000	0
Other objects	1,000	0	1,000	999
	<u>\$ 47,508</u>	<u>\$ 301</u>	<u>\$ 47,207</u>	<u>\$ 45,409</u>
<u>SCHEDULE 19</u>				
<u>2900-SUPPORT SERVICES-OTHER</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee benefits	0	0	0	0
Purchased professional and technical services	0	0	0	0
Other purchased services	70,000	69,410	590	67,678
Supplies	0	0	0	0
	<u>\$ 70,000</u>	<u>\$ 69,410</u>	<u>\$ 590</u>	<u>\$ 67,678</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 14,554,679</u>	<u>\$ 13,738,106</u>	<u>\$ 816,573</u>	<u>\$ 13,428,330</u>
<u>SCHEDULE 20</u>				
<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES</u>				
<u>STUDENT ACTIVITIES</u>				
Salaries	\$ 362,783	\$ 398,406	\$ (35,623)	\$ 354,293
Employee benefits	147,267	179,251	(31,984)	147,552
Purchased professional and technical services	47,500	47,203	297	36,519
Purchased property services	12,200	1,037	11,163	168
Other purchased services	169,625	144,691	24,934	151,743
Supplies	37,950	31,252	6,698	27,770
Property	94,000	87,337	6,663	75,184
Other objects	36,850	28,120	8,730	28,046
	<u>\$ 908,175</u>	<u>\$ 917,297</u>	<u>\$ (9,122)</u>	<u>\$ 821,275</u>

The accompanying notes are an integral part of these financial statements.

	<u>BUDGET</u>	<u>2016 ACTUAL</u>	<u>VARIANCE FAVORABLE UNFAVORABLE)</u>	<u>2015 ACTUAL</u>
<u>SCHEDULE 21</u>				
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES</u>				
<u>COMMUNITY SERVICES</u>				
Salaries	\$ 15,754	\$ 17,875	\$ (2,121)	\$ 14,116
Employee benefits	5,587	5,717	(130)	3,771
Purchased professional and technical services	20,000	8,830	11,170	6,515
Purchased property services	0	0	0	0
Other purchased services	0	24	(24)	36
Supplies	3,600	4,048	(448)	3,595
	<u>\$ 44,941</u>	<u>\$ 36,494</u>	<u>\$ 8,447</u>	<u>\$ 28,033</u>
<u>SCHEDULE 22</u>				
<u>4000-FACILITIES ACQUISITION, CONSTRUCTION</u>				
<u>CONSTRUCTION & IMPROVE- MENT SERVICES</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SCHEDULE 23</u>				
<u>5100-DEBT SERVICE</u>				
Other objects	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ (13)</u>	<u>\$ 171,811</u>
<u>SCHEDULE 24</u>				
<u>5200-FUNDS TRANSFER</u>				
Other objects	<u>\$ 3,412,684</u>	<u>\$ 3,058,113</u>	<u>\$ 354,571</u>	<u>\$ 3,698,147</u>
<u>SCHEDULE 25</u>				
<u>5900-BUDGETARY RESERVE</u>				
Other objects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MURPHY, DOUGHERTY & COMPANY
Certified Public Accountants

**1310 Church Street, Suite 3000
Moscow, PA 18444**

**J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA
PAUL T. MURPHY, CPA**

**(570) 848-2866 Tel
(570) 848-2833 Fax**

February 2, 2017

Board of Education
Tunkhannock Area School District
Tunkhannock, Pennsylvania

To the Members of the Board:

We have performed the Single Audit of the Tunkhannock Area School District for the year ended June 30, 2016, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance. It entailed:

1. An audit of the general purpose financial statements and our opinion thereon;
2. A review of compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards;
3. An audit of the Schedule of Expenditures of Federal Awards and our opinion thereon;
4. A review of compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance.

Please be advised that a management letter was not necessary as part of our report.

One copy of the Audit Report was distributed to:

a) Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

b) Office of Prothonotary
Wyoming County
Tunkhannock, Pennsylvania
18657

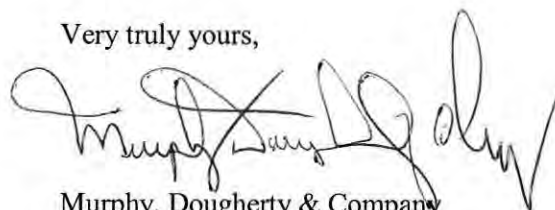
c) Luzerne County IU 18
368 Tioga Avenue
Kingston, Pennsylvania 18704

One copy of the Audit Report was electronically submitted to:

- a) Commonwealth of Pennsylvania
Bureau of Audits
Special Audit Services Division
Forum Place-8th Floor
555 Walnut Street
Harrisburg, Pennsylvania 17101

Your cooperation in this matter is appreciated.

Very truly yours,



Murphy, Dougherty & Company
Certified Public Accountants

MD/mm

MURPHY, DOUGHERTY & COMPANY
Certified Public Accountants

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Moscow, PA 18444

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

Board of Education
Tunkhannock Area School District
Tunkhannock, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tunkhannock Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Tunkhannock Area School District's basic financial statements and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moscow, Pennsylvania
February 2, 2017

A handwritten signature in black ink, appearing to be "M. J. Murphy", written in a cursive style.

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

**1310 Church Street, Suite 3000
Moscow, PA 18444**

**J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA
PAUL T. MURPHY, CPA**

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Tunkhannock Area School District
Tunkhannock, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Tunkhannock Area School District's compliance with the types of compliance requirements described in the "OMB Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Tunkhannock Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Tunkhannock Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tunkhannock Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tunkhannock Area School District's internal control over compliance.

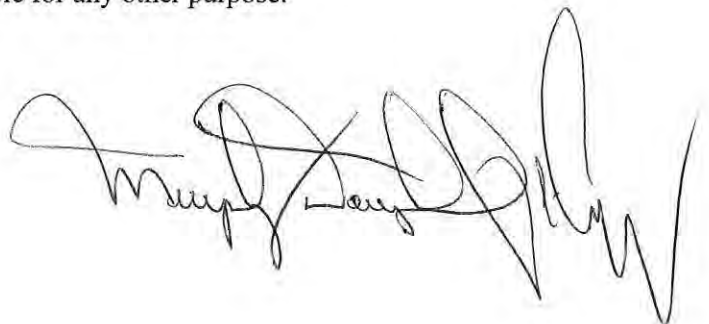
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Purpose of this Report

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

Moscow, Pennsylvania
February 2, 2017

A large, stylized handwritten signature in black ink, likely belonging to the auditor, is positioned on the right side of the page.

TUNKHANNOCK AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness (es) identified? ____ yes X no
Significant deficiency(ies) identified? ____ yes X none reported
Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

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

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.010

Title I

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low risk auditee? X yes ____ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

TUNKHANNOCK AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT 7/1/2015	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 6/30/2016
U.S. DEPARTMENT OF EDUCATION										
<u>Passed through the Pennsylvania Department of Education</u>										
Title I Grant	I	84.010	013-160435	7/1/15-9/30/16	\$ 481,901	\$ 354,156	\$ -	\$ 430,570	\$ 430,570	\$ 76,414
Title I Grant	I	84.010	013-150435	7/1/14-9/30/15	587,718	229,594	140,824	88,770	88,770	-
Total CFDA# 84.010					1,069,619	583,750	140,824	519,340	519,340	76,414
Vocational Education	I	84.048	380-160090	7/1/15-9/30/16	27,963	22,879	-	27,963	27,963	5,084
Vocational Education	I	84.048	380-150088	7/1/14-9/30/15	27,763	12,620	12,620	-	-	-
Total CFDA# 84.048					55,725	35,499	12,620	27,963	27,963	5,084
Title II-Improving Teacher Quality	I	84.367	020-160435	7/1/15-9/30/16	159,429	106,447	-	46,476	46,476	(59,971)
Title II-Improving Teacher Quality	I	84.367	020-150435	7/1/14-9/30/15	159,865	95,910	89	95,821	95,821	-
Total CFDA# 84.367					319,294	202,357	89	142,297	142,297	(59,971)
TOTAL PASSED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION					1,444,639	821,606	153,533	689,600	689,600	21,527
<u>Passed through the Luzerne IU # 18</u>										
Preschool Early Intervention	I	84.173	N/A	7/1/15-6/30/16	2,304	2,304	0	2,304	2,304	0
Individuals with Disabilities Educ. Act	I	84.027	N/A	7/1/14-6/30/15	313,957	313,957	313,957	-	-	-
Individuals with Disabilities Educ. Act	I	84.027	N/A	7/1/15-6/30/16	285,555	-	-	285,556	285,556	285,556
TOTAL LUZERNE IU # 18					601,817	316,261	313,957	287,860	287,860	285,556
Total CFDA# 84.027					599,513	313,957	313,957	285,556	285,556	285,556
Total IDEA Cluster					601,817	316,261	313,957	287,860	287,860	285,556
TOTAL DEPARTMENT OF EDUCATION					2,046,456	1,137,867	467,490	977,460	977,460	307,083
U.S. DEPARTMENT OF AGRICULTURE										
<u>Passed through the Pennsylvania Department of Agriculture</u>										
National School Lunch Program- Commodities	I	10.555	N/A	7/1/15-6/30/16	N/A	113,785	(26,784)	115,498	115,498	(25,071)
<u>Passed through the Pennsylvania Department of Education</u>										
National School Lunch Program-Cash	I	10.555	N/A	7/1/15-6/30/16	N/A	457,969	32,780	487,497	487,497	62,308
Total CFDA# 10.555					N/A	571,754	5,996	602,995	602,995	37,237
National School Breakfast Program	I	10.553	N/A	7/1/15-6/30/16	N/A	124,353	8,670	135,223	135,223	19,540
Total Child Nutrition Cluster					N/A	696,107	14,666	738,218	738,218	56,777
TOTAL DEPARTMENT OF AGRICULTURE					N/A	696,107	14,666	738,218	738,218	56,777
TOTAL FEDERAL AWARDS					\$ 2,046,456	\$ 1,833,974	\$ 482,156	\$ 1,715,678	\$ 1,715,678	\$ 363,860

SOURCE CODES: D - Direct Funding
I - Indirect Funding

TUNKHANNOCK AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tunkhannock Area School District located in Tunkhannock, Pennsylvania is a school district mandated by the Pennsylvania Department of Education. The District provides educational services to children in Grades K-12.

A. REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39. The specific criteria used is as follows: a) financial interdependency; b) selection of governing authority; c) designation of management; d) ability to significantly influence operations; e) accountability for fiscal matters; f) scope of public service and g) special financing relationships.

As defined, there are no other related organizations which should be included in the financial statements. The reporting entity will consist solely of the accounts and funds of the District.

B. BASIS OF ACCOUNTING

This financial statement has been prepared on the modified basis of accounting except for the National School Lunch Program which uses the full accrual method.

C. INVENTORY OF MATERIALS, SUPPLIES AND EQUIPMENT

Materials, supplies and equipment of all federal funds except the National School Lunch Programs Inventories are expended on a first-in, first-out basis as the foodstuffs and supplies are consumed in providing meals and services.

VTUNKHANNOCK AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

* NO PRIOR FINDINGS NOTED.