

Audited  
Financial  
Statements

June 30,  
2016



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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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Carlisle Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Carlisle Area School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 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 (CFR) 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 22, 2016 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 Kearns & Company, LLC*

Carlisle, Pennsylvania  
December 22, 2016

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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The management of the Carlisle Area School District (CASD or District) is pleased to present the following discussion and analysis of our financial activities for the fiscal year ended June 30, 2016. 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***

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- The CASD had a net increase in fund balance from general fund operations of \$ 97,632 from revenues of \$ 77,432,410 during 2015-16.
- CASD decreased its governmental fund balance by \$ 5,981 from \$ 35,260,736 on June 30, 2015 to \$ 35,254,755 as of June 30, 2016.
- Government and business activities had a positive change in net position during 2015-16 of \$ 3,288,986 from (\$ 19,858,119) on June 30, 2015, as restated to (\$ 16,569,133) as of June 30, 2016.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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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 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 District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the 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 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.

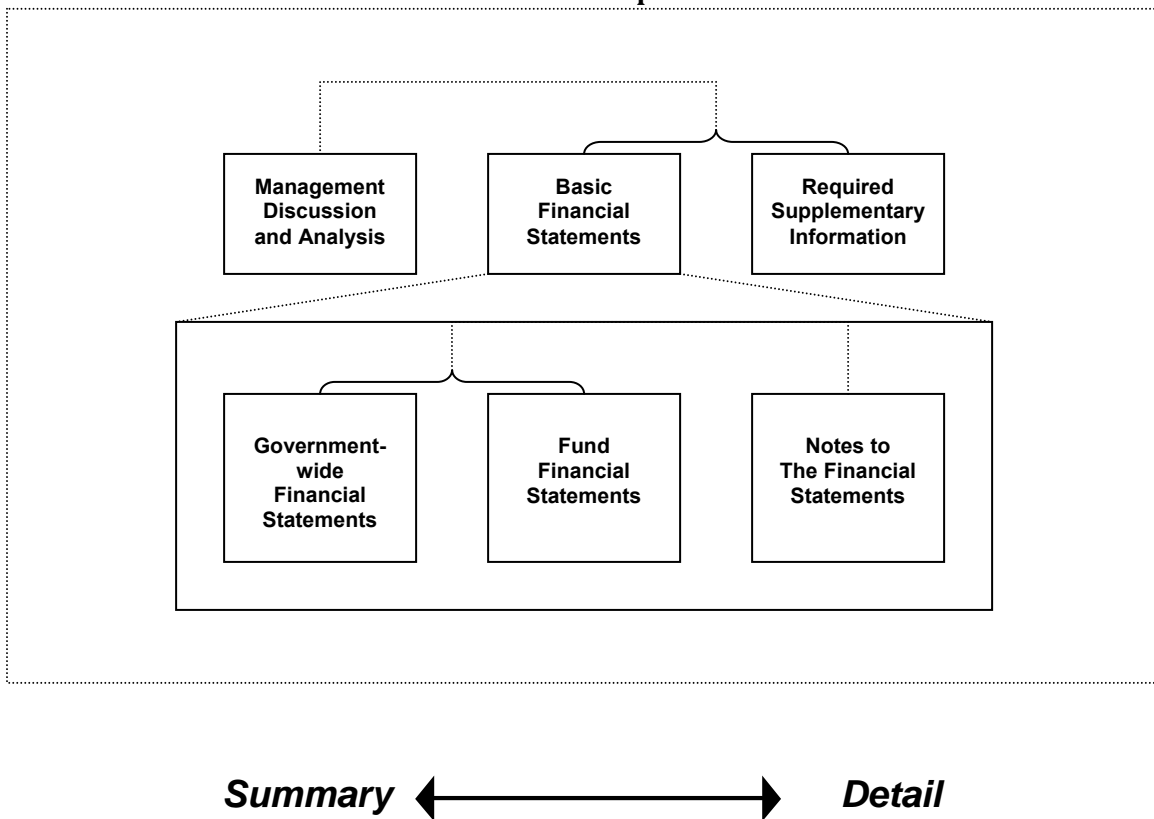
**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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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 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, 2016**

Table A-2 summarizes the major features of the CASD's financial statements, including the portion of the 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**

	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	* Entire District (except fiduciary funds)	*The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	*Activities the District operates similar to private business-Food Services	*Instances in which the District is the trustee or agent to someone else's resources - Trust Funds
<b>Required Financial Statements</b>	*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
<b>Accounting basis and measurements focus</b>	*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
<b>Type of asset/liability information</b>	*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
<b>Type of inflow-outflow information</b>	*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***

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**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 District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, are one way to measure the 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 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 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, 2016**

**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 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 District cannot use these assets to finance its operations.

***FINANCIAL ANALYSIS OF THE DISTRICT***

The CASD's total governmental and business activities - net position as of June 30, 2016, was (\$ 16,569,133). This is an increase of \$ 3,288,986 over the (\$ 19,858,119) at June 30, 2015, as restated.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals		Component
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	Unit Foundation
<b>Assets and Deferred Outflows of Resources</b>							
Current and other assets	\$ 50,849,068	\$ 47,953,873	\$ 511,300	\$ 445,991	\$ 51,360,368	\$ 48,298,101	* \$ 398,883
Capital assets	102,443,708	104,293,062	724,436	737,264	103,168,144	105,030,326	-
Deferred Outflows of Resources	10,615,013	10,335,670	25,629	12,387	10,640,642	10,348,057	-
Total Assets and Deferred Outflows of Resources	\$ 163,907,789	\$ 162,582,605	\$ 1,261,365	\$ 1,195,642	\$ 165,169,154	\$ 163,676,484	\$ 398,883
<b>Liabilities</b>							
Current liabilities	\$ 14,265,105	\$ 13,556,568	\$ 302,846	\$ 397,526	\$ 14,567,951	\$ 13,852,331	* \$ 11,340
Noncurrent liabilities	165,727,357	162,771,847	222,445	142,089	165,949,802	162,913,936	-
Total Liabilities	179,992,462	176,328,415	525,291	539,615	180,517,753	176,766,267	11,340
<b>Deferred Inflows of Resources</b>	1,218,579	6,758,396	1,955	9,940	1,220,534	6,768,336	-
<b>Net Position</b>							
Net investment in capital assets	38,415,038	36,372,678	724,436	737,264	39,139,474	37,109,942	-
Restricted - future capital expenses	13,841,089	15,837,954	-	-	13,841,089	15,837,954	-
Restricted - expendable	-	-	-	-	-	-	87,181
Unrestricted	(69,559,379)	(72,714,838)	9,683	(91,177)	(69,549,696)	(72,806,015)	300,362
Total Net Position	(17,303,252)	(20,504,206)	734,119	646,087	(16,569,133)	(19,858,119)	387,543
Total Liabilities and Net Position	\$ 163,907,789	\$ 162,582,605	\$ 1,261,365	\$ 1,195,642	\$ 165,169,154	\$ 163,676,484	\$ 398,883

\* Net of eliminations from internal balances.

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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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 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**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Component Unit Foundation</b>
<b>Program Revenues</b>				
Charges for services	\$ 629,642	\$ 1,223,947	\$ 1,853,589	\$ -
Operating grants and contributions	11,981,398	1,372,454	13,353,852	46,673
Capital grants and contributions	1,637,480	-	1,637,480	-
<b>General Revenues</b>				
Taxes	50,400,393	-	50,400,393	-
Grants, subsidies, and contributions	13,905,280	-	13,905,280	42,143
Investment earnings	43,174	-	43,174	-
Miscellaneous income and sale of assets	31,689	12,472	44,161	-
Transfers	(11,673)	11,673	-	-
Total Revenues	<u>78,617,383</u>	<u>2,620,546</u>	<u>81,237,929</u>	<u>88,816</u>
District Expenses	<u>75,416,429</u>	<u>2,532,514</u>	<u>77,948,943</u>	<u>60,932</u>
Change in Net Position	<u>\$ 3,200,954</u>	<u>\$ 88,032</u>	<u>\$ 3,288,986</u>	<u>\$ 27,884</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, 2016**

**Governmental and Business Activities**

	Governmental Activities		Business-Type Activities		Totals		Component Unit
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	Foundation
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 629,642	\$ 766,707	\$ 1,223,947	\$ 1,162,791	\$ 1,853,589	\$ 1,929,498	\$ -
Operating grants and contributions	11,981,398	11,052,932	1,372,454	1,253,585	13,353,852	12,306,517	46,673
Capital grants and contributions	1,637,480	723,211	-	-	1,637,480	723,211	-
General Revenues							
Taxes	50,400,393	47,784,477	-	-	50,400,393	47,784,477	-
Grants, subsidies, and contributions	13,905,280	13,530,464	-	-	13,905,280	13,530,464	42,143
Investment earnings	43,174	37,563	-	-	43,174	37,563	-
Miscellaneous income and sale of assets	31,689	12,123	12,472	91	44,161	12,214	-
Transfers	(11,673)	(493,634)	11,673	493,634	-	-	-
Total Revenue	78,617,383	73,413,843	2,620,546	2,910,101	81,237,929	76,323,944	88,816
<b>Expenses</b>							
Instruction	46,276,463	43,988,264	-	-	46,276,463	43,988,264	-
Instructional student support	7,091,734	7,302,522	-	-	7,091,734	7,302,522	-
Administrative and financial support	8,226,473	7,386,564	-	-	8,226,473	7,386,564	-
Operation of maintenance of plant services	6,602,082	6,542,766	-	-	6,602,082	6,542,766	-
Pupil transportation	3,547,118	3,661,682	-	-	3,547,118	3,661,682	-
Student activities	1,428,847	1,283,293	-	-	1,428,847	1,283,293	-
Community services	17,731	12,489	-	-	17,731	12,489	-
Interest on long-term debt	2,225,981	2,644,844	-	-	2,225,981	2,644,844	-
Business-type activities	-	-	2,532,514	2,458,872	2,532,514	2,458,872	-
Component unit - Foundation	-	-	-	-	-	-	60,932
Total Expense	75,416,429	72,822,424	2,532,514	2,458,872	77,948,943	75,281,296	60,932
Changes in Net Position	3,200,954	591,419	88,032	451,229	3,288,986	1,042,648	27,884
Net Position - Beginning (as restated)	(20,504,206)	(21,095,625)	646,087	194,858	(19,858,119)	(20,900,767)	359,659
Net Position - Ending	\$ (17,303,252)	\$ (20,504,206)	\$ 734,119	\$ 646,087	\$ (16,569,133)	\$ (19,858,119)	\$ 387,543

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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**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 \$ 5,981 from \$ 35,260,736 on June 30, 2015, \$ 35,254,755 as of June 30, 2016.

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 - committed fund balance	\$ 5,997,990
General Fund - assigned fund balance	625,000
General Fund - unassigned fund balance	8,623,724
Capital Projects Fund - restricted fund balance	-
Capital Projects Fund - committed fund balance	6,166,952
Capital Reserve Fund - restricted fund balance	<u>13,841,089</u>
Total Governmental Fund Balance	<u>\$ 35,254,755</u>
Total restricted fund balance	\$ 13,841,089
Total committed fund balance	12,164,942
Total assigned fund balance	625,000
Total unassigned fund balance	<u>8,623,724</u>
Total Governmental Fund Balance	<u>\$ 35,254,755</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 2015-16 fiscal year, CASD's adjusted Act 1 Index was set at 2.4% 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)**  
**June 30, 2016**

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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 District for the long-term.

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Total Revenues	\$ 73,726,570	\$ 77,432,410	\$ 3,705,840
Total Expenditures	<u>74,090,631</u>	<u>73,324,105</u>	<u>766,526</u>
Revenues Over/(Under) Expenditures	(364,061)	4,108,305	4,472,366
Other Financing Sources (Uses)	<u>(4,000,000)</u>	<u>(4,010,673)</u>	<u>(10,673)</u>
Net Change in Fund Balance	<u>\$ (4,364,061)</u>	<u>\$ 97,632</u>	<u>\$ 4,461,693</u>

**Capital Assets**

As of June 30, 2016, the District in conducting its governmental activities had \$ 102,443,708 invested in capital assets; including land; buildings; site improvements; equipment, furniture, and fixtures; and construction in process. This amount represents a net decrease (including additions, deletions and depreciation) of \$ 1,849,354 from the previous fiscal year.

**Capital Assets (Net of Depreciation)**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Change</b>
<b>Governmental Activities</b>			
Land	\$ 1,951,733	\$ 1,951,733	\$ -
Buildings	83,238,643	43,609,029	39,629,614
Site improvements	5,942,277	6,244,619	(302,342)
Equipment, furniture, and fixtures	8,357,105	9,632,353	(1,275,248)
Construction in process	<u>2,953,950</u>	<u>42,855,328</u>	<u>(39,901,378)</u>
Total Governmental Activities	<u>\$ 102,443,708</u>	<u>\$ 104,293,062</u>	<u>\$ (1,849,354)</u>
<b>Business-Type Activities</b>			
Furniture and equipment	<u>\$ 724,436</u>	<u>\$ 737,264</u>	<u>\$ (12,828)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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**Long-Term Liabilities/Outstanding Bonds and Notes Payable**

As of June 30, 2015, the CASD had total outstanding bonds and notes payable of \$ 69,914,621. During the 2015-16 fiscal year, the CASD made regular payments of \$ 4,936,138, resulting in a balance, as of June 30, 2016, of \$ 64,978,483. 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, 2016	June 30, 2015	Change
<b>General Obligation Bonds</b>			
Series of 2011	\$ 25,925,000	\$ 26,055,000	\$ (130,000)
Series of 2012A	8,285,000	8,735,000	(450,000)
Series of 2012B	2,440,000	2,495,000	(55,000)
Series of 2014	7,325,000	8,685,000	(1,360,000)
Series of 2014A	1,905,000	2,515,000	(610,000)
Series of 2014B	6,255,000	8,005,000	(1,750,000)
Series of 2015A	6,775,000	6,865,000	(90,000)
Series of 2015B	2,890,000	2,940,000	(50,000)
Unamortized bond (discounts) premium	3,178,483	3,619,621	(441,138)
Total General Obligation Bonds	<u>\$ 64,978,483</u>	<u>\$ 69,914,621</u>	<u>\$ (4,936,138)</u>

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 not pension liability. CASD retirees may purchase medical, prescription drug, dental, and vision coverage's until they reach age 65.

***DISCRETELY PRESENTED COMPONENT UNIT***

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The Bison Foundation is presented as a discretely presented component unit on the entity-wide financial statements. The purpose of The Bison Foundation is to strengthen community participation in school programs, enhance the educational opportunity of students by providing additional funds in order to assure educational excellence in the Carlisle Area School District. As of June 30, 2016, the Foundation had a total net position of \$ 387,543.

***FACTORS BEARING ON THE CASD'S FUTURE***

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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 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 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 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**  
**June 30, 2016**

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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, and 30.03% in 2016-17. The contribution rate for the 2017-18 fiscal year has been certified by the PSERS Board of Trustees at 32.57%. Currently, the rates for future fiscal years are projected at 34.18% for 2018-19, 35.53% for 2019-20, 35.95% for 2020-21, and 36.40% for 2021-22. The contribution rate is projected to continue to be in excess of 36% for at least 3 additional years beyond 2021-22. Even at the elevated rate of 32.57% in 2017-18, 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 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 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, expired on August 15, 2016. 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***

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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, 2016**

	Governmental Activities	Business-Type Activities	Total	Component Unit Foundation
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 35,749,298	\$ 407,218	\$ 36,156,516	\$ 342,538
Investments	1,500,000	-	1,500,000	-
Receivables:				
Taxes, net	3,419,678	-	3,419,678	-
Intergovernmental	4,237,684	141,846	4,379,530	-
Other	345,643	10,824	356,467	56,345
Internal balances	81,614	(81,614)	-	-
Inventories	-	33,026	33,026	-
Prepaid items	5,515,151	-	5,515,151	-
Total current assets	<u>50,849,068</u>	<u>511,300</u>	<u>51,360,368</u>	<u>398,883</u>
<b>Noncurrent Assets</b>				
Capital assets not being depreciated				
Land	1,951,733	153,900	2,105,633	-
Construction in progress	2,953,950	-	2,953,950	-
Capital assets net of accumulated depreciation				
Site improvements, net	5,942,277	-	5,942,277	-
Buildings, net	83,238,643	324,277	83,562,920	-
Equipment, furniture and fixtures, net	8,357,105	246,259	8,603,364	-
Total noncurrent assets	<u>102,443,708</u>	<u>724,436</u>	<u>103,168,144</u>	<u>-</u>
<b>Total assets</b>	<u>153,292,776</u>	<u>1,235,736</u>	<u>154,528,512</u>	<u>398,883</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	9,030,752	25,629	9,056,381	-
Deferred charge on bond refunding	1,584,261	-	1,584,261	-
Total deferred outflows of resources	<u>10,615,013</u>	<u>25,629</u>	<u>10,640,642</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 163,907,789</u>	<u>\$ 1,261,365</u>	<u>\$ 165,169,154</u>	<u>\$ 398,883</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 3,162,065	\$ 302,486	\$ 3,464,551	\$ 11,340
Accrued salaries and benefits/withholdings	5,136,331	-	5,136,331	-
Accrued interest	739,384	-	739,384	-
Portion due or payable within one year:				
General obligation bonds and notes payable	5,061,138	-	5,061,138	-
Compensated absences/retirement stipend	125,860	360	126,220	-
Capital lease	40,327	-	40,327	-
Total current liabilities	<u>14,265,105</u>	<u>302,846</u>	<u>14,567,951</u>	<u>11,340</u>
<b>Noncurrent liabilities</b>				
Portion due or payable after one year:				
Accounts payable	-	52,900	52,900	-
General obligation bonds and notes payable	59,917,345	-	59,917,345	-
Compensated absences/retirement stipend	1,545,431	3,242	1,548,673	-
Capital lease	85,806	-	85,806	-
Net pension obligation	102,707,556	166,303	102,873,859	-
OPEB Liability	1,471,219	-	1,471,219	-
Total noncurrent liabilities	<u>165,727,357</u>	<u>222,445</u>	<u>165,949,802</u>	<u>-</u>
<b>Total liabilities</b>	<u>179,992,462</u>	<u>525,291</u>	<u>180,517,753</u>	<u>11,340</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	1,218,579	1,955	1,220,534	-
<b>NET POSITION</b>				
Net investment in capital assets	38,415,038	724,436	39,139,474	-
Restricted - future capital expenses	13,841,089	-	13,841,089	-
Restricted - expendable	-	-	-	87,181
Unrestricted	(69,559,379)	9,683	(69,549,696)	300,362
<b>Total net position</b>	<u>(17,303,252)</u>	<u>734,119</u>	<u>(16,569,133)</u>	<u>387,543</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 163,907,789</u>	<u>\$ 1,261,365</u>	<u>\$ 165,169,154</u>	<u>\$ 398,883</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental activities</b>								
Instruction	\$ 46,276,463	\$ 403,413	\$ 9,238,861	\$ -	\$ (36,634,189)	\$ -	\$ (36,634,189)	\$ -
Instructional student support	7,091,734	-	823,412	-	(6,268,322)	-	(6,268,322)	-
Administrative and financial support services	8,226,473	104,311	524,465	-	(7,597,697)	-	(7,597,697)	-
Operation and maintenance of plant services	6,602,082	46,972	250,634	-	(6,304,476)	-	(6,304,476)	-
Pupil transportation	3,547,118	-	1,047,117	-	(2,500,001)	-	(2,500,001)	-
Student activities	1,428,847	72,323	83,874	-	(1,272,650)	-	(1,272,650)	-
Community services	17,731	2,623	13,035	-	(2,073)	-	(2,073)	-
Interest on long-term debt	2,225,981	-	-	1,637,480	(588,501)	-	(588,501)	-
Total governmental activities	<u>75,416,429</u>	<u>629,642</u>	<u>11,981,398</u>	<u>1,637,480</u>	<u>(61,167,909)</u>	<u>-</u>	<u>(61,167,909)</u>	<u>-</u>
<b>Business-type activities</b>								
Food services	2,449,069	1,010,801	1,372,454	-	-	(65,814)	(65,814)	-
Property rentals	83,445	213,146	-	-	-	129,701	129,701	-
Total business-type activities	<u>2,532,514</u>	<u>1,223,947</u>	<u>1,372,454</u>	<u>-</u>	<u>-</u>	<u>63,887</u>	<u>63,887</u>	<u>-</u>
Total primary government	<u>\$ 77,948,943</u>	<u>\$ 1,853,589</u>	<u>\$ 13,353,852</u>	<u>\$ 1,637,480</u>	<u>\$ (61,167,909)</u>	<u>\$ 63,887</u>	<u>\$ (61,104,022)</u>	<u>-</u>
<b>Component Unit - Foundation</b>	<u>\$ 60,932</u>	<u>\$ -</u>	<u>\$ 46,673</u>	<u>\$ -</u>				<u>\$ (14,259)</u>
<b>General revenues and transfers</b>								
Property taxes levied for general purposes, public utility realty tax, and earned income tax					\$ 50,400,393	\$ -	\$ 50,400,393	\$ -
Grants, subsidies and contributions not restricted					13,905,280	-	13,905,280	42,143
Investment earnings					43,174	-	43,174	-
Miscellaneous income					30,689	-	30,689	-
Sale of assets					1,000	12,472	13,472	-
Transfers					(11,673)	11,673	-	-
Total general revenues and transfers					<u>64,368,863</u>	<u>24,145</u>	<u>64,393,008</u>	<u>42,143</u>
Change in net position					3,200,954	88,032	3,288,986	27,884
Net position - beginning, as restated					<u>(20,504,206)</u>	<u>646,087</u>	<u>(19,858,119)</u>	<u>359,659</u>
Net position - ending					<u>(\$ 17,303,252)</u>	<u>\$ 734,119</u>	<u>(\$ 16,569,133)</u>	<u>387,543</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2016**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,030,700	\$ 6,545,289	\$ 14,173,309	\$ 35,749,298
Investments	1,500,000	-	-	1,500,000
Taxes receivable, net	3,419,678	-	-	3,419,678
Due from other funds	120,455	-	-	120,455
Receivable from other governments	4,237,684	-	-	4,237,684
Other receivables	345,643	-	-	345,643
Total assets	<u>\$ 24,654,160</u>	<u>\$ 6,545,289</u>	<u>\$ 14,173,309</u>	<u>\$ 45,372,758</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,945,285	\$ 378,087	\$ 293,629	\$ 2,617,001
Due to other funds	-	250	38,591	38,841
Accrued salaries and benefits/ withholdings	5,136,331	-	-	5,136,331
Total liabilities	<u>7,081,616</u>	<u>378,337</u>	<u>332,220</u>	<u>7,792,173</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	1,402,120	-	-	1,402,120
Unavailable state subsidies	923,710	-	-	923,710
Total deferred inflows of resources	<u>2,325,830</u>	<u>-</u>	<u>-</u>	<u>2,325,830</u>
<b>FUND BALANCES</b>				
Restricted fund balance				
Restricted for future capital projects	-	-	13,841,089	13,841,089
Committed fund balance				
Future retirement costs	3,800,000	-	-	3,800,000
Future medical insurance costs	1,697,990	-	-	1,697,990
Future property insurance	500,000	-	-	500,000
Future capital projects	-	6,166,952	-	6,166,952
Assigned fund balance				
2016-2017 budgeted use of fund balance	625,000	-	-	625,000
Unassigned fund balance	8,623,724	-	-	8,623,724
Total fund balances	<u>15,246,714</u>	<u>6,166,952</u>	<u>13,841,089</u>	<u>35,254,755</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,654,160</u>	<u>\$ 6,545,289</u>	<u>\$ 14,173,309</u>	<u>\$ 45,372,758</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net**  
**Position**  
**June 30, 2016**

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**Total fund balances - governmental funds** \$ 35,254,755

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	162,079,961	
Accumulated depreciation	<u>(59,636,253)</u>	102,443,708

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. 4,970,087

Other assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.

Taxes receivable	1,402,120	
Rental subsidy receivable	<u>923,710</u>	2,325,830

Deferred charges on bond refundings are reported as a deferred outflow of resources in the Statement of Net Position. 1,584,261

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	(64,978,483)	
Accrued interest on bonds	(739,384)	
Compensated absences/retirement stipend	(1,671,291)	
Capital lease	(126,133)	
Net pension liability	(102,707,556)	
Deferred outflows related to pension liability	9,030,752	
Deferred inflows related to pension liability	(1,218,579)	
OPEB liability	<u>(1,471,219)</u>	
		<u>(163,881,893)</u>

**Net position of governmental activities in the Statement of Net Position** \$ (17,303,252)

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2016**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
<b>REVENUES</b>				
Local revenues				
Taxes	\$ 50,147,940	\$ -	\$ -	\$ 50,147,940
Investment earnings	23,691	-	11,182	34,873
Revenue from intermediate sources	901,330	-	-	901,330
Other	737,501	-	-	737,501
State sources	23,843,851	-	-	23,843,851
Federal sources	1,778,097	-	-	1,778,097
Total revenues	<u>77,432,410</u>	<u>-</u>	<u>11,182</u>	<u>77,443,592</u>
<b>EXPENDITURES</b>				
Instruction	42,420,044	-	-	42,420,044
Support services	22,665,202	-	551,794	23,216,996
Operation of noninstructional services	1,322,777	-	-	1,322,777
Facilities acquisition, construction and improvements	5,165	806,748	2,756,253	3,568,166
Debt service:				
Principal	4,531,884	-	-	4,531,884
Interest	2,379,033	-	-	2,379,033
Total expenditures	<u>73,324,105</u>	<u>806,748</u>	<u>3,308,047</u>	<u>77,438,900</u>
Excess (deficiency) of revenues over expenditures	<u>4,108,305</u>	<u>(806,748)</u>	<u>(3,296,865)</u>	<u>4,692</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed asset	1,000	-	-	1,000
Interfund transfers	<u>(4,011,673)</u>	<u>2,700,000</u>	<u>1,300,000</u>	<u>(11,673)</u>
Total other financing sources and uses	<u>(4,010,673)</u>	<u>2,700,000</u>	<u>1,300,000</u>	<u>(10,673)</u>
Net change in fund balances	<u>97,632</u>	<u>1,893,252</u>	<u>(1,996,865)</u>	<u>(5,981)</u>
Fund balances - beginning	<u>15,149,082</u>	<u>4,273,700</u>	<u>15,837,954</u>	<u>35,260,736</u>
Fund balances - ending	<u>\$ 15,246,714</u>	<u>\$ 6,166,952</u>	<u>\$ 13,841,089</u>	<u>\$ 35,254,755</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, 2016**

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**Net change in fund balances - total governmental funds** \$ (5,981)

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	(5,351,405)	
Capital outlays	<u>3,513,457</u>	(1,837,948)

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. (11,406)

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. 1,086,773

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. 1,162,326

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 effect of premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of general obligations - principal	4,495,000
Repayment of capital leases - principal	36,884
Amortization of bond premium, discounts, prepaid bond insurance, and deferred charge on bond refundings	111,944

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	41,108
OPEB liability	(56,281)
Net pension liability and related deferred outflows and inflows	(2,021,174)
Compensated absences/retirement stipend	<u>199,709</u>

**Change in net position of governmental activities** \$ 3,200,954

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended June 30, 2016**

	Budget		Actual	Variance
	Original	Final	(Budgetary/ GAAP Basis)	with Final Budget
<b>REVENUES</b>				
Local sources				
Taxes	\$ 46,846,000	\$ 47,426,000	\$ 50,147,940	\$ 2,721,940
Investment earnings	20,000	20,000	23,691	3,691
Revenue from intermediate sources	860,000	860,000	901,330	41,330
Other	456,000	456,000	737,501	281,501
State sources	23,253,631	23,234,570	23,843,851	609,281
Federal sources	1,530,000	1,730,000	1,778,097	48,097
Total revenues	<u>72,965,631</u>	<u>73,726,570</u>	<u>77,432,410</u>	<u>3,705,840</u>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	29,245,096	29,245,096	28,789,475	455,621
Special programs	8,558,848	8,558,848	8,890,800	(331,952)
Vocational education	1,661,539	1,661,539	1,653,628	7,911
Other instructional	2,394,488	2,394,488	2,766,546	(372,058)
Nonpublic school programs	8,850	8,850	20,460	(11,610)
Adult and higher education programs	302,583	302,583	299,135	3,448
Support services				
Pupil personnel services	4,149,786	4,149,786	3,658,110	491,676
Instructional staff services	2,019,307	2,019,307	1,721,155	298,152
Administrative services	3,955,265	3,955,265	3,974,425	(19,160)
Pupil health	1,174,220	1,174,220	1,086,495	87,725
Business	926,726	926,726	988,815	(62,089)
Operation and maintenance of plant services	5,973,193	5,973,193	5,928,315	44,878
Student transportation services	3,335,485	3,335,485	3,285,401	50,084
Central support services	2,227,707	2,227,707	1,969,408	258,299
Other support services	55,000	55,000	53,078	1,922
Operation of noninstructional services				
Student activities	1,276,638	1,276,638	1,305,490	(28,852)
Community services	15,400	15,400	16,438	(1,038)
Other noninstructional services	500	500	849	(349)
Facilities acquisition, construction and improvements	-	-	5,165	(5,165)
Debt service				
Principal	4,275,000	4,275,000	4,531,884	(256,884)
Interest	2,535,000	2,535,000	2,379,033	155,967
Total expenditures	<u>74,090,631</u>	<u>74,090,631</u>	<u>73,324,105</u>	<u>766,526</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	1,000	1,000
Interfund transfers	-	(4,000,000)	(4,011,673)	(11,673)
Total other financing sources and (uses)	<u>-</u>	<u>(4,000,000)</u>	<u>(4,010,673)</u>	<u>(10,673)</u>
Net change in fund balances	<u>\$ (1,125,000)</u>	<u>\$ (4,364,061)</u>	\$ 97,632	<u>\$ 4,461,693</u>
Fund balance - beginning			15,149,082	
Fund balance - ending			<u>\$ 15,246,714</u>	

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2016**

	<b>Enterprise</b>			<b>Internal Service</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Medical Insurance Fund</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 166,540	\$ 240,678	\$ 407,218	\$ -
Intergovernmental receivables	141,846	-	141,846	-
Other receivables	10,824	-	10,824	-
Prepays	-	-	-	5,515,151
Inventory	33,026	-	33,026	-
Total current assets	<u>352,236</u>	<u>240,678</u>	<u>592,914</u>	<u>5,515,151</u>
<b>Noncurrent Assets</b>				
Land	-	153,900	153,900	-
Site improvements	-	15,183	15,183	-
Buildings	-	856,267	856,267	-
Furniture and equipment	2,662,475	-	2,662,475	-
Accumulated depreciation	<u>(2,416,216)</u>	<u>(547,173)</u>	<u>(2,963,389)</u>	<u>-</u>
Total noncurrent assets	<u>246,259</u>	<u>478,177</u>	<u>724,436</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	<u>25,629</u>	<u>-</u>	<u>25,629</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 624,124</u>	<u>\$ 718,855</u>	<u>\$ 1,342,979</u>	<u>\$ 5,515,151</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable/accrued medical claims	\$ 302,486	\$ -	\$ 302,486	\$ 545,064
Due to other funds	372	81,242	81,614	-
Compensated absences	360	-	360	-
Total current liabilities	<u>303,218</u>	<u>81,242</u>	<u>384,460</u>	<u>545,064</u>
<b>Noncurrent Liabilities</b>				
Accounts payable	52,900	-	52,900	-
Compensated absences	3,242	-	3,242	-
Net pension liability	<u>166,303</u>	<u>-</u>	<u>166,303</u>	<u>-</u>
Total noncurrent liabilities	<u>222,445</u>	<u>-</u>	<u>222,445</u>	<u>-</u>
Total liabilities	<u>525,663</u>	<u>81,242</u>	<u>606,905</u>	<u>545,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	<u>1,955</u>	<u>-</u>	<u>1,955</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	246,259	478,177	724,436	-
Unrestricted	<u>(149,753)</u>	<u>159,436</u>	<u>9,683</u>	<u>4,970,087</u>
Total net position	<u>96,506</u>	<u>637,613</u>	<u>734,119</u>	<u>4,970,087</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 624,124</u>	<u>\$ 718,855</u>	<u>\$ 1,342,979</u>	<u>\$ 5,515,151</u>



**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Enterprise</b>			<b>Internal Service</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Medical Insurance Fund</b>
<b>OPERATING REVENUE</b>				
Sales and charges for services/insurance premiums	\$ 1,010,801	\$ 213,146	\$ 1,223,947	\$ 9,088,845
Total operating revenues	<u>1,010,801</u>	<u>213,146</u>	<u>1,223,947</u>	<u>9,088,845</u>
<b>OPERATING EXPENSES</b>				
Purchased services	1,907,653	6,870	1,914,523	-
Food and milk purchases	216,239	-	216,239	-
Salaries	45,150	-	45,150	-
Employee benefits	69,416	-	69,416	7,459,707
Administrative fees and overhead costs	-	-	-	550,667
Supplies	75,975	532	76,507	-
Depreciation	60,408	34,685	95,093	-
Repairs and maintenance	66,891	6,770	73,661	-
Other operating expenses	7,337	2,681	10,018	-
Real estate taxes	-	30,925	30,925	-
Maintenance	-	982	982	-
Total operating expenses	<u>2,449,069</u>	<u>83,445</u>	<u>2,532,514</u>	<u>8,010,374</u>
Operating income (loss)	<u>(1,438,268)</u>	<u>129,701</u>	<u>(1,308,567)</u>	<u>1,078,471</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal subsidies	1,290,247	-	1,290,247	-
State subsidies	82,207	-	82,207	-
Gain on sale of asset	12,472	-	12,472	-
Interest income	-	-	-	8,302
Total nonoperating revenue (expenses)	<u>1,384,926</u>	<u>-</u>	<u>1,384,926</u>	<u>8,302</u>
Income (loss) before transfers	<u>(53,342)</u>	<u>129,701</u>	<u>76,359</u>	<u>1,086,773</u>
<b>TRANSFERS</b>				
Interfund transfers	11,673	-	11,673	-
Change in net position	(41,669)	129,701	88,032	1,086,773
Total net position - beginning	<u>138,175</u>	<u>507,912</u>	<u>646,087</u>	<u>3,883,314</u>
Total net position - ending	<u>\$ 96,506</u>	<u>\$ 637,613</u>	<u>\$ 734,119</u>	<u>\$ 4,970,087</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Enterprise</b>			<b>Internal Service</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Medical Insurance Fund</b>
<b>Cash flows from operating activities</b>				
Cash received from sales/rentals/insurance premiums	\$ 1,008,526	\$ 213,146	\$ 1,221,672	\$ 9,088,845
Cash payments for goods and services	(2,016,725)	(48,760)	(2,065,485)	-
Cash payments to and on behalf of employees	(111,452)	-	(111,452)	(9,097,147)
Net cash provided (used) by operating activities	<u>(1,119,651)</u>	<u>164,386</u>	<u>(955,265)</u>	<u>(8,302)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of equipment	(82,265)	-	(82,265)	-
Purchase of land and building	-	(17,012)	(17,012)	-
Proceeds from sale of fixed assets	12,472	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(69,793)</u>	<u>(17,012)</u>	<u>(82,265)</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers (to)/from other funds	11,673	-	11,673	-
Federal subsidies	1,113,697	-	1,113,697	-
State subsidies	82,823	-	82,823	-
Net cash provided (used) by noncapital financing activities	<u>1,208,193</u>	<u>-</u>	<u>1,208,193</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Earnings on investments	-	-	-	8,302
Net increase in cash and cash equivalents	18,749	147,374	170,663	-
Cash and cash equivalents - beginning	147,791	93,304	241,095	-
Cash and cash equivalents - ending	<u>\$ 166,540</u>	<u>\$ 240,678</u>	<u>\$ 407,218</u>	<u>\$ -</u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>				
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (1,438,268)	\$ 129,701	\$ (1,308,567)	\$ 1,078,471
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	176,781	-	176,781	-
Depreciation	60,408	34,685	95,093	-
(Increase) decrease in:				
Inventory	20,628	-	20,628	-
Accounts receivable	(2,275)	-	(2,275)	-
Prepays	-	-	-	(1,332,864)
Increase (decrease) in:				
Net pension liability and related deferred outflows and inflows	6,029	-	6,029	-
Compensated absences	222	-	222	-
Due to other funds	(3,137)	-	(3,137)	-
Accounts payable	59,961	-	59,961	246,091
Total adjustments	<u>318,617</u>	<u>34,685</u>	<u>353,302</u>	<u>(1,086,773)</u>
Net cash provided (used) by operating activities	<u>\$ (1,119,651)</u>	<u>\$ 164,386</u>	<u>\$ (955,265)</u>	<u>\$ (8,302)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**

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	<b>Agency Fund</b>	<b>Private Purpose Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 77,454	\$ 116
Investments	-	15,000
Total assets	<u>\$ 77,454</u>	<u>\$ 15,116</u>
<b>LIABILITIES</b>		
Due to student groups	\$ 73,083	\$ -
Accounts payable	4,371	-
Total liabilities	<u>77,454</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust	-	15,116
Total net position	<u>\$ -</u>	<u>\$ 15,116</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2016**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***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 other than The Bison Foundation.

The Bison Foundation is presented as a discretely presented component unit.

**The Bison Foundation**

On May 31, 2000, The Bison Foundation ("Foundation") was formed. The purpose of the Foundation is to strengthen community participation in school programs, enhance the educational opportunity of students by providing additional funds in order to assure educational excellence in the Carlisle Area School District. The Foundation is included in these financial statements as a component unit because the main purpose of the Foundation is to provide resources to benefit the School District.

Separate financial statements of the Foundation are available by contacting the Foundation at 623 West Penn Street, Carlisle, PA 17013.

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

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

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***Reporting Entity (Continued)***

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 is one of ten participating members in the Trust at June 30, 2016. The Trust is not deemed a component unit of the School District under governmental accounting principles. See Note 14 for further information.

***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.

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

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***Fund Accounting (Continued)***

**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.

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 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)**

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***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.

In addition, a separate column is used to present the financial information for the discretely presented component unit, the Bison Foundation.

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)**

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***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.

In the current year, due to budget issues at the state level, no rental subsidy payments were remitted to the School District, even though the School District earned the revenue by making its required debt payments. Despite the fact the funds were not available based on the typical availability criterion, due to this unusual circumstance the School District recorded the funds due from the state for projects that were approved as of June 30, 2016 as revenue on the fund financial statements in order to maintain consistency in revenue recognition between years.

In addition, subsequent to June 30, 2016 the School District had several capital projects approved for reimbursement by the State. Since this approval did not occur until after yearend and the funds were not received within 60 days, these revenues are not considered as earned and available for the fund financials and are shown as unavailable revenue on the governmental funds balance sheet. These reimbursements for debt payments from 2012-2016 are included as revenues on the government-wide statement of activities.

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.

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

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***Budgets and Budgetary Accounting***

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

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

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

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.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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***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 fair values as of the date received. The School District maintains a capitalization threshold of \$ 5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized unless it is incurred in a proprietary fund.

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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
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.

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, 2016 consist of various amounts related to pension liabilities (on the statement of net position) and unavailable tax and grant revenue (on the balance sheet – governmental funds).

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

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***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.

***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.

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

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***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.

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 in the 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.

***Reclassifications***

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.

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

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***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.

**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, 2016 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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***Fund Balance – Governmental Fund Financial Statements (Continued)***

**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.

**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.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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***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.

**NOTE 2 CASH AND INVESTMENTS**

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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 Federal Savings and Loan Insurance Corporation of 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 registered under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or Unites States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent
- Commercial paper issues 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 banker's acceptances do not exceed 180 days
- 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, 2016, the School District has a bank balance of \$ 38,753,972 (including long-term certificates of deposit, which are classified as investments for the basic financial statements). Of this balance, \$ 1,116,077 is covered by FDIC insurance and the remaining balance of \$ 37,738,983 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name.



**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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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.

Included in the totals above are certificates of deposit (CD's) in the amount of \$ 1,515,000 which are held with local banks. These CD's had an original maturity greater than 90 days and are classified as investments in the financial statements.

**NOTE 3 TAXES**

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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**

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Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2016:

Earned income	\$ 2,144,850
Real estate	752,148
Real estate transfer tax	522,680
Taxes receivable, net	<u>3,419,678</u>
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(2,017,558)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds.	<u>\$ 1,402,120</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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Interfund receivables/payables consist of the following at June 30, 2016:

<b>Funds</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 120,455	\$ -
Capital Projects	-	250
Capital Reserve	-	38,591
Food Service	-	372
Property Rentals (Other Enterprise)	-	81,242
	\$ 120,455	\$ 120,455

The Capital Projects Fund, Capital Reserve Fund and Other Enterprise Fund owe the General Fund for capital and operational expenditures that were paid on behalf of these funds. The Food Service Fund owes the General Fund for reimbursements to be made related to purchases made by the General Fund that were not paid back as of June 30, 2016.

Net interfund transfers consist of the following for the year ended June 30, 2016:

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ -	\$ 4,011,673
Capital Projects	2,700,000	-
Capital Reserve	1,300,000	-
Food Service	11,673	-
	\$ 4,011,673	\$ 4,011,673

Transfers are substantially for purposes of subsidizing operating functions and funding capital projects and asset acquisitions. For the year ended June 30, 2016, 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**

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Intergovernmental receivables at June 30, 2016 consist of the following:

		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
State:	Social Security	\$ 197,672	\$ -
	Retirement	1,388,000	-
	Grants/subsidies	1,750,646	8,776
Federal:	Grants/subsidies	901,366	133,070
		\$ 4,237,684	\$ 141,846

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Cost				
Assets not being depreciated				
Land	\$ 1,951,733	\$ -	\$ -	\$ 1,951,733
Construction in process	42,855,328	3,232,473	(43,133,851)	2,953,950
Assets being depreciated				
Site improvements	8,576,358	96,055	-	8,672,413
Buildings	84,650,753	43,150,669	-	127,801,422
Equipment, furniture, and fixtures	20,662,805	168,111	(130,473)	20,700,443
Total cost	<u>158,696,977</u>	<u>46,647,308</u>	<u>(43,264,324)</u>	<u>162,079,961</u>
Less accumulated depreciation				
Site improvements	(2,331,739)	(398,397)	-	(2,730,136)
Buildings	(41,041,724)	(3,521,055)	-	(44,562,779)
Equipment, furniture, and fixtures	(11,030,452)	(1,431,953)	119,067	(12,343,338)
Total accumulated depreciation	<u>(54,403,915)</u>	<u>(5,351,405)</u>	<u>119,067</u>	<u>(59,636,253)</u>
<b>Capital assets, net</b>	<u>\$ 104,293,062</u>	<u>\$ 41,295,903</u>	<u>\$ (43,145,257)</u>	<u>\$ 102,443,708</u>
<b>Business-Type Activities:</b>				
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	2,601,588	82,265	(21,378)	2,662,475
Total cost	<u>3,626,938</u>	<u>82,265</u>	<u>(21,378)</u>	<u>3,687,825</u>
Less accumulated depreciation:				
Site improvements	(15,183)	-	-	(15,183)
Buildings	(497,305)	(34,685)	-	(531,990)
Furniture and equipment	(2,377,186)	(60,408)	21,378	(2,416,216)
Total accumulated depreciation	<u>(2,889,674)</u>	<u>(95,093)</u>	<u>21,378</u>	<u>(2,963,389)</u>
<b>Capital assets, net</b>	<u>\$ 737,264</u>	<u>\$ (12,828)</u>	<u>\$ -</u>	<u>\$ 724,436</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 7 CAPITAL ASSETS (CONTINUED)**

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

**Governmental Activities**

Instruction	\$ 3,401,711
Instructional student support	512,122
Administrative and financial support services	594,816
Operation and maintenance of plant services	481,362
Pupil transportation	255,473
Student activities	104,637
Community services	1,284
	<u>\$ 5,351,405</u>

**Business-Type Activities**

Food service	\$ 60,408
Property rental	34,685
	<u>\$ 95,093</u>

The construction in progress consists of the following at June 30, 2016:

Hamilton Elementary School Renovations	\$ 775,824
Fiber Optic Cable Project	1,978,209
Maintenance office building repairs	121,539
Various projects	78,378
Total	<u>\$ 2,953,950</u>

As of June 30, 2016, the School District had the following construction commitments:

	<b>Total Estimated Costs</b>	<b>Total Costs Incurred</b>	<b>Total Costs To Be Incurred</b>
Hamilton Elementary School Renovations	\$ 6,785,690	\$ 775,824	\$ 6,009,866
Fiber Optic Cable Project	1,993,002	1,978,209	14,793
Swartz auditorium roof	151,391	-	151,391
Tennis courts renovations	172,154	-	172,154
	<u>\$ 9,102,237</u>	<u>\$ 2,754,033</u>	<u>\$ 6,348,204</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS**

Accrued salaries and benefits consist of the following as of June 30, 2016:

<b>General Fund</b>	
Accrued salaries	\$ 2,219,617
Retirement	2,754,342
Social security	<u>162,372</u>
	<u>\$ 5,136,331</u>

**NOTE 9 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities</b>						
General obligation bonds and notes payable:						
(A) Series of 2011	\$ 26,055,000	\$ -	\$ (130,000)	\$ 25,925,000	\$ 130,000	\$ 25,795,000
(B) Series of 2012A	8,735,000	-	(450,000)	8,285,000	460,000	7,825,000
(C) Series of 2012B	2,495,000	-	(55,000)	2,440,000	55,000	2,385,000
(D) Series of 2014	8,685,000	-	(1,360,000)	7,325,000	1,405,000	5,920,000
(E) Series of 2014A	2,515,000	-	(610,000)	1,905,000	615,000	1,290,000
(F) Series of 2014B	8,005,000	-	(1,750,000)	6,255,000	1,805,000	4,450,000
(G) Series of 2015A	6,865,000	-	(90,000)	6,775,000	90,000	6,685,000
(H) Series of 2015B	2,940,000	-	(50,000)	2,890,000	60,000	2,830,000
Unamortized bond premium/(discount)	<u>3,619,621</u>	-	<u>(441,138)</u>	<u>3,178,483</u>	<u>441,138</u>	<u>2,737,345</u>
Subtotal - bonds	<u>69,914,621</u>	-	<u>(4,936,138)</u>	<u>64,978,483</u>	<u>5,061,138</u>	<u>59,917,345</u>
Capital leases	<u>163,017</u>	-	<u>(36,884)</u>	<u>126,133</u>	<u>40,327</u>	<u>85,806</u>
Compensated absences/retirement stipend						
Sick leave	1,171,580	744,240	(982,760)	933,060	67,254	865,806
Vacation	110,920	342,320	(325,509)	127,731	45,833	81,898
Retirement stipend	<u>588,500</u>	<u>49,500</u>	<u>(27,500)</u>	<u>610,500</u>	<u>12,773</u>	<u>597,727</u>
Subtotal - compensated absences/retirement stipend	<u>1,871,000</u>	<u>1,136,060</u>	<u>(1,335,769)</u>	<u>1,671,291</u>	<u>125,860</u>	<u>1,545,431</u>
<b>Total long-term liabilities</b>	<u>\$ 71,948,638</u>	<u>\$ 1,136,060</u>	<u>\$ (6,308,791)</u>	<u>\$ 66,775,907</u>	<u>\$ 5,227,325</u>	<u>\$ 61,548,582</u>
<b>Business-Type Activities</b>						
Compensated absences:						
Sick leave	\$ 2,030	\$ 478	\$ (634)	\$ 1,874	\$ 187	\$ 1,687
Vacation	<u>1,350</u>	<u>3,834</u>	<u>(3,456)</u>	<u>1,728</u>	<u>173</u>	<u>1,555</u>
<b>Total long-term liabilities</b>	<u>\$ 3,380</u>	<u>\$ 4,312</u>	<u>\$ (4,090)</u>	<u>\$ 3,602</u>	<u>\$ 360</u>	<u>\$ 3,242</u>

(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 are due in varying amounts on March 1 and September 1, 2012 to 2027. The bonds bear interest at rates ranging from 0.45% to 5.25%.

(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, 2016**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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- (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%.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

The annual debt requirements for future general obligation bonds and notes as of June 30, 2016 are as follows:

	Series of 2011		Series of 2012A		Series of 2012B		Series of 2014	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 130,000	\$ 1,282,012	\$ 460,000	\$ 186,370	\$ 55,000	\$ 47,537	\$ 1,405,000	\$ 196,390
2018	130,000	1,279,087	470,000	177,170	55,000	46,713	1,425,000	168,290
2019	135,000	1,275,775	475,000	170,590	60,000	45,850	1,480,000	112,990
2020	140,000	1,271,988	500,000	162,515	740,000	38,000	1,535,000	61,040
2021	145,000	1,267,713	515,000	152,515	825,000	22,350	1,480,000	30,340
2022 - 2026	19,485,000	4,806,633	5,865,000	248,384	705,000	7,050	-	-
2027 - 2028	5,760,000	144,000	-	-	-	-	-	-
	<u>\$ 25,925,000</u>	<u>\$ 11,327,208</u>	<u>\$ 8,285,000</u>	<u>\$ 1,097,544</u>	<u>\$ 2,440,000</u>	<u>\$ 207,500</u>	<u>\$ 7,325,000</u>	<u>\$ 569,050</u>

	Series of 2014A		Series of 2014B		Series of 2015A		Series of 2015B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 615,000	\$ 51,400	\$ 1,805,000	\$ 232,150	\$ 90,000	\$ 158,685	\$ 60,000	\$ 86,297
2018	635,000	35,725	1,860,000	178,000	95,000	862,865	65,000	85,337
2019	655,000	13,100	1,940,000	103,600	95,000	154,985	60,000	84,297
2020	-	-	650,000	26,000	1,465,000	153,085	25,000	83,337
2021	-	-	-	-	2,185,000	109,135	30,000	82,587
2022 - 2026	-	-	-	-	2,845,000	65,435	180,000	394,335
2027 - 2028	-	-	-	-	-	-	2,470,000	124,137
	<u>\$ 1,905,000</u>	<u>\$ 100,225</u>	<u>\$ 6,255,000</u>	<u>\$ 539,750</u>	<u>\$ 6,775,000</u>	<u>\$ 1,504,190</u>	<u>\$ 2,890,000</u>	<u>\$ 940,327</u>

Totals		
	Principal	Interest
2017	\$ 4,620,000	\$ 2,240,841
2018	4,735,000	2,833,187
2019	4,900,000	1,961,187
2020	5,055,000	1,795,965
2021	5,180,000	1,664,640
2022 - 2026	29,080,000	5,521,837
2027 - 2028	8,230,000	268,137
	<u>\$ 61,800,000</u>	<u>\$ 16,285,794</u>

**Subsequent Events - Debt**

On July 7, 2016, the School District issued \$ 3,000,000 of General Obligation Bonds, Series of 2016 (Limited Tax). The purpose of the issuance is to finance various capital projects of the School District and to pay the costs of issuing the Bonds.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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***Capital Leases***

The School District is financing the purchase of treadmills through capital leases with vendors. At June 30, 2016, the leased assets have a gross capitalized value of \$ 177,756 and accumulated depreciation of \$ 71,102, leaving a net book value of \$ 106,654 that is included in capital assets. Amortization expense of \$ 35,551 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at June 30, 2016 is as follows:

2016-2017	\$	49,999
2017-2018		49,999
2018-2019		<u>43,387</u>
		143,385
Amount representing interest		<u>(17,252)</u>
	\$	<u><u>126,133</u></u>

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

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***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 2015/2016, the School District's estimated contributions were \$ 245,827 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 \$ 599,111.



**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

**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:

	<b>Governmental Activities</b>
Annual required contribution (ARC)	\$ 325,301
Estimated interest on net OPEB obligation	63,672
Estimated adjustment to ARC	<u>(86,865)</u>
Annual OPEB cost	302,108
Estimated employer contributions made	<u>(245,827)</u>
Increase in net OPEB obligation	56,281
Net OPEB obligation - beginning of the year	<u>1,414,938</u>
Net OPEB obligation - end of the year	<u><u>\$ 1,471,219</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, 2016 and the preceding two years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 302,108	81.37%	\$ 1,471,219
2015	\$ 327,424	72.37%	\$ 1,414,938
2014	\$ 329,076	69.38%	\$ 1,324,463

***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:

<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
07/01/15	\$ -	\$ 2,650,293	\$ 2,650,293	0.00%	\$ 27,203,630	9.74%

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***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, 2016**

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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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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 portion of the total contribution rate for the School District and the Commonwealth used to fund the premium assistance was 0.84% for the year ended June 30, 2016.

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:

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contributed</b>	<b>Contribution Rate</b>
2016	\$ 243,428	100.00%	0.84%
2015	\$ 270,547	100.00%	0.90%
2014	\$ 279,030	100.00%	0.93%

**NOTE 11 PENSION PLAN**

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***General Information About the Pension Plan***

**Plan Description**

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

**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)**

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***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, 2016 was 25.00% 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 recognized as revenue by the pension plan from the School District were \$ 7,224,887 for the year ended June 30, 2016.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 11 PENSION PLAN (CONTINUED)**

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***General Information About the Pension Plan (Continued)***

**Contributions (Continued)**

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50% 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, 2016, the School District recognized revenue of \$ 3,831,680 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, 2016, the School District reported a liability of \$ 102,873,859 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, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The 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, 2015, the School District's proportion was 0.2375 percent, which was a decrease of 0.0017 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense as follows:

Governmental Activities	\$ 9,299,517
Business-Type Activities	\$ 17,814

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 425,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	207,748
Changes in proportionate share - plan	1,502,321	576,780
Changes in proportionate share - fund	11,006	11,006
Difference between employer contributions and proportionate share of total contributions	252,927	-
Contributions subsequent to the measurement date	<u>7,290,127</u>	<u>-</u>
	<u>\$ 9,056,381</u>	<u>\$ 1,220,534</u>

**NOTE 11 PENSION PLAN (CONTINUED)**

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

The \$ 7,290,127 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (175,093)
2018	(175,093)
2019	(175,093)
2020	<u>1,070,999</u>
Total	<u>\$ 545,720</u>

**Actuarial Assumptions**

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50% , which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-200 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-200 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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.

**NOTE 11 PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	(1.1%)
	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, 2015.

**Discount Rate**

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

**NOTE 11 PENSION PLAN (CONTINUED)**

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	<u>\$ 126,802,000</u>	<u>\$ 102,873,859</u>	<u>\$ 82,762,000</u>

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

As of June 30, 2016, the School District had \$ 2,754,342 included in accrued salaries and benefits liability, of which \$ 2,188,789 is for the contractually required contribution for the second quarter of 2016 and \$ 565,553 is related to the accrued payroll liability for wages incurred as of June 30, 2016.

**NOTE 12 AFFILIATES**

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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, 2016 were \$ 298,504.

**NOTE 13 CONTINGENCIES**

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

The School District is involved with various lawsuits in the normal course of operations. 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, 2016**

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**NOTE 13 CONTINGENCIES (CONTINUED)**

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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, 2016 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**

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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.

The School District self-insures a portion of their workers' compensation insurance through the School District Insurance Consortium (SDIC). The School District is responsible for claims up to the amount maintained in a self-insurance reserve with SDIC. The School District also contributes to the SDIC "Central Fund", which pays claims for all participating school districts that exceed the initial claims self-insured. There were no significant unpaid claims or estimated claims incurred but not reported at June 30, 2016. Total payments to SDIC in 2015/2016 were \$ 154,618.

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, 2016, 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 \$ 225,000 individually, and has an unlimited lifetime benefit per person.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 14 RISK MANAGEMENT - INSURANCE (CONTINUED)**

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

<b>Year Ended June 30</b>	<b>Liability Beginning</b>	<b>Current Year Expense (including Changes in Estimate)</b>	<b>Payments</b>	<b>Liability Ending</b>
2016	\$ 298,973	\$ 8,010,374	\$ 7,764,283	\$ 545,064
2015	\$ 480,000	\$ 7,728,120	\$ 7,909,147	\$ 298,973

The ending liability consists of incurred but not reported (IBNR) claims as of June 30, 2016. The IBNR was estimated based on actual claims incurred prior to June 30, 2016, but paid after year end.

**NOTE 15 LEASES**

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The School District has entered into a noncancelable operating lease for copiers. Rent expense for 2015-2016 was \$ 168,728. The School District has the following future minimum payments:

2016-2017	\$ <u>77,546</u>
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**NOTE 16 THE BISON FOUNDATION**

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The Foundation is included in these financial statements as a discretely presented component unit. The following details the significant footnotes of the Foundation.

***Cash and Cash Equivalents***

Cash and cash equivalents of the Foundation represent demand deposits.

***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a written policy for custodial credit risk. As of June 30, 2016, \$ 92,698 of the Foundation's bank balance of \$ 347,463 was exposed to custodial credit risk.

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 16 THE BISON FOUNDATION (CONTINUED)**

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***Net Position***

The following details the net position of the Foundation as of June 30, 2016:

Restricted - expendable Scholarships	\$ 87,181
Unrestricted	<u>300,362</u>
Total net position	<u>\$ 387,543</u>

***Transactions between the Primary Government and Component Unit***

During the year ended June 30, 2016, there were no transfers between the Foundation and the School District.

**NOTE 17 RESTATEMENT**

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A restatement was required to correct the balance of liabilities for the Component Unit Foundation at June 30, 2015. In the year ending June 30, 2015, a liability was recorded for funds held on behalf of another organization. It was originally understood that these funds were held for a separate entity; however, it was subsequently determined that these funds were not truly for a separate entity, but were part of a separate fund within the Component Unit. As a result, these funds were reclassified from a liability to net position. As a result of this restatement, the June 30, 2015 net position balance was restated as follows:

	<b>Component Unit Foundation</b>
Net Position, as originally stated - June 30, 2015	\$ 332,499
Correct classification of funds held for another organization.	<u>27,160</u>
Net Position, as restated - June 30, 2015	<u>\$ 359,659</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CARLISLE AREA SCHOOL DISTRICT**  
**OPEB (Other Postemployment Benefit Plan)**  
**Unaudited Required Schedule of Funding Progress**  
**June 30, 2016**

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<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
07/01/15	\$ -	\$ 2,650,293	\$ 2,650,293	0.00%	\$ 27,203,630	9.74%
07/01/13	\$ -	\$ 2,867,065	\$ 2,867,065	0.00%	\$ 27,443,987	10.45%
07/01/11	\$ -	\$ 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, 2016**

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<b>For the Fiscal Year Ended June 30</b>	<b>School District's Proportion of the Net Pension Liability (Asset)</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>School District's Covered Payroll - measurement period</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
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**

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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.

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of School District's Contributions - Public School Employees'**  
**Retirement System**  
**Year Ended June 30, 2016**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2016	\$ 7,244,887	\$ 7,244,887	\$ -	\$ 29,356,113	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**

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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, 2016**

<b>Grantor Program Title</b>	<b>Source Code</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Grant Period Beginning/Ending Date</b>	<b>Program or Award Amount</b>	<b>Total Received for the Year</b>	<b>Receivable (Payable) at July 1, 2015</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Payable) at June 30, 2016</b>	<b>Total Passed-Through to Subrecipients</b>
<b>U.S. Department of Education</b>											
Impact Aid	I	84.041	N/A	July 1, 2014 - June 30, 2015	557,576	\$ 42,691	\$ 42,691	\$ -	\$ -	\$ -	\$ -
Impact Aid	I	84.041	N/A	July 1, 2015 - June 30, 2016	607,941	607,941	-	607,941	607,941	-	-
Total direct funds						650,632	42,691	607,941	607,941	-	-
<b>Passed through the Pennsylvania Department of Education</b>											
ESEA Title I	I	84.010	013-15-0063	July 1, 2014 - September 30, 2015	986,937	131,224	131,224	-	-	-	-
ESEA Title I	I	84.010	013-16-0063	July 1, 2015 - September 30, 2016	911,559	911,559	-	911,559	911,559	-	-
Title I						1,042,783	131,224	911,559	911,559	-	-
ESEA Title II Improving Teacher Quality	I	84.367	013-15-0063	July 1, 2014 - September 30, 2015	157,151	(213)	(213)	-	-	-	-
ESEA Title II Improving Teacher Quality	I	84.367	013-16-0063	July 1, 2015 - September 30, 2016	155,372	155,372	-	155,372	155,372	-	-
Title II						155,159	(213)	155,372	155,372	-	-
ESEA Title III	I	84.365	013-15-0063	July 1, 2014 - September 30, 2015	37,383	6,445	8,011	-	-	1,566	-
ESEA Title III	I	84.365	013-16-0063	July 1, 2015 - September 30, 2016	39,425	30,977	-	39,425	39,425	8,448	-
Title III						37,422	8,011	39,425	39,425	10,014	-
Secondary Allocation - Perkins	I	84.048	380-16-0106	July 1, 2015 - June 30, 2016	61,405	61,405	-	61,405	61,405	-	-
Total - Pennsylvania Department of Education						1,296,769	139,022	1,167,761	1,167,761	10,014	-
<b>Passed through Capital Area Intermediate Unit</b>											
I.D.E.A.	I	84.027	N/A	July 1, 2014 - June 30, 2015	853,951	426,976	426,976	-	-	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2015 - June 30, 2016	891,352	-	-	891,352	891,352	891,352	-
I.D.E.A. Part B (619)	I	84.173	N/A	July 1, 2015 - June 30, 2016	9,978	9,978	-	9,978	9,978	-	-
Total Special Education Cluster						436,954	426,976	901,330	901,330	891,352	-
Race to the Top - ARRA	I	84.413A	N/A	July 1, 2012 - June 30, 2016	N/A	7,981	-	7,981	7,981	-	-
Total - Capital Area Intermediate Unit						444,935	426,976	909,311	909,311	891,352	-
<b>Total U.S. Department of Education</b>						<b>2,392,336</b>	<b>608,689</b>	<b>2,685,013</b>	<b>2,685,013</b>	<b>901,366</b>	<b>-</b>

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2016**

<b>Grantor Program Title</b>	<b>Source Code</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Grant Period Beginning/Ending Date</b>	<b>Program or Award Amount</b>	<b>Total Received for the Year</b>	<b>Receivable (Payable) at July 1, 2015</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Payable) at June 30, 2016</b>	<b>Total Passed-Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>											
<b>Fresh Fruit and Vegetable</b>											
<b>Passed through Pennsylvania Department of Education</b>											
Fresh Fruits and Vegetable Program	I	10.582	N/A	July 1, 2014 - June 30, 2015	N/A	2,527	2,527	-	-	-	-
Fresh Fruits and Vegetable Program	I	10.582	N/A	July 1, 2015 - June 30, 2016	N/A	18,486	-	20,886	20,886	2,400	-
Total Fresh Fruits and Vegetable Program						21,013	2,527	20,886	20,886	2,400	-
<b>Child Nutrition Cluster</b>											
<b>Passed through Pennsylvania Department of Education</b>											
School Breakfast Program	I	10.553	N/A	July 1, 2014 - June 30, 2015	N/A	28,434	28,434	-	-	-	-
School Breakfast Program	I	10.553	N/A	July 1, 2015 - June 30, 2016	N/A	209,405	-	239,292	239,292	29,887	-
Total School Breakfast Program						237,839	28,434	239,292	239,292	29,887	-
Special Milk	I	10.556	N/A	July 1, 2014 - June 30, 2015	N/A	436	436	-	-	-	-
Special Milk	I	10.556	N/A	July 1, 2015 - June 30, 2016	N/A	2,438	-	2,758	2,758	320	-
Total School Special Milk Program						2,874	436	2,758	2,758	320	-
After School Snacks	I	10.555	N/A	July 1, 2014 - June 30, 2015	N/A	35	35	-	-	-	-
After School Snacks	I	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	200	-	211	211	11	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2014 - June 30, 2015	N/A	101,868	101,868	-	-	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	749,867	-	850,319	850,319	100,452	-
<b>Passed through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program (commodities)	I(B)	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	176,781	-	176,781	176,781	-	-
Total National School Lunch Program						1,028,751	101,903	1,027,311	1,027,311	100,463	-
Total Child Nutrition Cluster						1,269,464	130,773	1,269,361	1,269,361	130,670	-
<b>Total U.S. Department of Agriculture</b>						1,290,477	133,300	1,290,247	1,290,247	133,070	-
<b>Total Expenditures of Federal Awards</b>						\$ 3,682,813	\$ 741,989	\$ 3,975,260	\$ 3,975,260	\$ 1,034,436	\$ -

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

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**NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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(D) Direct funding

(I) Indirect funding

(B) Based on USDA valuation

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

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***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 not elected 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Carlisle Area School District, as of and for the year ended June 30, 2016, 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 22, 2016.

***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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

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

## **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.

*Smith Elliott Kearns & Company, LLC*

Carlisle, Pennsylvania  
December 22, 2016



## **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, 2016. 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, 2016.

## **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 Carlisle Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carlisle Area School District's internal control over compliance.

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

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

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

*Smith Elliott Kearns & Company, LLC*

Carlisle, Pennsylvania  
December 22, 2016

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**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
10.553	Child Nutrition Cluster: National School Breakfast Program National School Lunch Program Donated Commodities Special Milk After School Snacks
10.555	
10.555	
10.556	
10.555	
84.041	Impact Aid

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

Auditee qualified as low-risk auditee?  Yes  No



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

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**Section II - Financial Statement Findings**

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

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**

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

None noted

C. Compliance Findings

None noted

**CARLISLE AREA SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2016**

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**FINANCIAL STATEMENT FINDINGS**

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**Finding 2015-001 – Proper Recording of Federal Related Revenues and Receivables**

**Condition:** During 2015, there were audit adjustments necessary for federal grant activity that was not properly recorded or reconciled in the general ledger or for reporting on the schedule of expenditures of federal awards.

**Status:** Corrective action was taken. There were no findings related to this matter identified in the current year.

**Finding 2015-002 – Proper Recording of Capital Assets**

**Condition:** During 2015, there were numerous audit adjustments necessary for capital assets recorded in the governmental activities as well as the property rental fund. There was an asset purchased by the property rental fund that was erroneously recorded in the general fund. In addition, there were disposals of capital assets that were not properly accounted for. Finally, there were capital assets placed in service in the current year that were previously in construction in progress; however, these were not properly accounted for.

**Status:** Corrective action was taken. There were no findings related to this matter identified in the current year.

**FEDERAL AWARD FINDINGS**

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**Finding 2015-003 – U.S. Department of Agriculture – Child Nutrition Cluster CFDA 10.555, 10.553 and 10.556 – No Review of Food Service Claim Form Submissions**

**Condition:** The monthly claim forms for reimbursement filed by the School District to document reimbursable meals for the food service program are generated and submitted by the same person with no review of these forms for accuracy by someone other than the person preparing the forms.

**Status:** Corrective action was taken. There were no findings related to this matter identified in the current year.

**Finding 2015-004 – U.S. Department of Agriculture – Child Nutrition Cluster CFDA 10.555, 10.553 and 10.556 – No Review of Input of Free and Reduced Applications**

**Condition:** The School District does not have review procedures in place to verify that the individual inputting the information from the free and reduced applications into the system that determines eligibility is inputting that information correctly.

**Status:** Corrective action was taken. There were no findings related to this matter identified in the current year.