

Audited
Financial
Statements

June 30,
2017



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carlisle Area School District
Carlisle, 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 Carlisle Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, OPEB required schedule of funding progress on page 58, schedule of School District's proportionate share of the net pension liability – PSERS on page 59, and schedule of School District's contributions – PSERS on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlisle Area School District's 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of Carlisle 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 Carlisle Area School District's internal control over financial reporting and compliance.

Smith & Elliott Deams & Company, LLC

Carlisle, Pennsylvania
December 20, 2017

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The management of the Carlisle Area School District (CASD or School District) is pleased to present the following discussion and analysis of our financial activities for the fiscal year ended June 30, 2017. The purpose of this discussion and analysis is to provide a narrative summary of the financial position and activities of the CASD in order to enhance the reader's understanding of the CASD's basic financial statements. It should be read in conjunction with the accompanying financial statements and notes following this section. This discussion and analysis provides comparative information as required by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by GASB in Statement No. 34. Certain condensed comparative analyses of financial statements have been presented in this financial analysis.

FINANCIAL HIGHLIGHTS

- The CASD had a net increase in fund balance from general fund operations of \$ 309,092 from revenues of \$ 81,398,451 during 2016-17.
- CASD decreased its governmental fund balance by \$ 359,310 from \$ 35,254,755 on June 30, 2016 to \$ 34,895,445 as of June 30, 2017.
- Government and business activities had a positive change in net position during 2016-17 of \$ 946,006 from (\$ 16,569,133) on June 30, 2016 to (\$ 15,623,127) as of June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

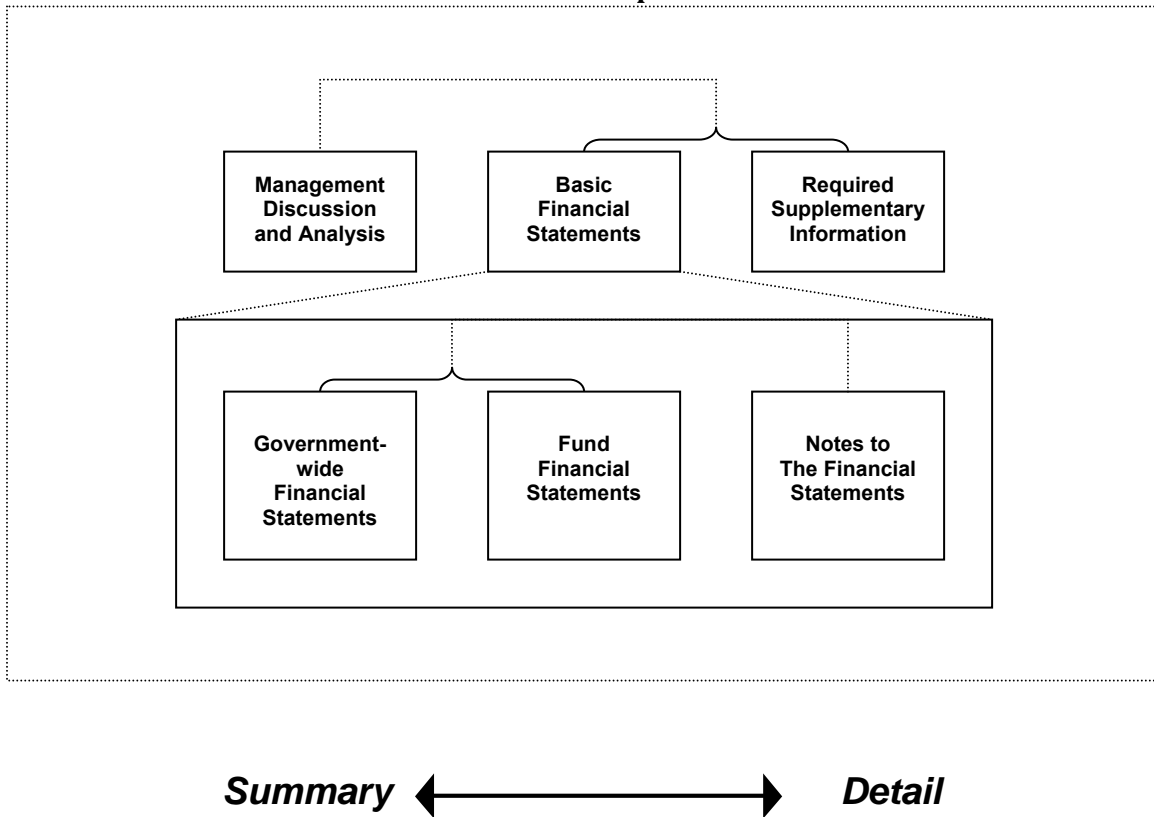
The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general CASD services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For the CASD this is our Food Service Fund, Other Enterprise Funds, and Medical Insurance Fund. Fiduciary fund statements provide information about financial relationships where the CASD acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

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

Table A-1 shows how the required parts of this annual report are arranged and related to one another:

Table A-1
Required Components of
Carlisle Area School District's
Financial Report



CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Table A-2 summarizes the major features of the CASD's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

Table A-2
Major Features of Carlisle Area School District's
Government-Wide and Fund Financial Statements

	Fund Statements			
	Government-wide	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 - Trust Funds
Required Financial Statements	*Statement of net position *Statement of activities	*Balance Sheet *Statement of revenues, expenditures, and changes in fund balance	*Statement of net position *Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurements 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 long-term capital assets and liabilities included	*All assets and liabilities, both financial and capital, and short-term and long-term	*All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	*All revenues and expenses during year, regardless of when cash is received or paid	*Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and 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 revenue and expenses during the year regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the CASD as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Increases or decreases in the CASD's net position are an indication of whether its financial health is improving or deteriorating, respectively.

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

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

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

Fund Financial Statements

The CASD's fund financial statements provide more detailed information about the CASD's funds focusing on the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements to be reported as major funds.

The CASD has three kinds of funds:

Governmental Funds - Most of the CASD's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CASD's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the CASD's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Proprietary Funds - These funds are used to account for the CASD activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the CASD charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is one of the CASD's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows. The CASD uses an internal service fund to report activities that provide services and supplies for its other programs and activities. The CASD currently has one internal service fund, its employee medical benefits trust fund.

Fiduciary Funds - The CASD is the trustee, or fiduciary, for assets that belong to others - the scholarship funds and student activities funds. All of the CASD's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the CASD's government-wide financial statement because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

The CASD's total governmental and business activities - net position as of June 30, 2017, was (\$ 15,623,127). This is an increase of \$ 946,006 over the (\$ 16,569,133) at June 30, 2016.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Assets and Deferred Outflows of Resources						
Current and other assets	\$ 51,006,969	\$ 50,849,068	\$ 561,202	\$ 511,300	\$ 51,568,171	\$ 51,360,368
Capital assets	104,251,191	102,443,708	659,501	724,436	104,910,692	103,168,144
Deferred Outflows of Resources	22,916,390	10,615,013	39,765	25,629	22,956,155	10,640,642
Total Assets and Deferred Outflows of Resources	<u>\$ 178,174,550</u>	<u>\$ 163,907,789</u>	<u>\$ 1,260,468</u>	<u>\$ 1,261,365</u>	<u>\$ 179,435,018</u>	<u>\$ 165,169,154</u>
Liabilities						
Current liabilities	\$ 14,602,715	\$ 14,265,105	\$ 115,410	\$ 302,846	\$ 14,718,125	\$ 14,567,951
Noncurrent liabilities	174,865,416	165,727,357	190,888	222,445	175,056,304	165,949,802
Total Liabilities	189,468,131	179,992,462	306,298	525,291	189,774,429	180,517,753
Deferred Inflows of Resources	5,271,002	1,218,579	12,714	1,955	5,283,716	1,220,534
Net Position						
Net investment in capital assets	41,139,041	38,415,038	659,501	724,436	41,798,542	39,139,474
Restricted - future capital expenses	14,471,458	13,841,089	-	-	14,471,458	13,841,089
Restricted - expendable	-	-	-	-	-	-
Unrestricted	(72,175,082)	(69,559,379)	281,955	9,683	(71,893,127)	(69,549,696)
Total Net Position	<u>(16,564,583)</u>	<u>(17,303,252)</u>	<u>941,456</u>	<u>734,119</u>	<u>(15,623,127)</u>	<u>(16,569,133)</u>
Total Liabilities and Net Position	<u>\$ 178,174,550</u>	<u>\$ 163,907,789</u>	<u>\$ 1,260,468</u>	<u>\$ 1,261,365</u>	<u>\$ 179,435,018</u>	<u>\$ 165,169,154</u>

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Most of the CASD's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined of designated and undesignated amounts. The restricted balances are amounts set-aside to fund future purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the CASD's activities that are supported by other general revenues. The two largest general revenues are local taxes assessed to community taxpayers and the basic education subsidy provided by the Commonwealth of Pennsylvania.

Statement of Activities
Change of Net Position

	Governmental Activities	Business-Type Activities	Totals
Program Revenues			
Charges for services	\$ 640,886	\$ 1,204,196	\$ 1,845,082
Operating grants and contributions	13,021,624	1,438,637	14,460,261
Capital grants and contributions	925,229	-	925,229
General Revenues			
Taxes	51,181,047	-	51,181,047
Grants, subsidies, and contributions	14,597,682	-	14,597,682
Investment earnings	70,773	-	70,773
Miscellaneous income and sale of assets	44,797	8,536	53,333
Transfers	(13,171)	13,171	-
Total Revenues	<u>80,468,867</u>	<u>2,664,540</u>	<u>83,133,407</u>
District Expenses	<u>79,730,198</u>	<u>2,457,203</u>	<u>82,187,401</u>
Change in Net Position	<u>\$ 738,669</u>	<u>\$ 207,337</u>	<u>\$ 946,006</u>

Direct expenses represent the actual cost of providing services and programs while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The net cost of services must be recovered through general revenue, primarily taxes and state subsidies. Amounts not recovered will reduce funds available for future years.

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Governmental and Business Activities

	Governmental Activities		Business-Type Activities		Totals	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues						
Program Revenues						
Charges for services	\$ 640,886	\$ 629,642	\$ 1,204,196	\$ 1,223,947	\$ 1,845,082	\$ 1,853,589
Operating grants and contributions	13,021,624	11,981,398	1,438,637	1,372,454	14,460,261	13,353,852
Capital grants and contributions	925,229	1,637,480	-	-	925,229	1,637,480
General Revenues						
Taxes	51,181,047	50,400,393	-	-	51,181,047	50,400,393
Grants, subsidies, and contributions	14,597,682	13,905,280	-	-	14,597,682	13,905,280
Investment earnings	70,773	43,174	-	-	70,773	43,174
Miscellaneous income and sale of assets	44,797	31,689	8,536	12,472	53,333	44,161
Transfers	(13,171)	(11,673)	13,171	11,673	-	-
Total Revenue	80,468,867	78,617,383	2,664,540	2,620,546	83,133,407	81,237,929
Expenses						
Instruction	48,471,059	46,276,463	-	-	48,471,059	46,276,463
Instructional student support	7,798,095	7,091,734	-	-	7,798,095	7,091,734
Administrative and financial support	9,099,094	8,226,473	-	-	9,099,094	8,226,473
Operation of maintenance of plant services	6,794,653	6,602,082	-	-	6,794,653	6,602,082
Pupil transportation	3,971,130	3,547,118	-	-	3,971,130	3,547,118
Student activities	1,427,441	1,428,847	-	-	1,427,441	1,428,847
Community services	15,395	17,731	-	-	15,395	17,731
Interest on long-term debt	2,153,331	2,225,981	-	-	2,153,331	2,225,981
Business-type activities	-	-	2,457,203	2,532,514	2,457,203	2,532,514
Component unit - Foundation	-	-	-	-	-	-
Total Expense	79,730,198	75,416,429	2,457,203	2,532,514	82,187,401	77,948,943
Changes in Net Position	738,669	3,200,954	207,337	88,032	946,006	3,288,986
Net Position - Beginning	(17,303,252)	(20,504,206)	734,119	646,087	(16,569,133)	(19,858,119)
Net Position - Ending	\$ (16,564,583)	\$ (17,303,252)	\$ 941,456	\$ 734,119	\$ (15,623,127)	\$ (16,569,133)

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Fund Balances

The CASD classifies fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent, in accordance with GASB 54. CASD decreased its governmental fund balance by \$ 359,310 from \$ 35,254,755 on June 30, 2016, \$ 34,895,445 as of June 30, 2017.

The Board of Directors uses the CASD's fund balances to cover the costs of current and future capital projects, including those related to technology, and to protect educational programs and operating expenses against future scheduled increases in the state retirement system employer contribution rates, along with future volatility in funding sources and the economy of the region.

Governmental Fund Balance

General Fund - nonspendable fund balance	\$ 382,809
General Fund - committed fund balance	3,897,990
General Fund - assigned fund balance	1,665,000
General Fund - unassigned fund balance	9,610,007
Capital Projects Fund - restricted fund balance	-
Capital Projects Fund - committed fund balance	4,868,181
Capital Reserve Fund - restricted fund balance	<u>14,471,458</u>
Total Governmental Fund Balance	<u>\$ 34,895,445</u>
Total nonspendable fund balance	\$ 382,809
Total restricted fund balance	14,471,458
Total committed fund balance	8,766,171
Total assigned fund balance	1,665,000
Total unassigned fund balance	<u>9,610,007</u>
Total Governmental Fund Balance	<u>\$ 34,895,445</u>

General Fund Budget

On June 27, 2006, the Pennsylvania Legislature passed Act 1 of Special Session of 2006, entitled the "Taxpayer Relief Act". Act 1 requires school districts to limit tax increases in the property tax millage rate to no more than the level set by an inflation index, unless the school district obtains approval from the Pennsylvania Department of Education for certain exceptions, or approval for a higher increase is received from voters in a ballot referendum. For the 2016-17 fiscal year, CASD's adjusted Act 1 Index was set at 3.0% and the Board of Directors voted to increase the property tax millage rate the same amount.

It is important to note that school district boards of school directors are the only elected boards with taxing authority in Pennsylvania where the authority is limited by law. All other elected boards, including city/borough councils, township supervisors, county commissioners, and the general assembly have no such limitation. With declining or minimal increases in education funding from the state and federal governments, the CASD will be challenged in the future to balance the general fund budget.

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
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The Board of Directors and CASD administration will continue to work in the future to put together an annual operating budget that focuses on the educational development of students and properly maintains the facilities of the School District for the long-term.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Revenues	\$ 79,901,676	\$ 81,398,451	\$ 1,496,775
Total Expenditures	<u>79,356,410</u>	<u>77,877,701</u>	<u>1,478,709</u>
Revenues Over/(Under) Expenditures	545,266	3,520,750	2,975,484
Other Financing Sources (Uses)	<u>(3,200,000)</u>	<u>(3,211,658)</u>	<u>(11,658)</u>
Net Change in Fund Balance	<u>\$ (2,654,734)</u>	<u>\$ 309,092</u>	<u>\$ 2,963,826</u>

Capital Assets

As of June 30, 2017, the School District in conducting its governmental activities had \$ 104,251,191 invested in capital assets; including land; buildings; site improvements; equipment, furniture, and fixtures; and construction in process. This amount represents a net increase (including additions, deletions and depreciation) of \$ 1,807,483 from the previous fiscal year.

Capital Assets (Net of Depreciation)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Governmental Activities			
Land	\$ 1,951,733	\$ 1,951,733	\$ -
Buildings	82,190,149	83,238,643	(1,048,494)
Site improvements	5,706,494	5,942,277	(235,783)
Equipment, furniture, and fixtures	7,122,728	8,357,105	(1,234,377)
Construction in process	<u>7,280,087</u>	<u>2,953,950</u>	<u>4,326,137</u>
Total Governmental Activities	<u>\$ 104,251,191</u>	<u>\$ 102,443,708</u>	<u>\$ 1,807,483</u>
Business-Type Activities			
Furniture and equipment	<u>\$ 659,501</u>	<u>\$ 724,436</u>	<u>\$ (64,935)</u>

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Long-Term Liabilities/Outstanding Bonds and Notes Payable

As of June 30, 2016, the CASD had total outstanding bonds and notes payable of \$ 64,978,483. During the 2016-17 fiscal year, the CASD made payments of \$33,437,703, and has new borrowings of \$ 33,798,811, resulting in a balance, as of June 30, 2017, of \$ 65,339,591. The CASD's debt is assigned a Moody's rating of Aa2, which reflects the high quality of the CASD's debt.

Outstanding Bonds and Notes Payable

	June 30, 2017	June 30, 2016	Change
General Obligation Bonds			
Series of 2011	\$ -	\$ 25,925,000	\$ (25,925,000)
Series of 2012A	7,825,000	8,285,000	(460,000)
Series of 2012B	2,385,000	2,440,000	(55,000)
Series of 2014	5,920,000	7,325,000	(1,405,000)
Series of 2014A	1,290,000	1,905,000	(615,000)
Series of 2014B	4,450,000	6,255,000	(1,805,000)
Series of 2015A	6,685,000	6,775,000	(90,000)
Series of 2015B	2,830,000	2,890,000	(60,000)
Series of 2016	2,735,000	-	2,735,000
Series of 2017	25,915,000	-	25,915,000
Unamortized bond (discounts) premium	5,304,591	3,178,483	2,126,108
Total General Obligation Bonds	\$ 65,339,591	\$ 64,978,483	\$ 361,108

Other long-term liabilities of the CASD include accrued sick leave vacation and retirement stipend for employees and other post-employment benefits (OPEB) for retired employees and net pension liability. CASD retirees may purchase medical, prescription drug, dental, and vision coverages until they reach age 65.

FACTORS BEARING ON THE CASD'S FUTURE

The CASD continues to maintain a strong financial position based upon a stable tax base and adequate reserves to provide coverage for changes in economic conditions and state and federal government funding. During the 2012-13 and 2013-14 fiscal years, the School District undertook a \$ 39 million project to renovate and expand its two middle schools, which were originally opened in the late 1970's. This resulted in a substantial increase in the long-term debt of the School District in the 2011-12 fiscal year.

The future funding levels for CASD operations continues to be uncertain. As noted previously, Pennsylvania law limits the ability of the Board of Directors to increase the property tax millage rate for any given fiscal year. Property taxes represent the major source of revenue for the School District. The level of state funding provided for K-12 education continues to be an item vigorously debated in the State General Assembly on an annual basis.

CARLISLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The funding of the cost of employee retirement through the Pennsylvania School Employees Retirement System (PSERS) remains a substantial financial concern. The employer contribution rate based on wages paid has increased substantially in the last few years as follows: 8.65% in 2011-12, 12.36% in 2012-13, 16.93% in 2013-14, 21.40% in 2014-15, 25.84% in 2015-2016, 30.03% in 2016-17, and 32.57% in 2017-18. The contribution rate for the 2018-19 fiscal year has been certified by the PSERS Board of Trustees at 33.43%. Currently, the rates for future fiscal years are projected at 34.79% for 2019-20, 35.26% for 2020-21, 35.68% for 2021-22, and 36.32% for 2022-23. The contribution rate is projected to continue to be in excess of 36% for at least 3 additional years beyond 2022-23. Even at the elevated rate of 33.43% in 2018-19, the unfunded liability for the retirement system is projected to increase. The CASD has no control over the retirement plan provided to its employees or the rate required for it to be funded.

The student enrollment of the CASD has seen moderate growth in recent years and based on demographic data is projected to continue to grow modestly and then stabilize. At this point, the School District is expecting to be able to accommodate future enrollment increases at existing school sites with the addition of classroom capacity as necessary.

The safety and security of students, staff, parents, and the public has been and will remain a high priority for the CASD. It is expected that the School District will continue to make investments in safety and security going forward.

The current collective bargaining agreement with the Carlisle Area Education Association, which represents the teachers and other professional employees of the CASD, will expire on August 15, 2020. The CASD administration and the CAEA leadership have a good working relationship and the expectation is that a good relationship will continue into the future.

CONTACTING THE CASD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Carlisle Area School District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report, please contact the Business Office of the Carlisle Area School District located at 623 West Penn Street, Carlisle, PA 17013 at (717) 240-6800.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 36,328,819	\$ 468,336	\$ 36,797,155
Investments	2,000,000	-	2,000,000
Receivables:			
Taxes, net	2,771,247	-	2,771,247
Intergovernmental	2,157,437	152,387	2,309,824
Other	360,947	16,809	377,756
Internal balances	104,724	(104,724)	-
Inventories	-	28,394	28,394
Prepaid items	7,283,795	-	7,283,795
Total current assets	<u>51,006,969</u>	<u>561,202</u>	<u>51,568,171</u>
Noncurrent Assets			
Capital assets not being depreciated			
Land	1,951,733	153,900	2,105,633
Construction in progress	7,280,087	-	7,280,087
Capital assets net of accumulated depreciation			
Site improvements	5,706,494	-	5,706,494
Buildings	82,190,149	289,593	82,479,742
Equipment, furniture and fixtures	7,122,728	216,008	7,338,736
Total noncurrent assets	<u>104,251,191</u>	<u>659,501</u>	<u>104,910,692</u>
Total assets	<u>155,258,160</u>	<u>1,220,703</u>	<u>156,478,863</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	20,236,018	39,765	20,275,783
Deferred charge on bond refunding	2,680,372	-	2,680,372
Total deferred outflows of resources	<u>22,916,390</u>	<u>39,765</u>	<u>22,956,155</u>
Total assets and deferred outflows of resources	<u>\$ 178,174,550</u>	<u>\$ 1,260,468</u>	<u>\$ 179,435,018</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,667,905	\$ 115,037	\$ 2,782,942
Accrued salaries, benefits and withholdings	5,369,027	-	5,369,027
Accrued interest	762,109	-	762,109
Portion due or payable within one year:			
General obligation bonds and notes payable	5,686,878	-	5,686,878
Compensated absences and retirement stipend	116,796	373	117,169
Total current liabilities	<u>14,602,715</u>	<u>115,410</u>	<u>14,718,125</u>
Noncurrent liabilities			
Portion due or payable after one year:			
Accounts payable	-	12,900	12,900
General obligation bonds and notes payable	59,652,713	-	59,652,713
Compensated absences and retirement stipend	1,543,454	3,362	1,546,816
Net pension obligation	112,121,144	174,626	112,295,770
OPEB Liability	1,548,105	-	1,548,105
Total noncurrent liabilities	<u>174,865,416</u>	<u>190,888</u>	<u>175,056,304</u>
Total liabilities	<u>189,468,131</u>	<u>306,298</u>	<u>189,774,429</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	5,168,548	12,714	5,181,262
Deferred inflows related to state subsidy	102,454	-	102,454
Total deferred inflows of resources	<u>5,271,002</u>	<u>12,714</u>	<u>5,283,716</u>
NET POSITION			
Net investment in capital assets	41,139,041	659,501	41,798,542
Restricted - future capital expenses	14,471,458	-	14,471,458
Unrestricted	<u>(72,175,082)</u>	<u>281,955</u>	<u>(71,893,127)</u>
Total net position	<u>(16,564,583)</u>	<u>941,456</u>	<u>(15,623,127)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 178,174,550</u>	<u>\$ 1,260,468</u>	<u>\$ 179,435,018</u>

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
Instruction	\$ 48,471,059	\$ 431,114	\$ 9,846,570	\$ -	\$ (38,193,375)	\$ -	\$ (38,193,375)
Instructional student support	7,798,095	-	986,223	-	(6,811,872)	-	(6,811,872)
Administrative and financial support services	9,099,094	116,647	680,384	-	(8,302,063)	-	(8,302,063)
Operation and maintenance of plant services	6,794,653	21,619	238,060	-	(6,534,974)	-	(6,534,974)
Pupil transportation	3,971,130	-	1,128,800	-	(2,842,330)	-	(2,842,330)
Student activities	1,427,441	69,116	127,556	-	(1,230,769)	-	(1,230,769)
Community services	15,395	2,390	14,031	-	1,026	-	1,026
Interest on long-term debt	2,153,331	-	-	925,229	(1,228,102)	-	(1,228,102)
Total governmental activities	<u>79,730,198</u>	<u>640,886</u>	<u>13,021,624</u>	<u>925,229</u>	<u>(65,142,459)</u>	<u>-</u>	<u>(65,142,459)</u>
Business-type activities							
Food services	2,377,640	983,158	1,438,637	-	-	44,155	44,155
Property rentals	79,563	221,038	-	-	-	141,475	141,475
Total business-type activities	<u>2,457,203</u>	<u>1,204,196</u>	<u>1,438,637</u>	<u>-</u>	<u>-</u>	<u>185,630</u>	<u>185,630</u>
Total primary government	<u>\$ 82,187,401</u>	<u>\$ 1,845,082</u>	<u>\$ 14,460,261</u>	<u>\$ 925,229</u>	<u>\$ (65,142,459)</u>	<u>\$ 185,630</u>	<u>\$ (64,956,829)</u>
General revenues and transfers							
Property taxes levied for general purposes, public utility realty tax, and earned income tax					\$ 51,181,047	\$ -	\$ 51,181,047
Grants, subsidies and contributions not restricted					14,597,682	-	14,597,682
Investment earnings					70,773	-	70,773
Miscellaneous income					37,428	350	37,778
Gain on sale of capital assets					7,369	8,186	15,555
Transfers					(13,171)	13,171	-
Total general revenues and transfers					<u>65,881,128</u>	<u>21,707</u>	<u>65,902,835</u>
Change in net position					738,669	207,337	946,006
Net position - beginning					(17,303,252)	734,119	(16,569,133)
Net position - ending					<u>(\$ 16,564,583)</u>	<u>\$ 941,456</u>	<u>(\$ 15,623,127)</u>

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

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,524,187	\$ 5,113,212	\$ 14,691,420	\$ 36,328,819
Investments	2,000,000	-	-	2,000,000
Taxes receivable, net	2,771,247	-	-	2,771,247
Due from other funds	107,521	-	-	107,521
Receivable from other governments	2,157,437	-	-	2,157,437
Prepaid expenditures	382,809	-	-	382,809
Other receivables	360,902	-	-	360,902
Total assets	<u>\$ 24,304,103</u>	<u>\$ 5,113,212</u>	<u>\$ 14,691,420</u>	<u>\$ 44,108,735</u>
LIABILITIES				
Accounts payable	\$ 1,925,424	\$ 245,031	\$ 219,962	\$ 2,390,417
Due to other funds	2,752	-	-	2,752
Accrued salaries, benefits and withholdings	5,369,027	-	-	5,369,027
Total liabilities	<u>7,297,203</u>	<u>245,031</u>	<u>219,962</u>	<u>7,762,196</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	1,348,640	-	-	1,348,640
Deferred inflows related to state subsidy	102,454	-	-	102,454
Total deferred inflows of resources	<u>1,451,094</u>	<u>-</u>	<u>-</u>	<u>1,451,094</u>
FUND BALANCES				
Nonspendable fund balance				
Nonspendable for future prepaid expenditures	382,809	-	-	382,809
Restricted fund balance				
Restricted for future capital projects	-	-	14,471,458	14,471,458
Committed fund balance				
Future retirement costs	2,400,000	-	-	2,400,000
Future medical insurance costs	997,990	-	-	997,990
Future property insurance	500,000	-	-	500,000
Future capital projects	-	4,868,181	-	4,868,181
Assigned fund balance				
2017-2018 budgeted use of fund balance	1,665,000	-	-	1,665,000
Unassigned fund balance	9,610,007	-	-	9,610,007
Total fund balances	<u>15,555,806</u>	<u>4,868,181</u>	<u>14,471,458</u>	<u>34,895,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,304,103</u>	<u>\$ 5,113,212</u>	<u>\$ 14,691,420</u>	<u>\$ 44,108,735</u>

CARLISLE AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2017

Total fund balances - governmental funds \$ 34,895,445

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	169,015,325	
Accumulated depreciation	<u>(64,764,134)</u>	104,251,191

An internal service fund is used by management to pay for medical insurance costs. The portion of net position of the internal service fund related to the governmental funds is included in the governmental activities in the Statement of Net Position. 6,623,498

Certain taxes receivable are not available soon enough to pay for current period expenditures and therefore are deferred in the fund financial statements. 1,348,640

Deferred charges on bond refundings are reported as a deferred outflow of resources in the Statement of Net Position. 2,680,372

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(65,339,591)	
Accrued interest on bonds	(762,109)	
Compensated absences/retirement stipend	(1,660,250)	
Net pension liability	(112,121,144)	
Deferred outflows related to pension liability	20,236,018	
Deferred inflows related to pension liability	(5,168,548)	
OPEB liability	<u>(1,548,105)</u>	
		<u>(166,363,729)</u>

Net position of governmental activities in the Statement of Net Position \$ (16,564,583)

CARLISLE AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Funds
Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 51,220,718	\$ -	\$ -	\$ 51,220,718
Investment earnings	31,174	-	15,407	46,581
Revenue from intermediate sources	933,789	-	-	933,789
Other	764,826	-	-	764,826
State sources	26,407,549	-	-	26,407,549
Federal sources	2,040,395	-	-	2,040,395
Total revenues	<u>81,398,451</u>	<u>-</u>	<u>15,407</u>	<u>81,413,858</u>
EXPENDITURES				
Instruction	44,781,766	-	-	44,781,766
Support services	24,455,289	353,093	680,434	25,488,816
Operation of noninstructional services	1,336,964	-	-	1,336,964
Facilities acquisition, construction and improvements	-	5,957,618	1,204,604	7,162,222
Debt service:				
Principal	5,011,133	-	-	5,011,133
Interest	2,292,549	-	-	2,292,549
Total expenditures	<u>77,877,701</u>	<u>6,310,711</u>	<u>1,885,038</u>	<u>86,073,450</u>
Excess (deficiency) of revenues over expenditures	<u>3,520,750</u>	<u>(6,310,711)</u>	<u>(1,869,631)</u>	<u>(4,659,592)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term financing	-	28,915,000	-	28,915,000
Payment to refund bonds	-	(29,486,871)	-	(29,486,871)
Bond premium	-	4,883,811	-	4,883,811
Proceeds from sale of capital assets	1,513	-	-	1,513
Interfund transfers	(3,213,171)	700,000	2,500,000	(13,171)
Total other financing sources and uses	<u>(3,211,658)</u>	<u>5,011,940</u>	<u>2,500,000</u>	<u>4,300,282</u>
Net change in fund balances	<u>309,092</u>	<u>(1,298,771)</u>	<u>630,369</u>	<u>(359,310)</u>
Fund balances - beginning	<u>15,246,714</u>	<u>6,166,952</u>	<u>13,841,089</u>	<u>35,254,755</u>
Fund balances - ending	<u>\$ 15,555,806</u>	<u>\$ 4,868,181</u>	<u>\$ 14,471,458</u>	<u>\$ 34,895,445</u>

CARLISLE AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (359,310)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.

Depreciation expense	(5,197,553)	
Capital outlays	<u>6,999,180</u>	1,801,627

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets sold.

5,856

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but this primarily supports the governmental activities, and thus the change in net position applicable to the governmental activities.

1,653,411

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain revenues will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount this year.

(977,190)

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effects of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of general obligations - principal	30,680,001
Repayment of capital leases - principal	126,133
Interest paid at refinancing that will be amortized over the life of the bonds	3,691,872
Amortization of bond premium, discounts, prepaid bond insurance, and deferred charge on bond refundings	161,942
Issuance of general obligation bonds	(28,915,001)
Issuance premium and discount, net of related amortization of bond related costs	<u>(4,883,811)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Accrued interest	(22,725)
OPEB liability	(76,886)
Net pension liability and related deferred outflows and inflows	(2,158,291)
Compensated absences/retirement stipend	<u>11,041</u>

Change in net position of governmental activities \$ 738,669

CARLISLE AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended June 30, 2017

	Budget		Actual	Variance
	Original	Final	(Budgetary/ GAAP Basis)	with Final Budget
REVENUES				
Local sources				
Taxes	\$ 48,806,000	\$ 50,105,997	\$ 51,220,718	\$ 1,114,721
Investment earnings	15,000	15,000	31,174	16,174
Revenue from intermediate sources	900,000	900,000	933,789	33,789
Other	596,000	596,000	764,826	168,826
State sources	24,719,410	26,439,679	26,407,549	(32,130)
Federal sources	1,595,000	1,845,000	2,040,395	195,395
Total revenues	<u>76,631,410</u>	<u>79,901,676</u>	<u>81,398,451</u>	<u>1,496,775</u>
EXPENDITURES				
Instruction				
Regular programs	32,754,570	32,754,570	30,627,862	2,126,708
Special programs	9,309,346	9,309,346	9,576,585	(267,239)
Vocational education	1,795,738	1,795,738	1,691,293	104,445
Other instructional	2,668,828	2,668,828	2,578,946	89,882
Nonpublic school programs	-	-	19,798	(19,798)
Adult and higher education programs	299,652	299,652	287,282	12,370
Support services				
Pupil personnel services	4,028,069	4,028,069	3,772,348	255,721
Instructional staff services	1,847,335	1,847,335	2,323,569	(476,234)
Administrative services	4,415,459	4,415,459	4,341,525	73,934
Pupil health	1,138,334	1,138,334	1,104,452	33,882
Business	978,905	978,905	1,006,430	(27,525)
Operation and maintenance of plant services	6,213,181	6,213,181	6,155,500	57,681
Student transportation services	3,426,565	3,426,565	3,703,394	(276,829)
Central support services	1,925,153	1,925,153	1,995,654	(70,501)
Other support services	55,000	55,000	52,417	2,583
Operation of noninstructional services				
Student activities	1,324,358	1,324,358	1,322,471	1,887
Community services	3,700	3,700	14,363	(10,663)
Other noninstructional services	-	-	130	(130)
Facilities acquisition, construction and improvements	-	-	-	-
Debt service				
Principal	4,880,000	4,880,000	5,011,133	(131,133)
Interest	2,292,217	2,292,217	2,292,549	(332)
Total expenditures	<u>79,356,410</u>	<u>79,356,410</u>	<u>77,877,701</u>	<u>1,478,709</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,513	1,513
Interfund transfers	-	(3,200,000)	(3,213,171)	(13,171)
Total other financing sources and (uses)	<u>-</u>	<u>(3,200,000)</u>	<u>(3,211,658)</u>	<u>(11,658)</u>
Net change in fund balance	\$ <u>(2,725,000)</u>	\$ <u>(2,654,734)</u>	\$ 309,092	\$ <u>2,963,826</u>
Fund balance - beginning			15,246,714	
Fund balance - ending			<u>\$ 15,555,806</u>	

CARLISLE AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2017

	Enterprise			Internal Service
	Food Service Fund	Other Enterprise Funds	Total	Medical Insurance Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 25,265	\$ 443,071	\$ 468,336	\$ -
Intergovernmental receivables	152,387	-	152,387	-
Due from other funds	2,752	-	2,752	-
Other receivables	16,809	-	16,809	-
Prepaid expenses	-	-	-	6,900,986
Inventory	28,394	-	28,394	-
Total current assets	<u>225,607</u>	<u>443,071</u>	<u>668,678</u>	<u>6,900,986</u>
Noncurrent Assets				
Land	-	153,900	153,900	-
Site improvements	-	15,183	15,183	-
Buildings	-	856,267	856,267	-
Furniture and equipment	2,593,334	-	2,593,334	-
Accumulated depreciation	<u>(2,377,326)</u>	<u>(581,857)</u>	<u>(2,959,183)</u>	<u>-</u>
Total noncurrent assets	<u>216,008</u>	<u>443,493</u>	<u>659,501</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	39,765	-	39,765	-
Total assets and deferred outflows of resources	<u>\$ 481,380</u>	<u>\$ 886,564</u>	<u>\$ 1,367,944</u>	<u>\$ 6,900,986</u>
LIABILITIES				
Current Liabilities				
Accounts payable/accrued medical claims	\$ 115,037	\$ -	\$ 115,037	\$ 277,488
Due to other funds	-	107,476	107,476	-
Compensated absences	373	-	373	-
Total current liabilities	<u>115,410</u>	<u>107,476</u>	<u>222,886</u>	<u>277,488</u>
Noncurrent Liabilities				
Accounts payable	12,900	-	12,900	-
Compensated absences	3,362	-	3,362	-
Net pension liability	174,626	-	174,626	-
Total noncurrent liabilities	<u>190,888</u>	<u>-</u>	<u>190,888</u>	<u>-</u>
Total liabilities	<u>306,298</u>	<u>107,476</u>	<u>413,774</u>	<u>277,488</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	12,714	-	12,714	-
NET POSITION				
Net investment in capital assets	216,008	443,493	659,501	-
Unrestricted	<u>(53,640)</u>	<u>335,595</u>	<u>281,955</u>	<u>6,623,498</u>
Total net position	<u>162,368</u>	<u>779,088</u>	<u>941,456</u>	<u>6,623,498</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 481,380</u>	<u>\$ 886,564</u>	<u>\$ 1,367,944</u>	<u>\$ 6,900,986</u>

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

	Enterprise			Internal Service
	Food Service Fund	Other Enterprise Funds	Total	Medical Insurance Fund
OPERATING REVENUE				
Sales and charges for services/insurance premiums	\$ 983,508	\$ 221,038	\$ 1,204,546	\$ 9,644,771
Total operating revenues	<u>983,508</u>	<u>221,038</u>	<u>1,204,546</u>	<u>9,644,771</u>
OPERATING EXPENSES				
Purchased services	1,955,779	6,945	1,962,724	-
Food and milk purchases	228,591	-	228,591	-
Salaries	46,270	-	46,270	-
Employee benefits	35,275	-	35,275	7,198,033
Administrative fees and overhead costs	-	-	-	817,519
Supplies	13,175	303	13,478	-
Depreciation	41,985	34,684	76,669	-
Repairs and maintenance	54,722	1,583	56,305	-
Other operating expenses	1,843	3,105	4,948	-
Real estate taxes	-	31,982	31,982	-
Maintenance	-	961	961	-
Total operating expenses	<u>2,377,640</u>	<u>79,563</u>	<u>2,457,203</u>	<u>8,015,552</u>
Operating income (loss)	<u>(1,394,132)</u>	<u>141,475</u>	<u>(1,252,657)</u>	<u>1,629,219</u>
NONOPERATING REVENUES (EXPENSES)				
Federal subsidies	1,356,124	-	1,356,124	-
State subsidies	82,513	-	82,513	-
Gain on sale of capital assets	8,186	-	8,186	-
Interest income	-	-	-	24,192
Total nonoperating revenue (expenses)	<u>1,446,823</u>	<u>-</u>	<u>1,446,823</u>	<u>24,192</u>
Income (loss) before transfers	<u>52,691</u>	<u>141,475</u>	<u>194,166</u>	<u>1,653,411</u>
TRANSFERS				
Interfund transfers	<u>13,171</u>	<u>-</u>	<u>13,171</u>	<u>-</u>
Change in net position	65,862	141,475	207,337	1,653,411
Total net position - beginning	<u>96,506</u>	<u>637,613</u>	<u>734,119</u>	<u>4,970,087</u>
Total net position - ending	<u>\$ 162,368</u>	<u>\$ 779,088</u>	<u>\$ 941,456</u>	<u>\$ 6,623,498</u>

CARLISLE AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017

	<u>Enterprise</u>			<u>Internal Service</u>
	<u>Food Service</u>	<u>Other Enterprise</u>	<u>Total</u>	<u>Medical</u>
	<u>Fund</u>	<u>Funds</u>		<u>Insurance Fund</u>
Cash flows from operating activities				
Cash received from sales/rentals/insurance premiums	\$ 974,771	\$ 221,038	\$ 1,195,809	\$ 9,644,771
Cash payments for goods and services	(2,282,229)	(18,645)	(2,300,874)	-
Cash payments to and on behalf of employees	(76,838)	-	(76,838)	(9,668,963)
Net cash provided (used) by operating activities	<u>(1,384,296)</u>	<u>202,393</u>	<u>(1,181,903)</u>	<u>(24,192)</u>
Cash flows from capital and related financing activities				
Purchase of equipment	(11,734)	-	(11,734)	-
Purchase of land and building	-	-	-	-
Proceeds from sale of fixed assets	8,186	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,548)</u>	<u>-</u>	<u>(11,734)</u>	<u>-</u>
Cash flows from noncapital financing activities				
Transfers (to)/from other funds	13,171	-	13,171	-
Federal subsidies	1,150,950	-	1,150,950	-
State subsidies	82,448	-	82,448	-
Net cash provided (used) by noncapital financing activities	<u>1,246,569</u>	<u>-</u>	<u>1,246,569</u>	<u>-</u>
Cash flows from investing activities				
Earnings on investments	-	-	-	24,192
Net increase (decrease) in cash and cash equivalents	(141,275)	202,393	52,932	-
Cash and cash equivalents - beginning	166,540	240,678	407,218	-
Cash and cash equivalents - ending	<u>\$ 25,265</u>	<u>\$ 443,071</u>	<u>\$ 468,336</u>	<u>\$ -</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Cash flows from operating activities				
Operating income (loss)	\$ (1,394,132)	\$ 141,475	\$ (1,252,657)	\$ 1,629,219
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	194,698	-	194,698	-
Depreciation	41,985	34,684	76,669	-
(Increase) decrease in:				
Inventory	4,632	-	4,632	-
Accounts receivable	(5,985)	-	(5,985)	-
Interfund receivables	(2,752)	-	(2,752)	-
Prepaid expenses	-	-	-	(1,385,835)
Increase (decrease) in:				
Net pension liability and related deferred outflows and inflows	4,946	-	4,946	-
Compensated absences	133	-	133	-
Due to other funds	(372)	26,234	25,862	-
Accounts payable	(227,449)	-	(227,449)	(267,576)
Total adjustments	<u>9,836</u>	<u>60,918</u>	<u>70,754</u>	<u>(1,653,411)</u>
Net cash provided (used) by operating activities	<u>\$ (1,384,296)</u>	<u>\$ 202,393</u>	<u>\$ (1,181,903)</u>	<u>\$ (24,192)</u>

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

	Agency Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 105,371	\$ 45
Investments	-	15,000
Total assets	<u>\$ 105,371</u>	<u>\$ 15,045</u>
LIABILITIES		
Due to student groups	\$ 79,745	\$ -
Accounts payable	25,626	45
Total liabilities	<u>105,371</u>	<u>45</u>
NET POSITION		
Held in trust	-	15,000
Total net position	<u>\$ -</u>	<u>\$ 15,000</u>

CARLISLE AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Interest income	\$ 45
Total additions	<u>45</u>
DEDUCTIONS	
Scholarships and awards/grants	<u>161</u>
Total deductions	<u>161</u>
Change in net position	(116)
Net position - beginning	<u>15,116</u>
Net position - ending	<u>\$ 15,000</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

Carlisle Area School District (School District) operates a public school system which is comprised of Carlisle Borough, Mt. Holly Springs Borough, North Dickinson Township, and North Middleton Township in Cumberland County, Pennsylvania.

The School District consists of seven elementary schools, two middle schools, and one high school.

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

Reporting Entity

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

The School District is affiliated with Harrisburg Area Community College (HACC), along with numerous other member school districts in a joint venture arrangement. The member school districts participate in providing oversight responsibility to this entity through the following:

- Appointing of Board members who are also Board members of the participating schools
- Approval and funding of operating budget
- Long-term agreement to provide funding for capital expenditures

The School District has an ongoing financial responsibility to fund its proportionate share of the operating budgets of this entity, but has no equity interest in it. Separate financial statements are prepared for and available from HACC.

See additional information regarding payments to the above affiliated organization at Note 12.

The School District is also affiliated with the South Central Region School Employees Benefit Welfare Trust (the Trust), a public entity risk pool which provides employees medical insurance. The member school districts appoint the Trustees of the Trust and the School District is one of ten participating members in the Trust at June 30, 2017. The Trust is not deemed a component unit of the School District under governmental accounting principles. See Note 14 for further information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

1. Governmental Funds

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

The School District reports the following major governmental funds:

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

Capital Reserve Fund - The capital reserve fund (Section 2932 is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as Section 2932 School Laws of Pennsylvania) accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, and (2) surplus monies in the General Fund of the School District at the end of any fiscal year. These funds must be used for capital improvements.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Proprietary Funds

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

Food Service Fund - Enterprise Fund - Major Fund

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

The School District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

Property Rental Fund – Enterprise Fund – Non-Major Fund

This fund was established to account for all revenues and expenses pertaining to the rental of facilities owned and operated by the School District. It is the intent of the governing body to charge for the rental of the facilities to cover the expenses associated with their upkeep.

Medical Insurance Fund - Internal Service Fund

This fund was established to create a reserve for future medical claims. The fund accounts for the transactions of the School District associated with self-insuring the School District's medical costs.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. The School District's only private-purpose trust fund consists of bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity fund is classified as an agency fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as liabilities until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with original maturities of three months or less. Investments include certificates of deposit with original maturities greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet and statement of net position.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expenditure when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

Capital Assets

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

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

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	Governmental Activities	Business-Type Activities
Land improvements	20 years	N/A
Buildings and improvements	20 - 30 years	N/A
Furniture and equipment	5 - 10 years	5 - 12 years
Vehicles	10 years	N/A

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension liabilities. These amounts will be amortized in future periods.

A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School's deferred inflows of resources at June 30, 2017 consist of various amounts related to pension liabilities on the statement of net position and unavailable grant revenue on the balance sheet – governmental funds. The School District also reports unavailable revenue on the governmental fund balance sheet as deferred inflows of resources.

Interfund Activity/Internal Balances

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

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

Retirement Plans

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

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

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which requires entities to accrue for employees' rights to receive compensation for sick leave, as such benefits are earned and payment becomes probable.

School District policy is to pay to qualifying retirees a portion of unused sick days, subject to certain limitations. Amounts determined will be deposited into a 403(B) plan on behalf of the retired employee; no cash option is available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

The estimate of the liabilities for compensated absences has been calculated using the termination payment method in accordance with the provisions of the GASB. Under that method, the School District has identified the amount earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

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

Payments for sick pay are expensed as paid in the governmental fund financial statements.

Retirement Stipend

In addition to the above, employees in the bargaining agreement, who retire from the School District with at least fifteen (15) years of service will receive a \$ 5,500 payment upon retirement. This is included with the compensated absences liability for individuals that are eligible based on years of service.

Other Postemployment Benefits Other Than Pensions

The School District provides continuation of medical and dental benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries until the retired employee reaches the age of sixty-five. In order to obtain coverage, retired employees must provide payment for the average rate for the overall plan cost including both active and retired employees.

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

Net Position – Government-Wide/Proprietary Funds

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Net Position: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. Restricted net position as of June 30, 2017 is for future capital expenses.

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

Net Position Flow Assumption

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

Fund Balance – Governmental Fund Financial Statements

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements (Continued)

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School District’s Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the Director of Finance has the authority to make assignments of fund balance. The assignment of fund balance cannot result in a negative unassigned fund balance.

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

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District does not have a spending order policy; therefore, the default spending order is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned and unassigned.

Minimum Fund Balance

The School District strives to maintain an unassigned fund balance of the general fund of not less than three percent (3%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

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

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity
- Shares of an investment company restricted under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2017, the School District has a bank balance of \$ 39,043,704 (including long-term certificates of deposit in the amount of \$ 2,015,000, which are classified as investments for the basic financial statements). Of this balance, \$ 1,361,208 is covered by FDIC insurance and the remaining balance of \$ 37,793,715 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name.

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

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 3 TAXES

Real estate taxes are considered fully collectible since liens can be filed on properties. Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows.

Discount	July 1 – August 31
Face	September 1 – October 31
Penalty	November 1 – December 31

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

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES/TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2017:

Earned income	\$ 1,924,200
Real estate	761,261
Real estate transfer tax	85,761
Other taxes	<u>25</u>
Taxes receivable, net	2,771,247
Taxes collected within sixty days, recorded as revenues in governmental funds	 <u>(1,422,607)</u>
Taxes estimated to be collected after sixty days and thus "unavailable", recorded as deferred inflows of resources in governmental funds.	 <u>\$ 1,348,640</u>

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES/TAX ABATEMENTS
(CONTINUED)

Tax Abatements

Local Economic Revitalization Tax Assistance Act

The Carlisle Are School District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act of December 1, 1977. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business' property tax bill, based on assessed value, for the purpose of attracting or retaining businesses within their jurisdictions.

Year of abatement	Exempted real estate assessment	Percentage of exemption	Millage	Exempted real estate taxes
2005	\$ 185,800	40%	0.01364	\$ 2,534
2005	155,000	40%	0.01364	2,114
2004	435,200	60%	0.01364	5,937
2002	<u>1,202,800</u>	90%	0.01364	<u>16,407</u>
Totals	<u>\$ 1,978,800</u>			<u>\$ 26,992</u>

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Net interfund receivables/payables consist of the following at June 30, 2017:

Funds	Interfund Receivable	Interfund Payable
General	\$ 107,521	\$ 2,752
Food Service	2,752	-
Property Rentals (Other Enterprise)	-	107,476
Private-Purpose Trust Fund	-	45
	\$ 110,273	\$ 110,273

The Other Enterprise Fund and Private-Purpose Trust Fund owe the General Fund for capital and operational expenditures that were paid on behalf of these funds. The General Fund owes the Food Service Fund for negative student balances and catering services provided to the General Fund that were not paid back as of June 30, 2017.

Net interfund transfers consist of the following for the year ended June 30, 2017:

Funds	Transfers In	Transfers Out
General	\$ -	\$ 3,213,171
Capital Projects	700,000	-
Capital Reserve	2,500,000	-
Food Service	13,171	-
	\$ 3,213,171	\$ 3,213,171

Transfers are substantially for purposes of subsidizing operating functions and funding capital projects and asset acquisitions. For the year ended June 30, 2017, amounts were transferred from the General Fund to the Capital Projects and Capital Reserve Funds to fund various future improvements and acquisitions. There was also a transfer to the Food Service Fund as a result of employee benefits funded by the General Fund.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

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

		Governmental Funds	Proprietary Funds
State:	Social Security	\$ 374,065	\$ -
	Retirement	1,556,404	-
	Grants/subsidies	77,186	8,841
Federal:	Grants/subsidies	149,782	143,546
		\$ 2,157,437	\$ 152,387

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 7 CAPITAL ASSETS

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

	Beginning Balance (as restated)	Additions	Retirements	Ending Balance
Governmental Activities:				
Cost				
Assets not being depreciated				
Land	\$ 1,951,733	\$ -	\$ -	\$ 1,951,733
Construction in process	2,953,950	7,018,218	(2,692,081)	7,280,087
Assets being depreciated				
Site improvements	8,672,413	172,154	-	8,844,567
Buildings	127,801,422	2,433,735	-	130,235,157
Equipment, furniture, and fixtures	<u>20,681,442</u>	<u>22,339</u>	-	<u>20,703,781</u>
Total cost	<u>162,060,960</u>	<u>9,646,446</u>	<u>(2,692,081)</u>	<u>169,015,325</u>
Less accumulated depreciation				
Site improvements	(2,730,136)	(407,937)	-	(3,138,073)
Buildings	(44,562,779)	(3,482,229)	-	(48,045,008)
Equipment, furniture, and fixtures	<u>(12,324,337)</u>	<u>(1,307,387)</u>	<u>50,671</u>	<u>(13,581,053)</u>
Total accumulated depreciation	<u>(59,617,252)</u>	<u>(5,197,553)</u>	<u>50,671</u>	<u>(64,764,134)</u>
Capital assets, net	<u>\$ 102,443,708</u>	<u>\$ 4,448,893</u>	<u>\$ (2,641,410)</u>	<u>\$ 104,251,191</u>
Business-Type Activities:				
Cost				
Assets not being depreciated				
Land	\$ 153,900	\$ -	\$ -	\$ 153,900
Assets being depreciated				
Site improvements	15,183	-	-	15,183
Buildings	856,267	-	-	856,267
Furniture and equipment	<u>2,662,475</u>	<u>11,734</u>	<u>(80,875)</u>	<u>2,593,334</u>
Total cost	<u>3,687,825</u>	<u>11,734</u>	<u>(80,875)</u>	<u>3,618,684</u>
Less accumulated depreciation:				
Site improvements	(15,183)	-	-	(15,183)
Buildings	(531,990)	(34,684)	-	(566,674)
Furniture and equipment	<u>(2,416,216)</u>	<u>(41,985)</u>	<u>80,875</u>	<u>(2,377,326)</u>
Total accumulated depreciation	<u>(2,963,389)</u>	<u>(76,669)</u>	<u>80,875</u>	<u>(2,959,183)</u>
Capital assets, net	<u>\$ 724,436</u>	<u>\$ (64,935)</u>	<u>\$ -</u>	<u>\$ 659,501</u>

A restatement was necessary to the governmental activities equipment, furniture and fixtures, cost and accumulated depreciation, in the amount of \$ 19,001, for the removal of a fully depreciated capital asset that was no longer held at June 30, 2016. This restatement had no effect on beginning capital assets, net.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as follows in the Statement of Activities:

Governmental Activities

Instruction	\$ 3,247,001
Instructional student support	522,596
Administrative and financial support services	609,784
Operation and maintenance of plant services	455,350
Pupil transportation	266,129
Student activities	95,661
Community services	1,032
	<u>\$ 5,197,553</u>

Business-Type Activities

Food service	\$ 41,985
Property rental	34,684
	<u>\$ 76,669</u>

The construction in progress consists of the following at June 30, 2017:

Hamilton Elementary School Renovations	\$ 6,733,441
Swartz Building Weight Room Project	223,234
Maintenance Building Repairs	132,313
Various projects	191,099
Total	<u>\$ 7,280,087</u>

As of June 30, 2017, the School District had the following construction commitments:

	Total Estimated Costs	Total Costs Incurred	Total Costs To Be Incurred
Hamilton Elementary School Renovations	\$ 6,785,690	\$ 6,733,441	\$ 52,249
Swartz Building Weight Room	500,000	223,234	276,766
Crestview Elementary School Canopy Renovation & Outside Lighting Project	143,750	9,994	133,756
	<u>\$ 7,429,440</u>	<u>\$ 6,966,669</u>	<u>\$ 462,771</u>

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

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

General Fund	
Accrued salaries	\$ 2,210,150
Retirement	2,997,677
Social security	<u>161,200</u>
	<u>\$ 5,369,027</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds and notes payable:						
(A) Series of 2011	\$ 25,925,000	\$ -	\$ (25,925,000)	\$ -	\$ -	\$ -
(B) Series of 2012A	8,285,000	-	(460,000)	7,825,000	470,000	7,355,000
(C) Series of 2012B	2,440,000	-	(55,000)	2,385,000	55,000	2,330,000
(D) Series of 2014	7,325,000	-	(1,405,000)	5,920,000	1,425,000	4,495,000
(E) Series of 2014A	1,905,000	-	(615,000)	1,290,000	635,000	655,000
(F) Series of 2014B	6,255,000	-	(1,805,000)	4,450,000	1,860,000	2,590,000
(G) Series of 2015A	6,775,000	-	(90,000)	6,685,000	95,000	6,590,000
(H) Series of 2015B	2,890,000	-	(60,000)	2,830,000	65,000	2,765,000
(I) Series of 2016	-	3,000,000	(265,000)	2,735,000	250,000	2,485,000
(J) Series of 2017	-	25,915,000	-	25,915,000	105,000	25,810,000
Unamortized bond premium/(discount)	<u>3,178,483</u>	<u>4,883,811</u>	<u>(2,757,703)</u>	<u>5,304,591</u>	<u>726,878</u>	<u>4,577,713</u>
Subtotal - bonds	<u>64,978,483</u>	<u>33,798,811</u>	<u>(33,437,703)</u>	<u>65,339,591</u>	<u>5,686,878</u>	<u>59,652,713</u>
Capital leases	<u>126,133</u>	<u>-</u>	<u>(126,133)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Compensated absences/retirement stipend						
Sick leave	933,060	986,411	(1,017,616)	901,855	64,973	836,882
Vacation	127,731	323,105	(335,941)	114,895	11,490	103,405
Retirement stipend	<u>610,500</u>	<u>71,500</u>	<u>(38,500)</u>	<u>643,500</u>	<u>40,333</u>	<u>603,167</u>
Subtotal - compensated absences/retirement stipend	<u>1,671,291</u>	<u>1,381,016</u>	<u>(1,392,057)</u>	<u>1,660,250</u>	<u>116,796</u>	<u>1,543,454</u>
Total long-term liabilities	\$ 66,775,907	\$ 35,179,827	\$ (34,955,893)	\$ 66,999,841	\$ 5,803,674	\$ 61,196,167
Business-Type Activities						
Compensated absences:						
Sick leave	\$ 1,874	\$ 3,505	\$ (3,418)	\$ 1,961	\$ 196	\$ 1,765
Vacation	<u>1,728</u>	<u>46</u>	<u>-</u>	<u>1,774</u>	<u>177</u>	<u>1,597</u>
Total long-term liabilities	\$ 3,602	\$ 3,551	\$ (3,418)	\$ 3,735	\$ 373	\$ 3,362

(A) On December 1, 2011, the School District issued general obligation bonds Series of 2011 in the amount of \$ 26,680,000. The proceeds will be used towards the School District's capital improvement program. The bonds were advanced refunded with the issuance of the Series of 2017 general obligation bonds.

(B) On April 1, 2012, the School District issued general obligation bonds Series of 2012A in the amount of \$ 9,715,000. The proceeds were used to refinance the Series of 2009 bonds. The bonds are due in varying amounts on March 1 and September 1, 2012 to 2023. The bonds bear interest at rates ranging from 0.40% to 3.00%.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (C) On June 1, 2012, the School District issued general obligation bonds Series of 2012B in the amount of \$ 2,805,000. The proceeds were used to refinance the Series of 2007 bonds. The bonds are due in varying amounts on March 1 and September 1, 2012 to 2022. The bonds bear interest at rates ranging from 1.50% to 2.00%.
- (D) On July 22, 2014, the School District issued \$ 9,620,000 of General Obligation Bonds, Series 2014. The purpose of the issuance was to refund the School District's 2009B Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2021. The bonds bear interest at rates ranging from 0.25% to 3.00%.
- (E) On August 8, 2014, the School District issued \$ 2,550,000 of General Obligation Bonds, Series 2014A. The purpose of the issuance was to refund the School District's 2009A Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing September 1, 2018. The bonds bear interest at rates ranging from 2.00% to 4.00%.
- (F) On December 3, 2014, the School District issued \$ 8,095,000 of General Obligation Bonds, Series 2014B. The purpose of the issuance was to refund a portion of the School District's General Obligation Bonds, Series of 2005, to fund capital projects of the School District, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2020. The bonds bear interest at rates ranging from 0.30% to 4.00%.
- (G) On January 5, 2015, the School District issued \$ 6,965,000 of General Obligation Bonds, Series 2015A. The purpose of the issuance was to refund the School District's 2005 Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2022. The bonds bear interest at rates ranging from 2.00% to 3.00%.
- (H) On January 5, 2015, the School District issued \$ 2,945,000 of General Obligation Bonds, Series 2015B. The purpose of the issuance was to fund a portion of the costs and expenses of the Crestview Elementary Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2028. The bonds bear interest at rates ranging from 1.60% to 3.25%.
- (I) On July 7, 2016, the School District issued \$ 3,000,000 of General Obligation Bonds, Series of 2016. The purpose of the issuance was to fund a portion of the costs and expenses of the Hamilton Elementary School Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2027. The bonds bear interest at rates ranging from 0.75% to 2.10%.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

(J) On February 16, 2017, the School District issued \$ 25,915,000 of General Obligation Bonds, Series of 2017. The purpose of the issuance was used to advance refund the Series of 2011 bonds, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts on March 1 and September 1, 2017 to 2026. The bonds bear interest at rates ranging from 2.00% to 5.00%. The defeased outstanding balance of the 2011 general obligation bonds as of June 30, 2017 is \$ 25,795,000.

As a result of the refunding, the School District will have the following benefits:

(1) Cash flow gain	\$ 1,000,906
(2) Economic gain	\$ 997,587

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.

(2) Represents the difference in present values of the old debt and new debt, less bond issue costs.

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

	Series of 2012A		Series of 2012B		Series of 2014		Series of 2014A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 470,000	\$ 177,170	\$ 55,000	\$ 46,713	\$ 1,425,000	\$ 168,290	\$ 635,000	\$ 35,725
2019	475,000	170,590	60,000	45,850	1,480,000	112,990	655,000	13,100
2020	500,000	162,515	740,000	38,000	1,535,000	61,040	-	-
2021	515,000	152,515	825,000	22,350	1,480,000	30,340	-	-
2022	1,500,000	141,442	705,000	7,050	-	-	-	-
2023 - 2027	4,365,000	106,942	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
	<u>\$ 7,825,000</u>	<u>\$ 911,174</u>	<u>\$ 2,385,000</u>	<u>\$ 159,963</u>	<u>\$ 5,920,000</u>	<u>\$ 372,660</u>	<u>\$ 1,290,000</u>	<u>\$ 48,825</u>

	Series of 2014B		Series of 2015A		Series of 2015B		Series of 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,860,000	\$ 178,000	\$ 95,000	\$ 862,865	\$ 65,000	\$ 85,337	\$ 250,000	\$ 55,000
2019	1,940,000	103,600	95,000	154,985	60,000	84,297	255,000	50,000
2020	650,000	26,000	1,465,000	153,085	25,000	83,337	260,000	44,900
2021	-	-	2,185,000	109,135	30,000	82,587	265,000	39,700
2022	-	-	2,845,000	65,435	90,000	81,687	270,000	34,400
2023 - 2027	-	-	-	-	965,000	388,935	1,435,000	88,900
2028	-	-	-	-	1,595,000	47,850	-	-
	<u>\$ 4,450,000</u>	<u>\$ 307,600</u>	<u>\$ 6,685,000</u>	<u>\$ 1,345,505</u>	<u>\$ 2,830,000</u>	<u>\$ 854,030</u>	<u>\$ 2,735,000</u>	<u>\$ 312,900</u>

	Series of 2017		Totals	
	Principal	Interest	Principal	Interest
2018	\$ 105,000	\$ 1,302,960	\$ 4,960,000	\$ 2,912,060
2019	160,000	1,248,150	5,180,000	1,983,562
2020	165,000	1,244,900	5,340,000	1,813,777
2021	170,000	1,240,700	5,470,000	1,677,327
2022	170,000	1,235,600	5,580,000	1,565,614
2023 - 2027	25,145,000	3,633,275	31,910,000	4,218,052
2028	-	-	1,595,000	47,850
	<u>\$ 25,915,000</u>	<u>\$ 9,905,585</u>	<u>\$ 60,035,000</u>	<u>\$ 14,218,242</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical, prescription drug, dental and vision coverage for both retiree and family. The member is eligible until the employee reaches Medicare age. For all employees, to continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's premium for the coverage.

For all employees, retirees opting to participate are asked to pay a premium amount that is less than the School District's annual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

Funding Policy

The School District's medical and prescription drug plans are self-funded. Each of these benefit plan's average premiums are updated annually based on actual claims. Retirees are responsible for payment of the average premium. The School District funds OPEB on a pay-as-you-go basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The School District has no statutory or contractual obligation to fund the Plan and only does so at the School District's discretion. The School District funds the implicit rate subsidy through the payment of health insurance premiums. For the fiscal year 2016/2017, the School District's estimated contributions were \$ 224,300 in the form of additional premiums for active employees based on implicit rates for retired employees to the Plan. Plan members receiving benefits also contributed \$ 525,212.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution 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 thirty years.

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

	Governmental Activities
Annual required contribution (ARC)	\$ 325,301
Estimated interest on net OPEB obligation	66,205
Estimated adjustment to ARC	<u>(90,320)</u>
Annual OPEB cost	301,186
Estimated employer contributions made	<u>(224,300)</u>
Increase in net OPEB obligation	76,886
Net OPEB obligation - beginning of the year	<u>1,471,219</u>
Net OPEB obligation - end of the year	<u><u>\$ 1,548,105</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 301,186	74.47%	\$ 1,548,105
2016	\$ 302,108	81.37%	\$ 1,471,219
2015	\$ 327,424	72.37%	\$ 1,414,938

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 2,650,293	\$ 2,650,293	0.00%	\$ 27,203,630	9.74%

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

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

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return, annual salary increases of 3.75 to 6.25% and an annual healthcare cost trend rate of 6% in 2015 and 5.5% 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

Other Postemployment Benefits – Public School Employees’ Retirement System (PSERS)

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

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

Fiscal Year Ended	Required Contribution	Percentage Contributed	Contribution Rate
2017	\$ 243,886	100.00%	0.83%
2016	\$ 243,428	100.00%	0.84%
2015	\$ 270,547	100.00%	0.90%

NOTE 11 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

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

NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contributions

Member contributions:

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001 contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District recognized as revenue by the pension plan were \$ 8,579,295 for the year ended June 30, 2017.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions (Continued)

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2017, the School District recognized revenue of \$ 4,644,050 as reimbursement for its current year pension payments.

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

At June 30, 2017, the School District reported a liability of \$ 112,295,770 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.2266 percent, which was a decrease of 0.0109 percent from its proportion measured as of June 30, 2015.

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

Governmental Activities	\$ 10,821,961
Business-Type Activities	\$ 18,440

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 935,418
Changes in assumptions	4,053,634	-
Net difference between projected and actual investment earnings	6,258,851	-
Changes in proportionate share - plan	1,025,394	4,232,912
Changes in proportionate share - fund	12,932	12,932
Difference between employer contributions and proportionate share of total contributions	247,810	-
Contributions subsequent to the measurement date	8,677,162	-
	<u>\$ 20,275,783</u>	<u>\$ 5,181,262</u>

NOTE 11 PENSION PLAN (CONTINUED)

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

The \$ 8,677,162 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,274,105
2019	1,274,105
2020	2,445,402
2021	<u>1,423,747</u>
Total	<u>\$ 6,417,359</u>

Changes in Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2016. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

NOTE 11 PENSION PLAN (CONTINUED)

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

Changes in Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative instruments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	(0.5%)
	100%	

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

Discount Rate

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

NOTE 11 PENSION PLAN (CONTINUED)

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 137,368,000	\$ 112,295,770	\$ 91,228,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2017, the School District had \$ 2,997,677 included in accrued salaries and benefits liability, of which \$ 2,338,570 is for the contractually required contribution for the second quarter of 2017 and \$ 659,107 is related to the accrued payroll liability for wages incurred as of June 30, 2017.

NOTE 12 AFFILIATES

As explained in Note 1, the Carlisle Area School District is affiliated with the Harrisburg Area Community College (HACC). Total expenses incurred for HACC during the year ended June 30, 2017 were \$ 283,289.

NOTE 13 CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District. See Note 4 for further information.

The School District is involved with various potential lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 CONTINGENCIES (CONTINUED)

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

NOTE 14 RISK MANAGEMENT - INSURANCE

The School District's risk management activities are recorded in the general, food service, and internal service funds and are related to administering employee life, health, and disability, property and liability, worker's compensation, and unemployment insurance programs. The School District's risk management activities do not constitute a transfer of risk from the School District. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Significant losses are covered by commercial insurance for all major programs except workers' compensation and health insurance.

On July 1, 1995, the School District established the South Central Region School Employees Benefit and Welfare Trust (the Trust), a public entity risk pool, to provide its employees medical and dental insurance. The member school districts of the Trust elect trustees to manage it, but the risk is not shared among all members. At June 30, 2017, there were ten member school districts in the Trust. The School District uses a "claim-based" funding plan for medical insurance. Under this plan, the School District pays the Trust based on actual claims paid, or in essence, self-insures. The School District utilizes an internal service fund to account for the revenues and expenses of the program.

Payments are made from the general fund and food service fund to the internal service fund based on an estimate of expected claims established by the insurance carrier at the beginning of the year. Premiums charged in excess of claims paid and administrative costs are deposited in a rate-stabilization fund for the School District. Since the School District is responsible for its own risk, additional assessments would be charged to make up any deficiencies in this fund related to the School District; thus, this functions like a retrospectively rated program. The balance remaining in the rate-stabilization fund held by the Trust is considered a prepaid expense within the internal service fund. Provisions are in effect by the Trust to refund any excess monies should the School District withdraw or the Trust be dissolved. The School District maintains stop loss coverage for claims greater than \$ 250,000 individually, and has an unlimited lifetime benefit per person.

CARLISLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 14 RISK MANAGEMENT - INSURANCE (CONTINUED)

Changes in health insurance claims liability amounts (including stop loss premiums and administrative charges) for the years ended June 30 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Liability Ending
2017	\$ 545,064	\$ 8,015,552	\$ 8,283,128	\$ 277,488
2016	\$ 298,973	\$ 8,010,374	\$ 7,764,283	\$ 545,064

The ending liability consists of incurred but not reported (IBNR) claims as of June 30, 2017. The IBNR was estimated based on actual claims incurred prior to June 30, 2017, but paid after year end.

NOTE 15 LEASES

The School District has entered into a noncancelable operating lease for copiers. Rent expense for 2016-2017 was \$ 154,465. The School District has the following future minimum payments:

2017-2018	\$ 143,978
2018-2019	143,978
2019-2020	143,978
2020-2021	<u>71,989</u>
	<u>\$ 503,923</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARLISLE AREA SCHOOL DISTRICT
OPEB (Other Postemployment Benefit Plan)
Unaudited Required Schedule of Funding Progress
June 30, 2017

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 2,650,293	\$ 2,650,293	0.00%	\$ 27,203,630	9.74%
7/1/2013	\$ -	\$ 2,867,065	\$ 2,867,065	0.00%	\$ 27,443,987	10.45%
7/1/2011	\$ -	\$ 3,336,284	\$ 3,336,284	0.00%	\$ 28,905,238	11.54%

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

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.2266%	\$ 112,295,770	\$ 29,350,454	382.60%	50.14%
2016	0.2375%	\$ 102,873,859	\$ 30,552,732	336.71%	54.36%
2015	0.2392%	\$ 94,677,075	\$ 30,521,811	310.19%	57.24%

NOTES

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

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

Changes in Actuarial Assumptions

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

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

CARLISLE AREA SCHOOL DISTRICT
Schedule of School District's Contributions - Public School Employees'
Retirement System
Year Ended June 30, 2017

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Payroll
2017	\$ 8,579,295	\$ 8,579,295	\$ -	\$ 29,693,080	28.89%
2016	\$ 7,244,887	\$ 7,244,887	\$ -	\$ 29,350,454	24.68%
2015	\$ 6,162,467	\$ 6,162,467	\$ -	\$ 30,552,732	20.17%
2014	\$ 4,800,513	\$ 4,800,513	\$ -	\$ 30,521,811	15.73%
2013	\$ 3,370,494	\$ 3,370,494	\$ -	\$ 29,923,678	11.26%

NOTES

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

OTHER SUPPLEMENTARY INFORMATION

CARLISLE AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Grantor Program 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	Receivable (Payable) at July 1, 2016, as restated	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2017	Total Passed-Through to Subrecipients
U.S. Department of Education											
Impact Aid	D	84.041	N/A	July 1, 2016 - June 30, 2017	814,527	752,257	-	814,529	814,529	62,272	-
Total direct funds						752,257	-	814,529	814,529	62,272	-
Passed through the Pennsylvania Department of Education											
ESEA Title I	I	84.010	013-17-0063	July 1, 2016 - September 30, 2017	1,053,632	894,056	-	981,220	981,220	87,164	19,798
Title I						894,056	-	981,220	981,220	87,164	19,798
ESEA Title II Improving Teacher Quality	I	84.367	013-17-0063	July 1, 2016 - September 30, 2017	153,388	152,344	-	152,344	152,344	-	-
Title II						152,344	-	152,344	152,344	-	-
ESEA Title III	I	84.365	013-15-0063	July 1, 2014 - September 30, 2015	37,383	1,566	1,566	-	-	-	-
ESEA Title III	I	84.365	013-16-0063	July 1, 2015 - September 30, 2016	39,425	8,448	8,448	-	-	-	-
ESEA Title III	I	84.365	013-17-0063	July 1, 2016 - September 30, 2017	34,920	24,943	-	25,289	25,289	346	-
Title III						34,957	10,014	25,289	25,289	346	-
Secondary Allocation - Perkins	I	84.048	380-17-0106	July 1, 2016 - June 30, 2017	66,903	66,903	-	66,903	66,903	-	-
Total - Pennsylvania Department of Education						1,148,260	10,014	1,225,756	1,225,756	87,510	19,798
Passed through Capital Area Intermediate Unit											
I.D.E.A.	I	84.027	N/A	July 1, 2015 - June 30, 2016	891,352	891,352	891,352	-	-	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2016 - June 30, 2017	926,201	926,201	-	926,201	926,201	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2016 - June 30, 2017	7,588	7,588	-	7,588	7,588	-	-
Total Special Education Cluster						1,825,141	891,352	933,789	933,789	-	-
Race to the Top - ARRA	I	84.413A	N/A	July 1, 2012 - June 30, 2017	N/A	22	-	22	22	-	-
Total - Capital Area Intermediate Unit						1,825,163	891,352	933,811	933,811	-	-
Total U.S. Department of Education						3,725,680	901,366	2,974,096	2,974,096	149,782	19,798

CARLISLE AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Grantor Program 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	Receivable (Payable) at July 1, 2016, as restated	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2017	Total Passed-Through to Subrecipients
U.S. Department of Agriculture											
Fresh Fruit and Vegetable											
Passed through Pennsylvania Department of Education											
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2015 - June 30, 2016	20,886	2,522	2,522	-	-	-	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2016 - June 30, 2017	33,345	25,020	-	33,222	33,222	8,202	-
Total Fresh Fruits and Vegetable Program						27,542	2,522	33,222	33,222	8,202	-
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
School Breakfast Program	I	10.553	N/A	July 1, 2015 - June 30, 2016	N/A	29,888	29,888	-	-	-	-
School Breakfast Program	I	10.553	N/A	July 1, 2016 - June 30, 2017	N/A	220,245	-	252,424	252,424	32,179	-
Total School Breakfast Program						250,133	29,888	252,424	252,424	32,179	-
Special Milk	I	10.556	N/A	July 1, 2015 - June 30, 2016	N/A	320	320	-	-	-	-
Special Milk	I	10.556	N/A	July 1, 2016 - June 30, 2017	N/A	1,727	-	1,942	1,942	215	-
Total School Special Milk Program						2,047	320	1,942	1,942	215	-
After School Snacks	I	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	11	11	-	-	-	-
After School Snacks	I	10.555	N/A	July 1, 2016 - June 30, 2017	N/A	94	-	105	105	11	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	100,451	100,451	-	-	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2016 - June 30, 2017	N/A	770,671	-	873,610	873,610	102,939	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program (commodities)	I(B)	10.555	N/A	July 1, 2016 - June 30, 2017	N/A	194,698	-	194,698	194,698	-	-
Total National School Lunch Program						1,065,925	100,462	1,068,413	1,068,413	102,950	-
Total Child Nutrition Cluster						1,318,105	130,670	1,322,779	1,322,779	135,344	-
Total U.S. Department of Agriculture						1,345,647	133,192	1,356,001	1,356,001	143,546	-
Total Expenditures of Federal Awards						\$ 5,071,327	\$ 1,034,558	\$ 4,330,097	\$ 4,330,097	\$ 293,328	\$ 19,798

CARLISLE AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(D) Direct funding

(I) Indirect funding

(B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as accounts payable or a receivable, respectively.

Indirect Cost Rate

The School District has elected not to use the 10% de minimis indirect cost rate for its federal program.



**INDEPENDENT AUDITOR'S 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 Directors
Carlisle Area School District
Carlisle, 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 Carlisle Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Carlisle Area School District's basic financial statements, and have issued our report thereon dated December 20, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Carlisle 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 Carlisle Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carlisle 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 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 Carlisle 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Smith & Elliott Deams & Company, LLC". The signature is written in a cursive, flowing style.

Carlisle, Pennsylvania
December 20, 2017



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

Board of Directors
Carlisle Area School District
Carlisle, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Carlisle 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 Carlisle Area School District's major federal programs for the year ended June 30, 2017. Carlisle 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carlisle 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 Carlisle 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 of Carlisle Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Carlisle 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, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Carlisle 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 the 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 School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

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

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.

A handwritten signature in black ink that reads "Smith & Elliott Pearsall Company, LLC". The signature is written in a cursive, flowing style.

Carlisle, Pennsylvania
December 20, 2017

CARLISLE AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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 No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.010	ESEA Title I
84.027	Special Education Cluster: IDEA
84.173	IDEA - Preschool

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

A. Material Weaknesses or Significant Deficiencies in Internal Control

None noted

B. Compliance Findings

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

Section III - Federal Award Findings and Questioned Costs

A. Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance

CFDA Number and Title:

84.010 Title I

Federal Grantor Name: U.S. Department of Education

Federal Award/Contract

Number: FA-999-17-0063

Grant Period: July 1, 2016 to September 30, 2017

Pass-through Entity

Name: Pennsylvania Department of Education

2017-001 **Lack of Review of Time and Effort Records**

Significant Deficiency in Internal Control Over Compliance

Compliance

Requirement: Allowable Costs/Cost Principles

Criteria: The School is required to have appropriate controls over the time and effort records maintained by employees that work less than 100% of their time on federal programs.

Condition: We noted that there was no review or approval of the time certifications that were maintained by the partially funded employee.

Cause: The time and effort certifications prepared by the employee were not reviewed.

Effect: Salaries and benefit charges could be made to Title I that were not allowable activities of the program.

Questioned Costs: None

Context: There was only one individual whose time was partially spent on Title I. Therefore, we tested the only individual to which this control applies.

Section III - Federal Award Findings and Questioned Costs (Continued)

Recommendation: We recommend that the School District implement a process to ensure that all time and effort records are properly reviewed in a timely manner.

Views of responsible officials and planned

corrective actions: Starting in the 2017/2018 school year, the partially funded employee will submit their time certification report to management no later than the 5th of each month. Management will review and sign immediately after their review.

B. Compliance Findings

None noted

CARLISLE AREA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Findings related to financial statements:

None

Findings related to federal awards:

None