

LITTLESTOWN AREA SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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Greenawalt & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Littlestown Area School District
Littlestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Littlestown 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 District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

IAR - 1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Littlestown Area School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MDA-1 through MDA-11 and the other required supplementary information on pages ORSI-1 through ORSI-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of Littlestown 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 Littlestown Area School District's internal control over financial reporting and compliance.

Greenawalt & Company, P.C.
GREENAWALT & COMPANY, P.C.

December 2, 2016

Mechanicsburg, Pennsylvania

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016

This discussion and analysis provides an overview of the District’s financial performance for the year ended June 2016. The report format is in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Management’s Discussion and Analysis (MD&A) includes comparisons of financial position at June 2016, 2015 and 2014. The MD&A also includes comparisons of current year financial activities to the previous year. The 2015 and 2014 amounts have come from our prior year MD&A, and are otherwise not a part of the June 2016 financial statements. Please read our discussion and analysis in conjunction with the District’s financial statements, which begin on page FS-1. In this discussion and analysis, dollar amounts in the tables are presented in millions, to make it easier to read.

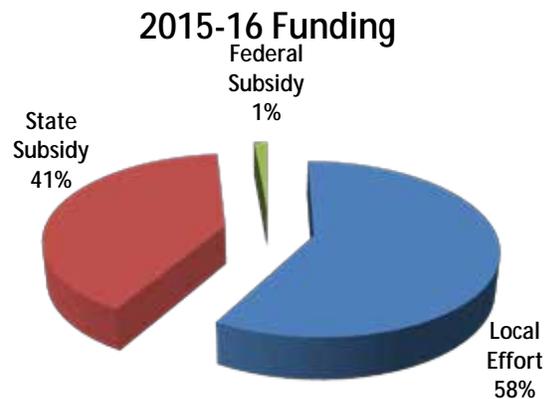
FINANCIAL HIGHLIGHTS

The Littlestown Area School District Board of Directors adopted the 2015-16 General Fund budget planning to pull \$322,807 from fund balance. The actual fiscal year results increased the fund balance by \$980,488. General Fund revenues increased by 2.2% from \$28,573,476 in 2014-15 to \$29,211,330 in 2015-16. General Fund expenditures and transfers decreased by 1.0% from \$28,524,968 in 2014-15 to \$28,230,832 in 2015-16.

The General Fund’s total fund balance as of June 30, 2016 is \$6,144,881. Of that total, \$950,000 is non-spendable for employee health insurance with Lincoln Benefit Trust and \$2,750,000 is assigned for technology upgrades, future Middle School, and District improvements; leaving an unassigned balance of \$2,444,881.

Revenues

The funding chart to the right shows the percentage of local effort versus state and federal subsidy funds. The 2015-16 percentages changed slightly from 2014-15. State subsidy increased from 40% to 41%, while Federal Subsidy decreased from 2% to 1%. The change was due to increase in the Commonwealth’s PSERS subsidy amount and the increase in Basic Education and Special Education Funding. While the State Subsidy increased, the Federal subsidy decreased in 2015-16.



The District’s earned income tax (EIT) revenue increased by 8.8% from \$1,655,079 in 2014-15 to \$1,800,327 in 2015-16. The occupation tax revenue increased by 0.3% from \$1,282,657 in 2014-15 to \$1,286,917 in 2015-16. The occupation tax remained at 100% of assessed value, and the EIT rate remained at .50%.

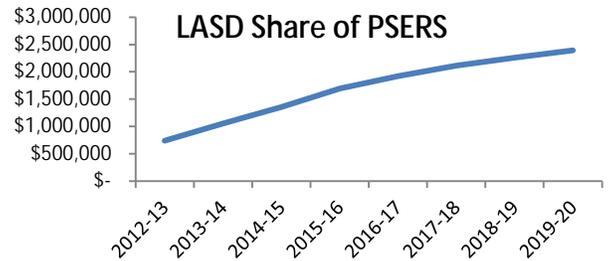
The District received \$900,896 of state gaming revenue in 2015-16 compared with \$897,873 in 2014-15.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The funds were used to reduce the local real estate taxes. These funds were distributed in an equal amount to each qualified taxpayer of \$220.87 per homestead/farmstead.

Expenditures

The district continues to struggle with the Commonwealth’s PSERS mandate. Pennsylvania school districts were required to pay 25.84 % of payroll into PSERS for 2015-16. The percent districts are required to pay will continue to increase, until the percentage levels off around 34% in 2019-20.



Special Education costs continue to absorb a significant portion of the budget. For 2015-16, Special Education costs in the district increased by 2.6% to \$4,636,321. The prior year, cost increased by 16.0%. Additionally, the Commonwealth has not increased their Special Education funding in recent years.

There were no building expansion projects during the 2015-16 school year. The major projects utilizing the \$134,617 of Capital Reserve funds during 2015-16 were for painting the High School Auditorium, new risers for music department, new power unit on Middle School elevator, roof maintenance, and various other repair and replacement jobs.

In July 2015, the District refinanced the 2007 General Obligation Notes, as well as received \$14 million in new money. The new money will go toward the demolition of Rolling Acres Elementary School, the addition of Kindergarten through third grade to Alloway Creek, replace a portion the High School Roof, and an athletic field project. During the 2015-16 school year, the District spent \$1,063,749 of the Bond proceeds on preparations for the Alloway Creek Project and replacing a portion of the High School Roof.

Looking Forward

Healthcare expenses, PSERS rates, and Special Education costs create a challenge for the District. The District will be left to absorb the full cost of increasing healthcare expenses. Act 120 reformed the Public State Employees Retirement System (PSERS) which increased the amount district contributed to the retirement plan.

To help control the increasing healthcare expenses, the District did move to a Qualified High Deductible Health Plan. The plan is required for all Professional and Act 93 employees who elect the District’s insurance.

In November 2015, the District’s taxpayers elected to eliminate the Occupation Assessment Tax and move to a higher EIT percentage. The District portion of the EIT will be 1.1% beginning July 1, 2016.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016

USING THESE FINANCIAL STATEMENTS

This report contains a series of financial statements. The Statement of Net Position and the Statement of Activities are on pages FS-1 and FS-2. These statements provide information about the District as a whole, and present a longer-term view of District finances than fund financial statements. Fund financial statements are on pages FS-3, FS-5 and FS-7 through FS-10. For governmental funds, the statements show how District services have been financed in the short term, as well as the amount remaining for future spending. Proprietary funds statements provide information about non-governmental operations, in this case food service. The fiduciary funds statement reports amounts held in trust by the District for payroll and student activities.

Page FS-4 reconciles total governmental fund balances to total net position of governmental activities. Page FS-6 reconciles the total net change in governmental fund balances to the change in net position of governmental activities.

District-wide Financial Statements

District-wide statements present financial activities and the results of those activities in two categories, governmental and business-type. Capital assets (land, buildings, improvements, furniture and equipment) are included with all other assets. Long-term debt is included with all other liabilities. Also included are the net pension liability, and related deferred outflows and inflows of resources. This is distinctly different from the fund statements in which assets and liabilities are separated into various funds such as General and Capital Reserve.

In the district-wide statements, the approach to measurement of revenues and expenses is similar to that used in the private sector and is referred to as the accrual basis of accounting. This is disclosed further in the notes to financial statements.

Fund Financial Statements

Fund statements provide financial information about the District’s funds rather than the District as a whole. There are three types of funds, Governmental, Proprietary and Fiduciary. The use of each type of fund is disclosed in the notes to financial statements. Unlike district-wide statements that report revenues on the accrual basis, the governmental fund statements report revenues only to the extent cash has been received, or is expected to be received in the near future.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

THE DISTRICT AS A WHOLE

Statement of Net Position

The District's total net position (deficit) was \$10.7 million at June 2014, a deficit \$(26.4) million at June 2015, and a deficit \$(27.2) million at June 2016. The June 2016 deficit results from being required to include pension related amounts of \$ 41.6 million. The following summarizes the Statement of Net Position (page FS-1).

	Governmental Activities			Business-type Activities			Totals		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Current and other assets	\$ 23.3	\$ 9.2	\$ 9.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 23.4	\$ 9.3	\$ 9.3
Capital assets	21.0	21.0	21.8	0.1	0.1	0.1	21.1	21.1	21.9
Total assets	<u>44.3</u>	<u>30.2</u>	<u>31.0</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>44.5</u>	<u>30.4</u>	<u>31.2</u>
Deferred outflows-pension	4.4	3.5	N/A	0.1	0.1	N/A	4.5	N/A	N/A
Current and other liabilities	3.3	3.1	3.1	-	-	-	3.3	3.1	3.1
Long-term liabilities	71.6	53.8	17.4	1.0	0.9	-	72.6	54.6	17.4
Total liabilities	<u>74.9</u>	<u>56.9</u>	<u>20.5</u>	<u>1.0</u>	<u>0.9</u>	<u>-</u>	<u>75.9</u>	<u>57.7</u>	<u>20.5</u>
Deferred inflows-pension	0.3	2.7	N/A	0.0	-	N/A	0.3	2.7	N/A
Capital assets (net of related debt)	(19.7)	6.8	6.3	0.1	0.1	0.1	(19.6)	7.0	6.5
Restricted	12.9	-	-	-	-	-	12.9	-	-
Unrestricted	(19.7)	(32.6)	4.2	(0.8)	(0.8)	0.1	(20.5)	(33.4)	4.2
Total net position (deficit)	<u>\$ (26.5)</u>	<u>\$ (25.8)</u>	<u>\$ 10.5</u>	<u>\$ (0.7)</u>	<u>\$ (0.6)</u>	<u>\$ 0.2</u>	<u>\$ (27.2)</u>	<u>\$ (26.4)</u>	<u>\$ 10.7</u>

Net position (deficit) equals total assets plus deferred outflow of resources less liabilities and deferred inflow of resources, and represents resources that may be used to pay for future operations and capital assets.

Effective July 1, 2014, the District is required to report the net pension liability, pension expense, and deferred outflows and inflows of resources related to pensions. This new Governmental Accounting Standards Board Statement 68 (GASB 68) requirement has significantly and negatively affected the Net Position (Deficit) of the District's financial statements beginning in the 2014-2015 fiscal year.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Statement of Activities

The following summarizes the Statement of Activities (page FS-2). It shows that total net position decreased by \$0.7 million during 2016 and decreased by \$0.7 million during 2015.

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues						
Charges for services	\$ 0.1	\$ 0.2	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.6
Operating grants and contributions	5.2	5.0	0.5	0.5	5.7	5.5
Capital grants and contributions	0.1	0.3	-	-	0.1	0.3
General revenues						
Taxes	16.8	16.0	-	-	16.8	16.0
State general subsidies	7.1	7.0	-	-	7.1	7.0
Transfer among funds	(0.1)	(0.1)	0.1	0.1	(0.0)	0.0
Total revenues	<u>29.2</u>	<u>28.4</u>	<u>1.0</u>	<u>1.0</u>	<u>30.2</u>	<u>29.4</u>
Direct expenses	<u>29.9</u>	<u>29.1</u>	<u>1.0</u>	<u>1.0</u>	<u>30.9</u>	<u>30.1</u>
Change in net position	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>

The change in net position is the difference between revenues and expenses using the accrual basis of accounting.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The following summarizes expense information from the Statement of Activities (page FS-2). Direct expenses represents the actual cost of providing the services while the net expense represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The net expense must be recovered through general revenues, primarily taxes and state general subsidies. State general subsidies revenues increased slightly from 2015 to 2016. Amounts not recovered reduce funds available for future years.

	Governmental Activities					
	Direct Expenses		Program Revenues		Net Expense	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 20.4	\$ 20.4	\$ 4.0	\$ 3.8	\$ 16.4	\$ 16.6
Instructional student support	2.3	2.3	0.3	0.2	2.0	2.1
Administrative and financial support	2.6	2.1	0.2	0.2	2.4	1.9
Operation and maintenance of plant	1.9	2.0	0.1	0.1	1.8	1.9
Pupil transportation	1.1	1.2	0.6	0.7	0.5	0.5
Student activities	0.5	0.5	-	-	0.5	0.5
Community services	-	-	-	-	-	-
Interest on long-term debt	1.1	0.6	-	-	1.1	0.6
	<u>\$ 29.9</u>	<u>\$ 29.1</u>	<u>\$ 5.2</u>	<u>\$ 5.0</u>	24.7	24.1
State general subsidies revenues					(7.1)	(7.0)
Transfer among funds					-	-
Total needs from taxes and other local sources					<u>\$ 17.6</u>	<u>\$ 17.1</u>

	Business-type Activities					
	Direct Expenses		Program Revenues		Net Expense	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Food service	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ -	\$ -
Transfer among funds					-	-
Net expenses					<u>\$ -</u>	<u>\$ -</u>

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016

THE DISTRICT’S FUNDS

Governmental Funds – fund balances

The District has not had any restricted fund balance, such as unexpended bond proceeds, since the completion of Alloway Creek Intermediate School in 2003. The nonspendable fund balance pertains to the District’s self-funded employee health insurance with Lincoln Benefit Trust. For 2015 and 2016, the assigned fund balance increased to \$2.8 million, to help fund future projects such as technology upgrades, future Middle School, and other District improvements. Amounts in the Capital Reserve Fund are committed to future capital outlays. Capital Projects are being restricted for the Alloway Creek Project and future Athletic Project.

	Governmental Fund Balances				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2015-2016</u> <u>Change</u>	<u>2014-2015</u> <u>Change</u>
General fund - nonspendable	\$ 1.0	\$ 0.7	\$ 0.9	\$ 0.3	\$ (0.2)
General fund - committed	-	-	-	-	-
General fund - assigned	2.8	0.8	0.8	2.0	-
General fund - unassigned	2.4	3.7	3.4	(1.3)	0.3
Capital projects fund - restricted	12.9	-	-	12.9	-
Capital reserve fund - committed	0.2	0.2	0.2	-	-
Total fund balances	\$ 19.3	\$ 5.4	\$ 5.3	\$ 13.9	\$ 0.1

Changes from 2015 to 2016

The General Fund had budgeted for a \$322,807 deficit requiring the use of fund balance for 2015-16. Instead of a deficit, the General Fund finished the year with a \$1.0 million increase. This is summarized in the general fund budget (on page MDA-8) with additional details on page ORSI-1 (other required supplementary information).

The General Fund’s nonspendable portion of its fund balance increased by \$.3 million to \$1.0 million for prepaid health insurance with Lincoln Benefit Trust.

The General Fund transferred \$.2 million to the Capital Reserve Fund during the year. The Capital Reserve fund balance remained almost unchanged. Capital Reserve Funds were spent on a number of maintenance projects.

Changes from 2014 to 2015

The General Fund had budgeted for a balanced budget for 2014-15. The General Fund finished the year with a \$0.1 million increase.

**LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The General Fund's nonspendable portion of its fund balance decreased by \$0.2 million to \$0.7 million for prepaid health insurance with Lincoln Benefit Trust.

The General Fund transferred \$0.3 million to the Capital Reserve Fund during the year. The Capital Reserve fund balance remained almost unchanged. Capital Reserve Funds were spent on a bus and a number of maintenance projects.

General Fund Budget

The following summarizes the General Fund budgetary comparison information presented on page ORSI-1, along with comparisons to the previous year.

	Original Budget		Actual		Variance	
	2016	2015	2016	2015	Positive 2016	(Negative) 2015
Total revenues	\$ 28.8	\$ 27.8	\$ 29.2	\$ 28.6	\$ 0.4	\$ 0.8
Total expenditures	28.8	27.6	28.0	28.2	0.8	(0.6)
Excess revenues (expenditures)	-	0.2	1.2	0.4	1.2	0.2
Other financing sources (uses)	(0.3)	(0.2)	(0.2)	(0.3)	0.1	(0.1)
Net change in fund balance	\$ (0.3)	\$ -	\$ 1.0	\$ 0.1	\$ 1.3	\$ 0.1

Actual revenues in 2016 were greater than budgeted revenues by \$0.4 million. In 2016, actual expenditures and other uses were \$0.9 million less than budgeted. Additional details are on page ORSI-1.

Actual revenues in 2015 were greater than budgeted revenues by \$0.8 million. In 2015, actual expenditures and other uses were \$0.7 million more than budgeted.

Deferred inflows of resources

Under the modified accrual basis of accounting, the District considers taxes not available to be recognized as revenue unless they received within 2 months after the fiscal year. The District's unavailable tax revenue was \$0.9 million at June 2015 and remained at \$0.9 million at June 2016.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

CAPITAL ASSETS

Capital assets are depreciated over their estimated useful lives. The following summarizes capital assets of the District.

	Capital Assets (Net of Depreciation)				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	2015-2016 <u>Change</u>	2014-2015 <u>Change</u>
Governmental activities					
Land	\$ 1.3	\$ 1.3	\$ 1.3	\$ -	\$ -
Construction in progress	0.6	-	-	0.6	-
Buildings and improvements	17.7	18.1	19.2	(0.4)	(1.1)
Furniture and equipment	0.9	1.0	0.8	(0.1)	0.2
School buses and vehicles	0.5	0.6	0.5	(0.1)	0.1
Library books	-	-	-	-	-
	<u>\$ 21.0</u>	<u>\$ 21.0</u>	<u>\$ 21.8</u>	<u>\$ -</u>	<u>\$ (0.8)</u>
Business-type activities					
Furniture and equipment	\$ 0.1	\$ 0.1	\$ 0.1	\$ -	\$ -

Capital assets in the governmental activities were \$21.0 million at June 2016, \$21.0 million at June 2015, and \$21.8 million at June 2014. During 2016, the District purchased \$1.3 million of capital assets and recorded depreciation expense of \$1.3 million. During 2015, the District purchased \$0.6 million of capital assets and recorded \$1.4 million in depreciation expense.

LONG-TERM LIABILITIES

The following summarizes the long-term liabilities note to financial statements (pages FS-27 through FS-37). Most of the debt is general obligation bonds issued to pay for capital improvements. The District's ability to raise future funds through the issuance of debt depends on how existing bonds are rated by the investment community. Standard & Poor's Ratings Services assigned its 'A+' long-term rating and underlying rating for credit program to the District's most recent series of general obligation bonds, the 2015 Series, issued in July 2015.

	Long-Term Liabilities				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	2015-2016 <u>Change</u>	2014-2015 <u>Change</u>
Governmental activities					
Bonds and notes payable	\$ 27.0	\$ 14.2	\$ 15.4	\$ 12.8	\$ (1.2)
Compensated absences	0.4	0.3	0.4	0.1	(0.1)
Retirement terminations	0.3	0.4	0.3	(0.1)	0.1
Other post employment benefits	1.6	1.4	1.3	0.2	0.1
Unamortized bond premiums	0.7	-	-	0.7	-
Net pension liability	41.6	37.5	36.4	4.1	1.1
	<u>\$ 71.6</u>	<u>\$ 53.8</u>	<u>\$ 53.8</u>	<u>\$ 17.8</u>	<u>\$ -</u>

**LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Each year, the District pays interest on the bonds and a portion of the outstanding bonds, referred to as redemption. The District made regularly scheduled redemptions of \$0.9 million during 2016 and \$1.3 million during 2015.

The District’s initial actuarial accrued liability for other post employment benefits of \$3.0 million is being amortized over a remaining period of approximately 1 year.

GASB 68 requires the District to report its pension related items. The net pension liability, including deferred outflows and inflows, increased by \$4.1 million during 2016. The pension obligation at June 2016 was \$41.6 million compared to \$37.5 million at June 2015.

NEXT YEAR’S BUDGET AND ECONOMIC FACTORS

	Original Budget		Change
	2016-2017	2015-2016	
Total revenues	\$ 30.4	\$ 28.8	\$ 1.6
Total expenditures	30.3	28.8	1.5
Excess revenues (expenditures)	0.1	-	0.1
Other financing sources (uses)	(0.4)	(0.3)	(0.1)
Net change in fund balance	\$ (0.3)	\$ (0.3)	\$ -

Littlestown Area School District empowers all learners to pursue their passion. For 2016-17, in addition to reducing its fund balance by \$0.3 million, the District raised real estate taxes by 5.12% in order to balance the budget against the cost of contractual salary increases and increasing retirement contributions. This year, the District approved a \$30.6 million budget. The Commonwealth is also impacted by significant increases to retirement contributions. Federal support decreased by \$0.1 million in 2015-16 and support was budgeted at the same level for 2015-16. Despite the challenges of a difficult economy, the District is committed to its students. The 2016-17 budget protects instructional programs; however, the District continues to explore reductions and efficiencies in every aspect of organizational operation.

The revenue budget for 2016-17 represents a 5.6% increase. The real estate millage rate increases by .5527 mills, from 10.7980 to 11.3507. In November 2015, the occupation tax was eliminated by the tax payers effective July 1, 2016. With the elimination of the occupation tax the earned income tax rate increased from 0.50% to 1.10%.

LITTLESTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The expenditure and other uses budget for 2016-17 represents a 5.2% increase. In addition to the usual increases in salaries and health benefits for employees, this budget includes increases for retirement benefits.

Act 1, commonly referred to as the property tax relief law, limits school boards from raising property taxes above the state index without voter approval. The District balanced the 2016-17 budget by going above the state adjusted index. The District was able to go above the index by filing two exceptions with the state; PSERS and Special Education exception. The two exceptions were passed by the state; therefore, no voter approval was necessary. However, \$0.3 million of fund balance was used to balance the 2016-17 budget.

A major financial concern in future years is the impact of continued increases in contribution rates to the Public School Employee's Retirement System (PSERS). The District will see another increase of over 20% in PSERS expense for the 2016-17 year. The rate will increase from 25.84% of payroll up to 30.03% of payroll.

In July 2015, the District issued its 2015 Series Bond to refinance its 2007 Series Note and obtained \$14.0 million for anticipated capital projects.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office of Littlestown Area School District, 162 Newark Street, Littlestown, PA 17340, (717) 359-4146.

LITTLESTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,902,657	\$ 92,585	\$ 6,995,242
Taxes receivable (net of allowance for uncollectibles)	1,097,000	-	1,097,000
Internal balances	69,538	(69,538)	-
Due from other governments	1,239,961	49,610	1,289,571
Other receivables	21,347	1,072	22,419
Inventories	-	19,059	19,059
Prepaid health insurance	950,000	-	950,000
Restricted cash	12,957,920	-	12,957,920
Capital assets not being depreciated	1,902,705	-	1,902,705
Capital assets being depreciated, net	19,127,566	93,571	19,221,137
Total assets	44,268,694	186,359	44,455,053
Deferred outflows of resources			
Deferred outflows for pensions	4,423,150	122,003	4,545,153
Liabilities			
Accounts payable	308,933	-	308,933
Payroll and benefits payable	2,760,874	-	2,760,874
Due to fiduciary funds	-	-	-
Unearned revenues	1,280	14,057	15,337
Accrued interest on bonds payable	270,300	-	270,300
Long-term liabilities			
Due within one year	1,140,000	4,000	1,144,000
Due in more than one year, net	28,884,749	23,690	28,908,439
Net pension liability	41,562,359	973,333	42,535,692
Total liabilities	74,928,495	1,015,080	75,943,575
Deferred inflows of resources			
Deferred inflows for pensions	254,788	6,837	261,625
Net position			
Invested in capital assets (net of related debt)	(19,651,775)	93,571	(19,558,204)
Restricted	12,874,288	-	12,874,288
Unrestricted (deficit)	(19,713,952)	(807,126)	(20,521,078)
Total net position (deficit)	\$ (26,491,439)	\$ (713,555)	\$ (27,204,994)

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

LITTLESTOWN AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2016

	General	Capital Reserve	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 6,721,653	\$ 181,004	\$ -	\$ 6,902,657
Restricted cash and cash equivalents	-	-	12,957,920	12,957,920
Taxes receivable (net of allowance for uncollectibles)	1,097,000	-	-	1,097,000
Due from other funds	69,538	59,396	-	128,934
Due from other governments	1,239,961	-	-	1,239,961
Other receivables	21,347	-	-	21,347
Prepaid health insurance	950,000	-	-	950,000
	<u>950,000</u>	<u>-</u>	<u>-</u>	<u>950,000</u>
Total assets	<u>\$ 10,099,499</u>	<u>\$ 240,400</u>	<u>\$ 12,957,920</u>	<u>\$ 23,297,819</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 284,464	\$ 233	\$ 24,236	\$ 308,933
Payroll and benefits payable	2,760,874	-	-	2,760,874
Due to other funds	-	-	59,396	59,396
Unearned revenues	1,280	-	-	1,280
Total liabilities	<u>3,046,618</u>	<u>233</u>	<u>83,632</u>	<u>3,130,483</u>
Deferred inflows of resources				
Unavailable tax revenue	908,000	-	-	908,000
	<u>908,000</u>	<u>-</u>	<u>-</u>	<u>908,000</u>
Fund balances				
Restricted	-	-	12,874,288	12,874,288
Nonspendable - employee health insurance	950,000	-	-	950,000
Committed - capital outlays	-	240,167	-	240,167
Assigned				
Technology upgrades	500,000	-	-	500,000
Future Middle School	1,250,000	-	-	1,250,000
District improvements	1,000,000	-	-	1,000,000
Unassigned	2,444,881	-	-	2,444,881
Total fund balances	<u>6,144,881</u>	<u>240,167</u>	<u>12,874,288</u>	<u>19,259,336</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,099,499</u>	<u>\$ 240,400</u>	<u>\$ 12,957,920</u>	<u>\$ 23,297,819</u>

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

LITTLESTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - Governmental funds \$ 19,259,336

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

Capital assets are not financial resources and therefore are not presented as assets in the governmental funds, but are reported in the governmental activities in the statement of net position. At year end, capital assets consist of:

Cost of assets	\$ 49,090,343	
Accumulated depreciation	<u>(28,060,072)</u>	21,030,271

Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures, and therefore are unavailable in the governmental funds. At year end, these taxes receivable consist of:

Real estate taxes	450,500	
Personal taxes	187,500	
Earned income taxes	<u>270,000</u>	908,000

Certain liabilities are not due and payable in the current year, and therefore are not presented as liabilities in the governmental funds. At year end, these liabilities consist of:

Bonds and notes payable	(27,050,000)	
Compensated absences and retirement terminations	(630,900)	
Other post employment benefits	<u>(1,586,091)</u>	
Long-term liabilities	(29,266,991)	
Accrued interest on bonds and notes payable	<u>(270,300)</u>	(29,537,291)

Bond discounts (premiums) are presented as expenditures in the governmental funds.

At year end, remaining unamortized bond related costs consist of:

Bond discounts (premiums)		(757,758)
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Certain liabilities, such as the net pension obligations, are not due and payable in the current year, and therefore are not reported in the governmental funds. At year end, these liabilities consist of:

Net pension liability	(41,562,359)	
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Deferred outflows and inflows of resources related to pensions are applicable to future years, and therefore are not reported in the governmental funds. At year end, these consist of:

Deferred outflows of resources related to pensions	4,423,150	
Deferred inflows of resources related to pensions	<u>(254,788)</u>	<u>(37,393,997)</u>

Net position (deficit) - Governmental activities \$ (26,491,439)

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

LITTLESTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Reserve	Capital Projects	Total
Revenues				
Local sources - taxes	\$ 16,623,684	\$ -	\$ -	\$ 16,623,684
Local sources - other	376,292	305	23,126	399,723
State sources	11,802,040	-	-	11,802,040
Federal sources	409,314	-	-	409,314
Total revenues	<u>29,211,330</u>	<u>305</u>	<u>23,126</u>	<u>29,234,761</u>
Expenditures				
Instruction	18,904,811	-	-	18,904,811
Support services	6,942,111	134,617	1,572,281	8,649,009
Noninstructional services	484,430	-	-	484,430
Debt service (principal and interest)	1,695,829	-	-	1,695,829
Refund of prior years revenues	-	-	-	-
Total expenditures	<u>28,027,181</u>	<u>134,617</u>	<u>1,572,281</u>	<u>29,734,079</u>
Excess (deficiency) of revenues over expenditures	1,184,149	(134,312)	(1,549,155)	(499,318)
Other financing sources (uses)				
Proceeds from bonds	-	-	28,747,058	28,747,058
Debt service (refunded bonds)	-	-	(14,323,615)	(14,323,615)
Transfers from other funds	-	150,000	-	150,000
Transfers to other funds	(203,651)	-	-	(203,651)
Net changes in fund balances	980,498	15,688	12,874,288	13,870,474
Fund balances - beginning	<u>5,164,383</u>	<u>224,479</u>	<u>-</u>	<u>5,388,862</u>
Fund balances - ending	<u>\$ 6,144,881</u>	<u>\$ 240,167</u>	<u>\$ 12,874,288</u>	<u>\$ 19,259,336</u>

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

LITTLESTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Total net change in fund balances - Governmental funds		\$ 13,870,474
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. During the year, capital outlays and depreciation expense are as follows:		
Capital outlays	\$ 1,332,925	
Depreciation expense	<u>(1,292,039)</u>	40,886
Because some taxes will not be collected until more than two months after the end of the fiscal year, they are not considered as available revenues in the governmental funds. Unavailable taxes increased (decreased) during the year as follows:		
Real estate taxes	65,500	
Personal taxes	(63,500)	
Earned income taxes	<u>40,000</u>	42,000
Bond and note proceeds and principal repayments are presented as other financing sources and expenditures (other financing uses if refunded bonds) in the governmental funds. In the statement of activities, proceeds and repayments do not effect net position. During the year, proceeds and principal repayments are as follows:		
Bond proceeds	(27,975,000)	
Principal repayments	<u>15,080,000</u>	(12,895,000)
Bond discounts (premiums) and charges on refundings (any difference between the carrying amount of refunded debt and its payoff amount) are presented as expenditures in the governmental funds. In the statement of activities, these amounts are allocated over the life of the debt as amortization expense. During the year, costs incurred and amortization expense are as follows:		
Bond discounts (premiums) and charges on refundings on new notes	(772,058)	
Amortization of bond premiums (discounts)	<u>8,837</u>	(763,221)
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds and notes payable increased during the year.		
		(126,800)
Payments of compensated absences and retirement terminations are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences decreased during the year.		
		28,300
Payments of other post employment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other post employment benefit accruals increased during the year.		
		(145,171)
Pension costs are presented as expenditures in the governmental funds. In the statement of activities, the changes in the unfunded pension obligation and changes in the deferred outflows and inflows related to pension are reported as additional pension costs:		
Change in deferred outflows and inflows	(378,945)	
Amortization of difference between plan contributions and actual contributions	(16,328)	
Amortization of change in proportionate share of net pension liability	<u>(339,930)</u>	<u>(735,203)</u>
Change in net position - Governmental activities		<u>\$ (683,735)</u>

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

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

	<u>Food Service</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 92,585
Due from other governments	49,610
Other receivables	1,072
Inventories	19,059
Total current assets	162,326
Capital assets being depreciated, net	93,571
Total assets	255,897
Deferred outflow of resources	
Deferred outflows for pensions	122,003
Liabilities	
Current liabilities	
Due to governmental funds	69,538
Unearned revenues	14,057
Current portion of compensated absences	4,000
Total current liabilities	87,595
Long-term liabilities	
Long-term portion of compensated absences	16,418
Other post employment benefits	7,272
Net pension liability	973,333
Total long-term liabilities	997,023
Total liabilities	1,084,618
Deferred inflow of resources	
Deferred inflows for pensions	6,837
Net position	
Invested in capital assets (net of related debt)	93,571
Unrestricted (deficit)	(807,126)
Total net position (deficit)	\$ (713,555)

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

LITTLESTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
Operating revenues - Food service revenue	\$ 369,195
Operating expenses	
Salaries	382,790
Employee benefits	226,183
Purchased property services	10,849
Food and milk	328,258
Supplies and other expenses	27,744
Depreciation	33,391
Total operating expenses	1,009,215
Operating income (loss)	(640,020)
Nonoperating revenues	
Earnings on investments	160
State sources - social security and retirement subsidies	60,875
State sources - meal subsidies	25,208
Federal sources - meal subsidies	363,512
Federal sources - donated commodities	66,204
Total nonoperating revenues	515,959
Income (loss) before transfers	(124,061)
Transfers from other funds	53,651
Change in net position	(70,410)
Net position (deficit) - beginning	(643,145)
Net position (deficit) - ending	\$ (713,555)

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

LITTLESTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Food Service
Operating activities	
Cash received from users	\$ 370,367
Cash payments to employees for services	(587,513)
Cash payments to suppliers for goods and services	(302,732)
Net cash provided by (used for) operating activities	(519,878)
Non-capital financing activities	
State sources	83,608
Federal sources	326,633
General Fund advances (due to governmental funds)	(38,704)
General Fund contributed services	53,651
Net cash provided by (used for) non-capital financing activities	425,188
Capital and related financing activities	
Capital Reserve Fund for equipment	-
Cash payments for equipment	-
Net cash provided by (used for) capital and related financing activities	-
Investing activities	
Earnings on investments	160
Net cash provided by (used for) investing activities	160
Net change in cash and cash equivalents	(94,530)
Cash and cash equivalents - beginning	187,115
Cash and cash equivalents - ending	\$ 92,585
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (640,020)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	33,391
Donated commodities	66,204
Net change in other assets and other liabilities	
Other receivables	278
Inventories	(1,275)
Accounts payable	(810)
Payroll and benefits payable	(1,583)
Unearned revenues	894
Compensated absences	8,265
Other post employment benefits	18
Net pension liability	14,760
Total adjustments	120,142
Net cash provided by (used for) operating activities	\$ (519,878)

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

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

	Payroll	Student Activities	Total
Assets			
Cash and cash equivalents	\$ -	\$ 102,418	\$ 102,418
Investments	-	88,581	88,581
Accounts receivable	-	1,065	1,065
Total assets	-	192,064	192,064
Liabilities			
Payroll deductions and withholdings	-	-	-
Due to student groups	-	192,064	192,064
Total liabilities	-	192,064	192,064
Net position	\$ -	\$ -	\$ -

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

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Littlestown Area School District is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within its boundaries: the Adams County municipalities of Littlestown Borough, Germany Township, Union Township and portions of Bonneauville Borough, Mt. Joy Township and Mt. Pleasant Township. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

Reporting entity

GASB establishes criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the established criteria. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are:

The economic resources received or held by the separate organization are entirely for the direct benefit of the District or its constituents.

The District is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.

The economic resources received or held by the separate organization that the District is entitled to (or has the ability to) access is significant to the District.

There are no component units that meet all of the above criteria for inclusion in this reporting entity.

Jointly-governed organizations

The District is a participant in two jointly-governed organizations, each of which is a separate legal entity that offers services to the District and its residents. Each entity serves several school districts and/or municipalities, and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from their administrative offices.

Lincoln Intermediate Unit provides special education services and programs.

York Adams Tax Bureau provides earned income tax collection services.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation

The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) establishes U.S. generally accepted accounting principles for governments. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

Basis of presentation – District-wide financial statements

District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are presented separately from business-type activities which rely to a significant extent, on fees and charges for support.

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal 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 and 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 and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation), bonds payable (net of unamortized premiums or discounts) and net pension liability are presented in the statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of given functions or programs are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are presented as general revenues.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation – Fund financial statements

Fund financial statements are also provided for all governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund.

Governmental funds are presented 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 received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 2 months of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized 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 recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

When both restricted and unrestricted resources are available, the District's general policy is to use the restricted (primarily operating grants) resources first, then unrestricted resources as needed.

The District has the following types of funds:

Governmental Funds – These funds account for activities through which most of the District's operations are provided.

Proprietary Funds – These funds account for operations of the District that are financed and operated in a manner similar to private business enterprises.

Fiduciary Funds – These funds account for assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the District's own programs.

The District presents the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

An operating budget is adopted prior to the beginning of each year on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. This process includes the publishing of notices by advertisement, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District, and that public hearings are held on the proposed operating budget which are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting (Cont'd.)

Legal budgetary control is maintained at the sub-function/major object level. The Board may approve transfers of funds appropriated to any particular item of expenditure in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval, provided it is not at a higher level than the Board adopted budget.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recognized. Unused encumbrances expire at the end of each year.

Included in the budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

The Capital Projects Fund can consist of more than one project, to separately account for each project, if required. Each issuance of new debt (primarily bonds) is a project to account for the debt proceeds and the expenditure of those proceeds. The District maintains a Capital Reserve Fund for amounts transferred from the General Fund and the expenditure of those funds for capital outlays.

The Debt Service Fund, when applicable, accounts for the refinancing of existing debt.

The District presents the following proprietary fund:

The Food Service Fund accounts for the operations of the cafeterias.

The District presents the following fiduciary funds:

The Payroll Fund accounts for salaries paid to District employees. It processes payments to the employees and to taxing and other agencies on their behalf.

The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits (including pooled investments), and short-term investments with original maturities of three months or less from the date of acquisition.

Types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations.

Investments, including pooled investments, are presented at fair value.

Taxes and taxes receivable

Real estate and personal taxes are levied as of July 1 with a legal, enforceable claim against the property and/or taxpayer. Amounts not collected within six months (December 31) are considered delinquent and submitted to outside agencies/entities for collection actions.

Receivables and payables between funds

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances". Any balances between funds are short term items pending periodic repayments.

Inventories and prepaid items

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed. Donated commodities are recognized as revenue and are inventoried at an estimated cost value.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid items in both district-wide and fund financial statements.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are presented in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous groups with individual costs of less than \$ 5,000 as capital assets for financial presentation purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are presented at historical cost or estimated historical cost if purchased or constructed.

Major outlays for capital assets and improvements are capitalized when incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Upon sale or retirement, the cost and related accumulated depreciation, if applicable, are eliminated from the respective district-wide and proprietary accounts and any resulting gain or loss is reflected in those accounts.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	50	-
Building systems	25	-
Interior renovations	25	-
Land improvements	25	-
Furniture	20	20
Machinery and equipment	10 to 15	10 to 15
School buses	15	-
Other vehicles	10	-
Technology equipment	5	5
Library books	5	-

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Long-term liabilities

In district-wide financial statements, and proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities. Bond discounts (premiums) and any charges on refundings are amortized over the life of the bonds using the effective interest method.

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

Deferred outflows/inflows of resources other than pensions

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (i.e. expense) until then. The District does not have any items that qualify for reporting in this category. The most common type of item would be deferred charges on refundings reported in the district-wide statement of net position. Charges on refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. These unavailable revenues from taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Plan description

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

Benefits provided

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

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

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

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

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 2001 and before July 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 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 districts' contractually required contribution rate for fiscal year ended June 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 to the pension plan for the District were \$ 3,299,788 for the year ended June 2016.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net position

Net position (deficit) represents total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. In district-wide financial statements and proprietary fund financial statements, categories of net position are:

Invested in capital assets (net of related debt) - This category presents all capital assets into one component of net position. Accumulated depreciation and outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents funds restricted for a specific purpose as per: External parties, contributors or enabling legislation.

Unrestricted - This category presents the net position (deficit) of the District, which is not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

Governmental fund balances

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. The District's general policy is to first use restricted funds, if any, prior to using unassigned funds. Classifications of fund balances are:

Nonspendable - Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted - Amounts constrained to be used for a specific purpose as per: External parties, contributors or enabling legislation.

Committed - Amounts constrained to be used for a specific purpose as per: The District's highest level of decision making authority which is the Board of School Directors.

Assigned - Amounts intended to be used for a specific purpose as per: Committee (such as budget or finance) or individual authorized by the Board of School Directors (such as Superintendent or Business Manager).

Unassigned - Amounts available for any purpose (amounts that are not Nonspendable, Restricted, Committed or Assigned) in the General Fund.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain presented amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting standards

The following reflects only those pronouncements effective for upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43 and Statement No. 50, *Pension Disclosures*. This statement is effective for financial statements for fiscal years beginning after June 15, 2016. The District is currently evaluating what effect, if any, the adoption of GASB 74 will have on the District's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for fiscal years beginning after June 15, 2017. The District is currently evaluating what effect, if any, the adoption of GASB 75 will have on the District's financial statements.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosure*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The District is currently evaluating what effect, if any, the adoption of GASB 77 will have on the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District does not currently anticipate any significant impact on the District's financial statements from these pronouncements.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 2, 2016, the date the financial statements were available to be issued, and there are no items requiring disclosure.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of District funds into authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned to it. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2016, the District's deposits totaled \$ 750,004 and the depository institution balances totaled \$ 757,289. Of the depository institution balances, \$ 268,145 was covered by federal deposit insurance and \$ 489,144 was collateralized by pooled assets. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

LITTLESTOWN AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2016

CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

The District also has cash equivalents with organizations that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statutes for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of \$ 1 per share, but there can be no assurance that the net asset value will not vary from \$ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2016, District deposits in these organizations are as follows:

Pennsylvania Local Government Investment Trust (PLGIT)	\$ 13,442,649
Pennsylvania School District Liquid Asset Fund (PSDLAF)	6,029,202

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk. The weighted average maturity of securities held by each of the organizations is generally less than 90 days.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy for credit risk. The District's deposits in each of the organizations were rated "AAAm" by Standard & Poor's.

Cash and cash equivalents and investments are as follows:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Governmental activities	\$ 19,860,577	\$ -
Business-type activities	92,585	-
Fiduciary funds	<u>102,418</u>	<u>88,581</u>
	<u>\$ 20,055,580</u>	<u>\$ 88,581</u>

Investments consist of certificates of deposit with an original maturity of more than three months from the date of acquisition.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

TAXES RECEIVABLE

Taxes receivable are as follows:

	<u>Taxes Receivable (Gross)</u>	<u>Allowance for Uncollectibles</u>	<u>Taxes Receivable (Net)</u>	<u>Unavailable Tax Revenue</u>
Real estate taxes	\$ 553,030	\$ 1,030	\$ 552,000	\$ 450,500
Personal taxes	743,695	468,695	275,000	187,500
Earned income taxes	<u>270,000</u>	<u>-</u>	<u>270,000</u>	<u>270,000</u>
General Fund	1,566,725	469,725	1,097,000	908,000
Full accrual adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(908,000)</u>
Governmental activities	<u>\$ 1,566,725</u>	<u>\$ 469,725</u>	<u>\$ 1,097,000</u>	<u>\$ -</u>

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances are as follows:

<u>Assets</u>		<u>Liabilities</u>	
General Fund	\$ 69,538	\$ 69,538	Food Service Fund
Capital Reserve Fund	59,396	59,396	Capital Projects Fund

Interfund transfers were as follows:

<u>Other financing sources</u>		<u>Other financing uses</u>	
Capital Reserve Fund	\$ 150,000	\$ 150,000	General Fund
Food Service Fund	53,651	53,651	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Local sources – earned income taxes	\$ 225,329	\$ -
Local sources – other taxes	26,095	-
Local sources – other schools	120,617	-
State sources	865,177	3,152
Federal sources	<u>2,743</u>	<u>46,458</u>
	<u>\$ 1,239,961</u>	<u>\$ 49,610</u>

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,255,005	\$ -	\$ -	\$ 1,255,005
Construction in progress	<u>-</u>	<u>647,700</u>	<u>-</u>	<u>647,700</u>
	<u>1,255,005</u>	<u>647,700</u>	<u>-</u>	<u>1,902,705</u>
Capital assets being depreciated				
Land improvements	1,726,712	-	-	1,726,712
Buildings and improvements	39,702,122	496,389	-	40,198,511
Furniture and equipment	2,821,278	178,858	(7,791)	2,992,345
School buses and vehicles	1,525,508	9,978	(13,031)	1,522,455
Library books	<u>747,615</u>	<u>-</u>	<u>-</u>	<u>747,615</u>
	<u>46,523,235</u>	<u>685,225</u>	<u>(20,822)</u>	<u>47,187,638</u>
Accumulated depreciation				
Land improvements	(1,034,266)	(59,118)	-	(1,093,384)
Buildings and improvements	(22,258,999)	(911,984)	-	(23,170,983)
Furniture and equipment	(1,804,899)	(251,368)	7,791	(2,048,476)
School buses and vehicles	(943,076)	(69,569)	13,031	(999,614)
Library books	<u>(747,615)</u>	<u>-</u>	<u>-</u>	<u>(747,615)</u>
	<u>(26,788,855)</u>	<u>(1,292,039)</u>	<u>20,822</u>	<u>(28,060,072)</u>
Capital assets being depreciated, net	<u>19,734,380</u>	<u>(606,814)</u>	<u>-</u>	<u>19,127,566</u>
Governmental activities capital assets, net	<u>\$ 20,989,385</u>	<u>\$ 40,886</u>	<u>\$ -</u>	<u>\$ 21,030,271</u>
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 858,310	\$ -	\$ -	\$ 858,310
Accumulated depreciation				
Furniture and equipment	<u>(731,348)</u>	<u>(33,391)</u>	<u>-</u>	<u>(764,739)</u>
Capital assets being depreciated, net	<u>126,962</u>	<u>(33,391)</u>	<u>-</u>	<u>93,571</u>
Business-type activities capital assets, net	<u>\$ 126,962</u>	<u>\$ (33,391)</u>	<u>\$ -</u>	<u>\$ 93,571</u>

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities		
Instruction	\$	1,004,449
Instructional student support		77,496
Administrative and financial support		38,281
Operation and maintenance of plant		54,685
Student transportation		85,388
Student activities		<u>31,740</u>
	\$	<u>1,292,039</u>
Business-type activities - Food service	\$	<u>33,391</u>

LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable	\$ 14,155,000	\$ 27,975,000	\$ (15,080,000)	\$ 27,050,000	\$ 740,000
Compensated absences	309,200	49,900	-	359,100	50,000
Retirement terminations	350,000	-	(78,200)	271,800	100,000
Other post employment benefits	1,440,920	369,523	(224,352)	1,586,091	250,000
Unamortized bond premiums (discounts)	(5,463)	772,058	(8,837)	757,758	-
Net pension liability	<u>37,519,566</u>	<u>6,526,291</u>	<u>(2,483,498)</u>	<u>41,562,359</u>	<u>-</u>
	<u>\$ 53,769,223</u>	<u>\$ 35,692,772</u>	<u>\$ (17,874,887)</u>	<u>\$ 71,587,108</u>	<u>\$ 1,140,000</u>
Business-type activities					
Compensated absences	\$ 12,153	\$ 10,116	\$ (1,851)	\$ 20,418	\$ 4,000
Other post employment benefits	7,254	1,037	(1,019)	7,272	-
Net pension liability	<u>873,729</u>	<u>166,242</u>	<u>(66,638)</u>	<u>973,333</u>	<u>-</u>
	<u>\$ 893,136</u>	<u>\$ 177,395</u>	<u>\$ (69,508)</u>	<u>\$ 1,001,023</u>	<u>\$ 4,000</u>

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable

Changes in bonds and notes payable were as follows:

	<u>Beginning Balance</u>	<u>New Issue</u>	<u>Current Refunding</u>	<u>Scheduled Redemptions</u>	<u>Ending Balance</u>
2007 Series Note	\$ 14,155,000	\$ -	\$ (14,155,000)	\$ -	\$ -
2015 Series Bond	<u>-</u>	<u>27,975,000</u>	<u>-</u>	<u>(925,000)</u>	<u>27,050,000</u>
	14,155,000	27,975,000	(14,155,000)	(925,000)	27,050,000
Bond premium (discount)	<u>(5,463)</u>	<u>772,058</u>	<u>-</u>	<u>(8,837)</u>	<u>757,758</u>
	<u>\$ 14,149,537</u>	<u>\$ 28,747,058</u>	<u>\$ (14,155,000)</u>	<u>\$ (933,837)</u>	<u>\$ 27,807,758</u>

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Callable Date</u>	<u>Due Within One Year</u>
2015 Series Bond	1.00% to 5.00%	October 2038	October 2023	<u>\$ 740,000</u>

Scheduled debt service requirements, payable by the General Fund, are as follows:

<u>Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 740,000	\$ 1,073,813	\$ 1,813,813
2018	760,000	1,055,013	1,815,013
2019	785,000	1,031,838	1,816,838
2020	810,000	1,003,863	1,813,863
2021	845,000	970,763	1,815,763
2022-2026	4,775,000	4,305,088	9,080,088
2027-2031	5,945,000	3,138,739	9,083,739
2032-2036	7,265,000	1,803,913	9,068,913
Thereafter	<u>5,125,000</u>	<u>322,883</u>	<u>5,447,883</u>
	<u>\$ 27,050,000</u>	<u>\$ 14,705,913</u>	<u>\$ 41,755,913</u>

The 2015 Series Bond in the amount of \$ 27,975,000 was issued, in part, to refund the \$ 14,155,000 balance of the 2007 Series Note. After payment of issuance costs and interest, net of original issue premium of \$ 772,058, the net proceeds of \$ 14,000,000 were placed in the District's Capital Projects Fund to be used for future renovation projects. These projects began in November of 2015 with a High School Roof Project that cost \$ 461,908. As of June 30, 2016, the District has spent \$ 601,841 in preparation of the Alloway Creek Elementary School Project. The current contract cost of these projects is approximately \$ 8,680,817.

LITTLESTOWN AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Bonds and notes payable (Cont'd.)

The current refunding was to take advantage of favorable interest rates, and to restructure future debt service requirements. District debt service requirements, net of state aid, for the eight years ended June 2023 were reduced by \$ 626,065 for an average reduction of \$ 78,258.

Compensated absences

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for the severance allowances. The District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires. When an eligible employee retires, the payout is as follows:

Sick - \$ 20 per day of accumulated sick leave, to a maximum of \$ 4,000. Administrators get their daily pay rate, to a maximum of \$ 8,500.

Vacation - Daily pay rate for accumulated vacation leave, to a maximum of 1 year's vacation allowance.

Personal - \$ 90 per day of accumulated personal leave, to a maximum of \$ 900. Administrators get their daily pay rate.

Retirement terminations

Retirement terminations are presented using the termination payment method. Under agreements with its teaching staff and instructional administrators, an eligible employee accepting a retirement annuity (see pension plan) and who has the required years service in the District will receive a retirement termination payment. The payment is a percentage of their highest year's earnings times their number of years service in the District.

<u>Minimum Service</u>	<u>Percentage</u>	<u>Employees</u>	<u>Liability</u>
20 years	.50% or .75%	11	\$ 141,700
25 years	.50% or .80%	2	37,350
30 years	.50% or .85%	4	<u>92,750</u>
			<u>\$ 271,800</u>

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs)

OPEBs are presented in accordance with GASB Statement No. 45, which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

Plan description

Under the agreement with Littlestown Area Education Association, eligible retirees (see pension plan) and their dependents may participate in the District's health insurance program until the earlier of attaining the Medicare eligible age or 10 years. For a retiree, with at least 30 years service with the District, the District shall pay 50% of the member premium. The retiree shall pay the remaining member premium and the entire additional premium for dependents coverage.

Retired administrators and their dependents may participate in the District's health insurance program until attaining the Medicare eligible age. For a retired administrator, with at least 25 years service with the District, the District shall pay 50% of the member premium for up to 7 years. The retired administrator shall pay the remaining member premium and the entire additional premium for dependents coverage.

All other eligible retirees may participate in the District's health insurance program until attaining the Medicare eligible age by paying the entire premium. Spouses may participate, until attaining the Medicare eligible age or until coverage is available through another employer, by paying the entire premium.

Retiree's premiums are less than the District's actual 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 dependents results in what is known as an "implicit rate subsidy," which creates an additional cost to the District.

Participant information	
Active participants	224
Vested former participants	0
Retired participants	34
	258

LITTLESTOWN AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Funding policy

The District funds Plan liabilities on a “pay-as-you-go” basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The District has no statutory or contractual obligation to fund the Plan and would only do so at the District’s discretion.

Annual OPEB cost and net OPEB obligation

The annual OPEB cost (expense) is calculated based on the actuarially determined annual required contribution (ARC) of the District. The ARC represents a funding level that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over a remaining period of approximately 1 year.

Components of the annual OPEB cost, the amount contributed to the Plan, and changes in the net OPEB obligation are as follows:

District normal cost	\$ 130,225
Amortization of unfunded actuarial accrued liability	<u>420,925</u>
Annual required contribution	551,150
Interest on the net OPEB obligation	65,167
Adjustment to the ARC	<u>(245,757)</u>
Annual OPEB cost	370,560
Contributions made to the plan	<u>(225,371)</u>
Increase in net OPEB obligation	145,189
Net OPEB obligation - beginning	<u>1,448,174</u>
 Net OPEB obligation - ending	 <u>\$ 1,593,363</u>

The percentage of annual OPEB cost contributed was as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 2016	\$ 370,560	60.82%	\$ 1,593,363

LITTLESTOWN AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Funding status and funding progress

The actuarial accrued liability (AAL) for OPEBs as of January 2014 was \$ 2,480,386. There are no Plan assets, thus, the entire amount is unfunded. The District does not have any current plans to fund the AAL.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
January 2014	\$ -	\$ 2,480,386	\$ 2,480,386	0.00%	\$ 11,735,958	21.13%

Actuarial assumptions and methods

Actuarial assumptions and methods used in the January 2014 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	2.50%
Health care cost trend rate	6.5% in 2014 decreasing by 0.5% per year to 5.5% in 2015. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial cost method	Benefits are allocated on a level basis over the earnings of an individual from date of hire to assumed retirement age.
Amortization (blended)	Active employees over expected future service period, and retirees over expected future payment period.

Actuarial evaluations on an ongoing basis involve estimates of the reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the District and plan members to that point in time.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post employment benefits (OPEBs) (Cont'd.)

Actuarial assumptions and methods (Cont'd.)

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities.

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable.

PSERS health insurance premium assistance

While PSERS is primarily responsible for administering a defined benefit pension plan, it also administers its Health Insurance Premium Assistance Program (Premium Assistance). Under this program, employer contribution rates for Premium Assistance are established to provide reserves in its Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The contribution rate for employers used to fund Premium Assistance was .84% for the year ended June 2016. Contributions to the Premium Assistance plan for the District were \$ 110,873 for the year ended June 2016. This is in addition to the 25.00% employer contribution rate for the pension plan.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the District reported a liability of \$ 42,535,692 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .0982%, which was an increase of .0012 from its proportion measured as of June 30, 2014.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

For the year ended June 2016, the District recognized pension expense of \$ 4,162,053. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 85,877
Difference between expected and actual experience	-	175,748
Changes in proportions	1,183,339	-
Difference between employer contributions and proportionate share of total contributions	62,026	-
Contributions subsequent to the measurement date	<u>3,299,788</u>	<u>-</u>
	<u>\$ 4,545,153</u>	<u>\$ 261,625</u>

In the year ended June 30, 2016, \$ 3,299,788 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2017	\$	109,000
2018		109,000
2019		109,000
2020		594,000

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

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% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

LITTLESTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Actuarial assumptions (Cont'd.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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)	<u>(14.0%)</u>	1.1%
	<u>100%</u>	

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

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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.

LITTLESTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 52,429,000	\$ 42,536,000	\$ 34,220,000

Pension plan fiduciary net position

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

RISK MANAGEMENT

Health insurance

The District is a member of Lincoln Benefit Trust, which provides a program of self-funding health benefits for approximately 20 school districts or Pennsylvania School Employers in Adams, Franklin and York counties. The District is required to pay the first \$ 50,000 of claims per participant per year, with reinsurance and stop-loss pools for claims in excess of that amount. Financial statements of the trust are provided to the member districts. District transactions within the Trust were as follows:

Net assets in the trust - beginning		\$ 1,871,876
Payments from the District and its retirees		3,460,565
Benefit claims	\$ (2,916,438)	
Reinsurance and minipool premiums	(235,939)	
Reinsurance and minipool reimbursements	97,392	
Administrative and other fees, net of interest earned	(123,108)	(3,178,093)
Net assets in the trust - ending		\$ 2,154,348

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

RISK MANAGEMENT (Cont'd.)

Health insurance (Cont'd.)

The amount available in the trust was as follows:

Accrual for benefit claims	\$ 717,536
Accrual for health insurance coverage on payroll payable	451,812
Accrual for administrative and other fees	<u>35,000</u>
Amount available for accrued costs - ending	1,204,348
Prepaid health insurance	<u>950,000</u>
 Net assets in the trust - ending	 <u>\$ 2,154,348</u>

There are various methodologies for estimating a reasonable accrual for benefit claims. District management has selected the methodology of approximately '3 months of paid claims'. District management believes this methodology provides an adequate amount for accrued costs.

Other insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For State unemployment compensation laws, the District is self-insured, which is a common practice for local governmental units. Any unemployment claims are paid by the District on a quarterly basis as incurred.

COMMITMENTS AND CONTINGENCIES

The District's contract with its teaching staff expires in June 2020. The District's contract with its support professionals expires in June 2017.

In the normal course of business, the District is subject to legal disputes and claims. The District does not anticipate any material losses from any pending or threatened litigation.

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. Other than the renovation project noted in the long-term liabilities note, no major commitments in excess of routine requirements has been made by the District.

LITTLESTOWN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

COMMITMENTS AND CONTINGENCIES (Cont'd.)

The District participates in state and federal grant programs which are governed by various rules and regulations. Expenditures charged to these grant programs are subject to program compliance audits and reviews by the grantor agencies. The District is potentially liable for any expenditures which may be disallowed by the rules of these grant programs. The District does not anticipate any material disallowance of program expenditures.

LITTLESTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON INFORMATION - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources - taxes	\$ 16,512,958	\$ 16,512,958	\$ 16,623,684	\$ 110,726
Local sources - other	406,500	406,500	376,292	(30,208)
State sources	11,446,792	11,446,792	11,802,040	355,248
Federal sources	404,259	404,259	409,314	5,055
Total revenues	<u>28,770,509</u>	<u>28,770,509</u>	<u>29,211,330</u>	<u>440,821</u>
Expenditures				
Regular programs	12,948,064	12,732,954	12,615,271	117,683
Special programs	4,501,320	4,651,320	4,636,321	14,999
Vocational programs	1,195,115	1,291,115	1,289,437	1,678
Other instructional programs	324,735	374,735	363,782	10,953
Pupil personnel	742,353	773,353	771,172	2,181
Instructional staff	1,203,817	1,203,817	1,195,344	8,473
Administration	1,887,127	1,862,127	1,647,045	215,082
Pupil health	276,502	276,502	235,650	40,852
Business	263,343	264,143	263,891	252
Operation and maintenance of plant	1,952,526	1,952,526	1,673,933	278,593
Student transportation	1,084,872	1,039,872	995,771	44,101
Central services	55,753	154,953	141,102	13,851
Other support services	18,000	18,210	18,203	7
Student activities	507,707	507,707	480,584	27,123
Community services	-	3,900	3,846	54
Debt service (principal and interest)	1,882,082	1,782,082	1,695,829	86,253
Total expenditures	<u>28,843,316</u>	<u>28,889,316</u>	<u>28,027,181</u>	<u>862,135</u>
Excess (deficiency) of revenues over expenditures	(72,807)	(118,807)	1,184,149	1,302,956
Other financing sources (uses)				
Transfers to other funds	(150,000)	(204,000)	(203,651)	349
Budgetary reserve	(100,000)	-	-	-
Net change in fund balance	(322,807)	(322,807)	980,498	1,303,305
Fund balance - beginning	<u>4,265,875</u>	<u>4,265,875</u>	<u>5,164,383</u>	<u>898,508</u>
Fund balance - ending	<u><u>\$ 3,943,068</u></u>	<u><u>\$ 3,943,068</u></u>	<u><u>\$ 6,144,881</u></u>	<u><u>\$ 2,201,813</u></u>

LITTLESTOWN AREA SCHOOL DISTRICT
OTHER POST EMPLOYMENT BENEFIT PLANS
LAST 3 BIENNIAL VALUATIONS

HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
January 2014	\$ -	\$ 2,480,386	\$ 2,480,386	0.00%	\$ 11,735,958	21.13%
January 2012	-	2,368,928	2,368,928	0.00%	11,620,094	20.39%
January 2010	-	2,453,966	2,453,966	0.00%	11,708,283	20.96%

The District is required to have an actuarial valuation at least biennially (every 2 years). If the plan experiences significant changes, a new actuarial valuation should be performed rather than waiting for the next scheduled valuation date.

LITTLESTOWN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Year Ending	District Proportion of the Net Pension Liability	District Proportionate Share of the Net Pension Liability	District's Covered Employee Payroll	District Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 2015	0.0970%	\$ 38,393,295	\$ 12,378,033	310.17%	57.24%
June 2016	0.0982%	42,535,692	12,630,493	336.77%	54.36%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

LITTLESTOWN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Year Ending	Actual Employer Contribution	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 2015	\$ 2,613,168	\$ 12,747,164	20.50%
June 2016	3,299,788	13,199,152	25.00%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.