



***ANTIETAM SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2017**



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**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

## INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of and for the year ended June 30, 2017, 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 from material misstatement.

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

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

### **Opinions**

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, pension and other postemployment benefit information on pages 63 through 65, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the Antietam School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 13, 2017**



**Administrative Offices**  
**100 Antietam Road, Reading, Pennsylvania 19606**  
**Fax (610) 779-4424**

**MELISSA G. BREWER, Ed.D.**  
District Superintendent  
(610) 779-0554

**TRACY L. DETWILER**  
Business Manager  
(610) 779-2606

## **Management's Discussion and Analysis (MD&A)**

**June 30, 2017**

The discussion and analysis of Antietam School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### The District and Its Facilities

The Antietam School District serves an area of approximately 5.3 square miles. It is located in Berks County and consists of Lower Alsace Township and Mount Penn Borough. The population of this area is approximately 7,500.

The School District is comprised of three buildings. The Mount Penn Primary Center, opened in August 2005, houses grades K and 1. The Mount Penn Elementary Center houses grades 2 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2016-2017 school year was 1,052 students, which was higher than the 1,029 enrolled for the 2015-2016 school year. Potential growth has been partially addressed with the 2005 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School. The Primary Center has unused space and can accommodate more students, but additional renovations are required before the space would be usable.

### **FINANCIAL HIGHLIGHTS**

In the last few years, GASB 68 and 71 were implemented resulting in a deficit net position for Governmental activities and Business-Type activities of (\$16,700,294) and (\$467,649), respectively. In the current year, the change in net position was a change of (\$2,240,489) and 27,205.

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 58% of the District's total revenues, and program specific revenue in the form of grants, entitlements and investment earnings accounted for 42% of total revenues.

General fund expenditures totaled \$18.4 million, of which \$10.7 million was spent on instructional services, \$5.6 million was spent on support services, \$.40 million was spent on non-instructional services, and \$1.7 million was spent on debt service.

**FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Antietam School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District’s overall financial status.

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

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

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

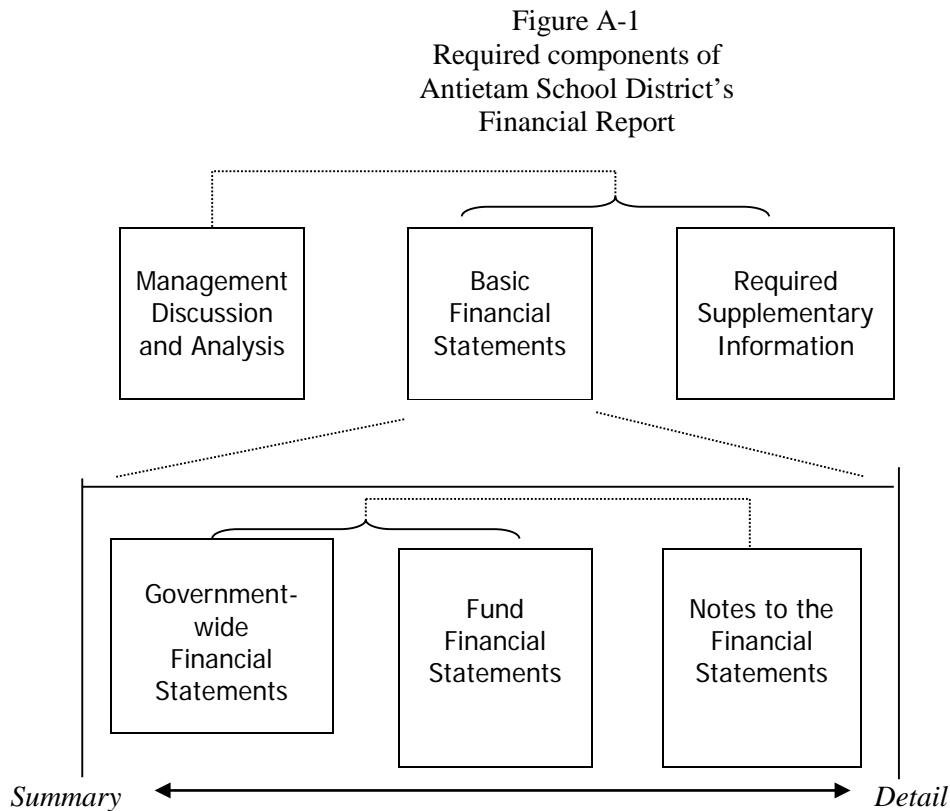


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
 Major Features of Antietam School District's  
 Government-wide and Fund Financial Statements  
 Fund Statements

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



## OVERVIEW OF FINANCIAL STATEMENTS

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows, liabilities and deferred inflows, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional factors, such as changes in the projected enrollment of the students.

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

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

### Fund Financial Statements

The District's financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The District's total net assets were (\$19,381,227) at June 30, 2017.

Table A-1  
 Fiscal Years ended June 30, 2016 and June 30, 2017  
 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current and other assets	\$ 8,106,504	\$ 8,898,678	\$24,207	\$55,185	\$ 8,130,711	\$ 8,953,863
Capital assets	15,488,469	15,032,658	6,018	4,395	15,494,487	15,037,053
<b>Total Assets</b>	<b>\$23,594,973</b>	<b>\$23,931,336</b>	<b>\$30,225</b>	<b>\$59,580</b>	<b>\$23,625,198</b>	<b>\$23,990,916</b>
Deferred Outflows	2,990,274	6,364,956	46,337	105,005	3,036,611	6,469,961
Current liabilities	\$ 1,761,276	\$3,745,342	\$ 9,105	\$ 9,630	\$ 1,770,381	\$ 3,754,972
Long-term liabilities	41,378,547	45,261,343	519,780	511,271	41,898,327	45,772,614
<b>Total Liabilities</b>	<b>\$43,139,823</b>	<b>\$49,006,685</b>	<b>\$528,885</b>	<b>\$520,901</b>	<b>\$43,668,708</b>	<b>\$49,527,586</b>
Deferred Inflows	145,718	230,390	15,326	84,128	161,044	314,518
Net Assets						
Invested in capital assets, net of related debt	(\$1,563,037)	(\$1,961,763)	\$6,018	\$4,395	(\$1,557,019)	(\$1,957,368)
Restricted for capital projects	566,101	475,621	0	0	566,101	475,621
Restricted other	0	115,699	0	0		115,699
Unrestricted	(15,703,358)	(17,570,340)	(473,667)	(444,839)	(16,177,025)	(18,015,179)
<b>Total Net Assets</b>	<b>(\$16,700,294)</b>	<b>(\$18,940,783)</b>	<b>(\$467,649)</b>	<b>(\$440,444)</b>	<b>(\$17,167,943)</b>	<b>(\$19,381,227)</b>

A portion of the District's net position is invested in or restricted for capital assets (buildings, land, and equipment). The unrestricted portion of the District's net assets at June 30, 2017 is (\$18,015,179.)

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is taxes.

Table A-2 takes the information from that Statement and rearranges it slightly so you can see our total revenues for the year.

Table A-2  
 Fiscal Years ended June 30, 2016 and June 30, 2017  
 Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>						
Program Revenue						
Charges for services	\$ 42,405	\$ 64,972	\$148,701	\$157,909	\$ 191,106	\$ 222,881
Operating grants & contributions	2,778,739	3,216,350	356,876	361,523	3,135,615	3,577,873
Capital grants and contributions	82,588	80,911	0	0	82,588	80,911
General revenues	13,799,788	14,204,200	40	99	13,799,828	14,204,299
<b>Total Revenues</b>	<b>\$16,703,520</b>	<b>\$17,566,433</b>	<b>\$505,617</b>	<b>\$519,531</b>	<b>\$17,209,137</b>	<b>\$18,085,964</b>
<b>Expenses</b>						
Regular Instruction	\$7,660,242	\$8,292,240	\$ 0	\$ 0	\$7,660,242	\$8,292,240
Special Instruction	2,716,747	3,508,393	0	0	2,716,747	3,508,393
Vocational Instruction	416,386	412,454	0	0	416,386	412,454
Other Instructional Programs	18,684	9,671	0	0	18,684	9,671
Non-Public Instruction	4,145	9,477	0	0	4,145	9,477
Pupil Personnel	654,574	728,088	0	0	654,574	728,088
Instructional Staff	755,081	872,088	0	0	755,081	872,088
Administration	1,732,354	1,798,448	0	0	1,732,354	1,798,448
Pupil Health	174,946	199,616	0	0	174,946	199,616
Business Services	364,809	348,632	0	0	364,809	348,632
Operation & Maintenance of Plant	1,777,349	1,933,544	0	0	1,777,349	1,933,544
Student Transportation Services	214,574	228,664	0	0	214,574	228,664
Central Services	388,760	515,519	0	0	388,760	515,519
Other Support Services	12,443	12,245	0	0	12,443	12,245
Student Activities	365,920	401,628	0	0	365,920	401,628
Community Services	20,341	11,546	0	0	20,341	11,546
Interest on Long-Term Debt	552,165	524,669	0	0	552,165	524,669
Refund of Prior Year Revenue	0	0	0	0	0	0
Food Services	0	0	532,989	492,326	532,989	492,326
<b>Total Expenses</b>	<b>\$17,829,520</b>	<b>\$19,806,922</b>	<b>\$532,989</b>	<b>\$492,326</b>	<b>\$18,362,509</b>	<b>\$20,299,248</b>
<b>Increase(Decrease) in Net Assets</b>	<b>(\$1,126,000)</b>	<b>(\$2,240,489)</b>	<b>(\$27,372)</b>	<b>\$27,205</b>	<b>(\$1,153,372)</b>	<b>(\$2,213,284)</b>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's total cost of services and net cost (total cost less revenues generated by the activities) for each function. This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3  
 Fiscal Years ended June 30, 2016 and June 30, 2017  
 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2016</u>	<u>2017</u>	<u>2016-17</u>	<u>2016</u>	<u>2017</u>	<u>2016-17</u>
Regular Instruction	\$7,660,242	\$8,292,240	8.25%	\$6,472,253	\$6,842,988	5.73%
Special Instruction	2,716,747	3,508,393	29.14%	1,823,862	2,545,050	39.54%
Vocational Instruction	416,386	412,454	-0.94%	416,386	412,454	-0.94%
Other Instructional Programs	18,684	9,671	-48.24%	17,441	8,349	-52.13%
Non-Public Instruction	4,145	9,477	128.64%	0	9,477	100.00%
Pupil Personnel	654,574	728,088	11.23%	499,767	563,190	12.69%
Instructional Staff	755,081	872,088	15.50%	678,157	776,487	14.50%
Administration	1,732,354	1,798,448	3.82%	1,579,883	1,634,880	3.48%
Pupil Health	174,946	199,616	14.10%	130,188	151,451	16.33%
Business Services	364,809	348,632	-4.43%	330,352	306,921	-7.09%
Operation & Maintenance of Plant	1,777,349	1,933,544	8.79%	1,673,849	1,800,584	7.57%
Student Transportation Services	214,574	228,664	6.57%	105,242	80,253	-23.74%
Central Services	388,760	515,519	32.61%	371,847	493,646	32.76%
Other Support Services	12,443	12,245	-1.59%	11,943	10,818	-9.42%
Student Activities	365,920	401,628	9.76%	324,700	352,837	8.67%
Community Services	20,341	11,546	-43.24%	20,341	11,546	-43.24%
Interest on Long-Term Debt	552,165	524,669	-4.98%	469,577	443,758	-5.50%
Refund of Prior Year Revenue	0	0	0.00%	0	0	0.00%
	<u>\$17,829,520</u>	<u>\$19,806,922</u>	<u>11.09%</u>	<u>\$14,925,788</u>	<u>\$16,444,689</u>	<u>10.18%</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
 Fiscal Years ended June 30, 2016 and June 30, 2017  
 Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2016</u>	<u>2017</u>	<u>2016-17</u>	<u>2016</u>	<u>2017</u>	<u>2016-17</u>
Food Services	<u>\$532,989</u>	<u>\$492,326</u>	<u>-7.63%</u>	<u>(\$27,412)</u>	<u>(\$27,205)</u>	<u>.007%</u>

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will further detail the actual results of operations.

Fund Balances

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$6,144,839, which is an increase of \$143,752 from June 30, 2016. This overall increase was due to the bond issue that occurred during the school year for capital projects. The General fund balance decreased due to budgeted fund balance usage to balance the 2016-17 budget. We were fortunate to not need to use the full amount budgeted, which is due to a combination of revenue and expenditure variances. Under revenues, the District received an increase in Earned Income Tax, state subsidies and Title I funding. Under expenditures, salaries and benefits came in under budget due to staffing changes and their corresponding benefits.

General Fund:

The unassigned fund balance of \$1,462,585 is 7.7% of the general fund expenditures. The committed fund balance of \$2,399,263 will be used primarily for future retirement costs, which are projected to increase from 30.03% of salaries in 2016-2017 to 34.18% of salaries in 2018-2019.

Capital Projects Fund:

The restricted fund balance of \$1,287,801 will be used for the completion of the gymnasium and cafeteria project at the Middle-Senior High school, as well as the repair, maintenance, and replacement of the District's capital assets on a prioritized basis, as approved by the Board of School Directors.

General Fund Budget

During the fiscal year the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for unplanned expenditures. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2017, the District had \$15,032,658 in governmental activities and \$4,395 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5  
 Governmental and Business-Type Activities  
 Fiscal years ended June 30, 2016 and June 30, 2017  
 Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	124,995	115,840	0	0	124,995	124,995
Buildings and Building Improvements	14,034,270	12,880,543	0	0	14,034,270	14,034,270
Fixtures and Equipment	1,019,148	941,294	6,018	4,395	1,025,166	945,689
Construction in Progress	<u>0</u>	<u>784,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 15,488,469</u>	<u>\$ 15,032,658</u>	<u>\$6,018</u>	<u>\$4,395</u>	<u>\$15,494,487</u>	<u>\$15,037,053</u>

Debt Administration

Bond Obligations – As of June 30, 2016 and June 30, 2017 the Antietam School District had outstanding bond obligations of \$17,255,000 and \$17,875,000, respectively.

Leases – The District has entered into two capital leases for technology equipment and four operating leases for copiers.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

**FACTORS BEARING ON ANTIETAM SCHOOL DISTRICT'S FUTURE**

Factors that will affect the future finances of the District are employee health benefits, PSERS retirement rates (2017-2018 actual: 32.57%; 2018-2019 projected: 34.18%; and 2019-2020 projected: 35.53%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

## **CONTACTING THE SCHOOL FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Antietam School District, 100 Antietam Road, Reading, PA 19606.

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2017**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 7,385,318	\$ 5,610	\$ 7,390,928
Restricted Cash	115,699	-	115,699
Taxes Receivable, Net	578,805	-	578,805
Internal Balances	8,466	(8,466)	-
Intergovernmental Receivables	713,819	46,788	760,607
Other Receivables	13,617	15	13,632
Inventories	-	11,238	11,238
Prepaid Expenses	82,954	-	82,954
Capital Assets Not Being Depreciated:			
Land	310,056	-	310,056
Construction in Progress	784,925	-	784,925
Capital Assets, Net of Accumulated Depreciation:			
Building and Building Improvements	12,880,543	-	12,880,543
Land Improvements	115,840	-	115,840
Furniture and Equipment	941,294	4,395	945,689
<b>TOTAL ASSETS</b>	<b>23,931,336</b>	<b>59,580</b>	<b>23,990,916</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	422,987	-	422,987
Deferred Outflows of Resources for Pension Expense	3,755,911	69,197	3,825,108
Pension Contributions Made Subsequent to the Measurement Date	2,186,058	35,808	2,221,866
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,364,956</b>	<b>105,005</b>	<b>6,469,961</b>
<b>LIABILITIES</b>			
Accounts Payable	741,073	123	741,196
Intergovernmental Payables	104,748	388	105,136
Accrued Salaries and Benefits	1,457,323	-	1,457,323
Accrued Interest	128,800	-	128,800
Unearned Revenues	-	9,119	9,119
Other Liabilities	122,560	-	122,560
Noncurrent Liabilities, Due Within One Year	1,190,838	-	1,190,838
Noncurrent Liabilities:			
Bonds Payable, Net	17,008,997	-	17,008,997
Capital Leases Payable	111,165	-	111,165
Long-Term Portion of Compensated Absences	171,507	-	171,507
Net Pension Liability	27,735,729	511,271	28,247,000
Other Postemployment Benefit Obligation	233,945	-	233,945
<b>TOTAL LIABILITIES</b>	<b>49,006,685</b>	<b>520,901</b>	<b>49,527,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension Expense	230,390	84,128	314,518
<b>NET POSITION</b>			
Net Investment in Capital Assets	(1,961,763)	4,395	(1,957,368)
Restricted for Capital Projects	475,621	-	475,621
Restricted other	115,699	-	115,699
Unrestricted	(17,570,340)	(444,839)	(18,015,179)
<b>TOTAL NET POSITION</b>	<b>\$ (18,940,783)</b>	<b>\$ (440,444)</b>	<b>\$ (19,381,227)</b>

See accompanying notes.



ANTIETAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instructional Services:</b>							
Regular Programs	\$ 8,292,240	\$ 53,840	\$ 1,395,412	\$ -	\$ (6,842,988)	\$ -	\$ (6,842,988)
Special Programs	3,508,393	-	963,343	-	(2,545,050)	-	(2,545,050)
Vocational Educational Programs	412,454	-	-	-	(412,454)	-	(412,454)
Other Instructional Programs	9,671	-	1,322	-	(8,349)	-	(8,349)
Non-Public Instruction	9,477	-	-	-	(9,477)	-	(9,477)
Total Instructional Services	12,232,235	53,840	2,360,077	-	(9,818,318)	-	(9,818,318)
<b>Support Services:</b>							
Pupil Personnel	728,088	-	164,898	-	(563,190)	-	(563,190)
Instructional Staff	872,088	-	95,601	-	(776,487)	-	(776,487)
Administration	1,798,448	-	163,568	-	(1,634,880)	-	(1,634,880)
Pupil Health	199,616	-	48,165	-	(151,451)	-	(151,451)
Business Services	348,632	-	41,711	-	(306,921)	-	(306,921)
Operation of Plant and Maintenance Services	1,933,544	-	132,960	-	(1,800,584)	-	(1,800,584)
Student Transportation Services	228,664	-	148,411	-	(80,253)	-	(80,253)
Central Support Services	515,519	-	21,873	-	(493,646)	-	(493,646)
Other Support Services	12,245	-	1,427	-	(10,818)	-	(10,818)
Total Support Services	6,636,844	-	818,614	-	(5,818,230)	-	(5,818,230)
<b>Noninstructional Services:</b>							
Student Activities	401,628	11,132	37,659	-	(352,837)	-	(352,837)
Community Services	11,546	-	-	-	(11,546)	-	(11,546)
Interest on Long-Term Debt	524,669	-	-	80,911	(443,758)	-	(443,758)
Total Noninstructional Services	937,843	11,132	37,659	80,911	(808,141)	-	(808,141)
<b>Total Governmental Activities</b>	19,806,922	64,972	3,216,350	80,911	(16,444,689)	-	(16,444,689)
<b>Business-Type Activities:</b>							
Food Services	492,326	157,909	361,523	-	-	27,106	27,106
<b>Total Primary Government</b>	<u>\$ 20,299,248</u>	<u>\$ 222,881</u>	<u>\$ 3,577,873</u>	<u>\$ 80,911</u>	(16,444,689)	27,106	(16,417,583)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					9,649,958	-	9,649,958
Public Utility Realty, Earned Income and Mercantile Taxes					999,683	-	999,683
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					3,484,897	-	3,484,897
Investment Earnings					51,571	99	51,670
Miscellaneous Income					18,091	-	18,091
<b>Total General Revenues</b>					14,204,200	99	14,204,299
<b>Change in Net Position</b>					(2,240,489)	27,205	(2,213,284)
<b>Net Position (Deficit) - Beginning of year</b>					(16,700,294)	(467,649)	(17,167,943)
<b>Net Position (Deficit) - End of year</b>					<u>\$ (18,940,783)</u>	<u>\$ (440,444)</u>	<u>\$ (19,381,227)</u>

See accompanying notes.

**ANTIETAM SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 5,515,360	\$ 1,869,958	\$ 7,385,318
Restricted Cash	115,699	-	115,699
Taxes Receivable	587,863	-	587,863
Interfund Receivables	28,093	-	28,093
Intergovernmental Receivables	713,819	-	713,819
Other Receivables	13,617	-	13,617
Prepaid Expenditures	82,954	-	82,954
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,057,405</u></b>	<b><u>\$ 1,869,958</u></b>	<b><u>\$ 8,927,363</u></b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Interfund Payables	\$ 627	\$ 19,000	\$ 19,627
Accounts Payable	177,916	563,157	741,073
Intergovernmental Payables	104,748	-	104,748
Accrued Salaries and Benefits	1,457,323	-	1,457,323
Other Liabilities	6,861	-	6,861
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b>1,747,475</b>	<b>582,157</b>	<b>2,329,632</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	452,892	-	452,892
<b>FUND BALANCES</b>			
Nonspendable	82,954	-	82,954
Restricted Fund Balance	115,699	1,287,801	1,403,500
Committed Fund Balance	2,399,263	-	2,399,263
Assigned Fund Balance	796,537	-	796,537
Unassigned Fund Balance	1,462,585	-	1,462,585
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUND BALANCES</b>	<b><u>4,857,038</u></b>	<b><u>1,287,801</u></b>	<b><u>6,144,839</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b><u>\$ 7,057,405</u></b>	<b><u>\$ 1,869,958</u></b>	<b><u>\$ 8,927,363</u></b>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2017

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 6,144,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$36,504,664 and the accumulated depreciation is \$21,472,006.		15,032,658
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		443,834
The net pension and other post employment benefit obligations are not reflected on the fund financial statements.		(27,969,674)
Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position.		5,711,579
Long-term liabilities, including bonds payable and capital lease payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ (17,875,000)	
Unamortized Bond Premium	(114,997)	
Deferred Charge on Bond Refunding	422,987	
Accrued Interest on Bonds	(128,800)	
Capital Leases	(239,593)	
Compensated Absences	(252,917)	
Settlement Claims	(115,699)	(18,304,019)
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>		<u>\$ (18,940,783)</u>

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2017**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 10,559,612	\$ 6,625	\$ 10,566,237
State Sources	6,677,107	-	6,677,107
Federal Sources	354,164	-	354,164
<b>TOTAL REVENUES</b>	<b>17,590,883</b>	<b>6,625</b>	<b>17,597,508</b>
<b>EXPENDITURES</b>			
Current:			
Instructional Services	10,743,145	-	10,743,145
Support Services	5,595,851	170,301	5,766,152
Operation of Noninstructional Services	387,992	-	387,992
Capital Outlay	-	784,925	784,925
Debt Service:			
Principal	1,261,606	-	1,261,606
Interest	387,756	97,407	485,163
Refund of Prior Year Revenues	18,659	-	18,659
<b>TOTAL EXPENDITURES</b>	<b>18,395,009</b>	<b>1,052,633</b>	<b>19,447,642</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(804,126)</b>	<b>(1,046,008)</b>	<b>(1,850,134)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Bonds	-	1,500,000	1,500,000
Issuance of Refunding Bonds	-	6,200,000	6,200,000
Current Refunding Debt Service - Principal	-	(6,020,000)	(6,020,000)
Bond premium	-	87,708	87,708
Proceeds from Capital Lease	226,178	-	226,178
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>226,178</b>	<b>1,767,708</b>	<b>1,993,886</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(577,948)</b>	<b>721,700</b>	<b>143,752</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>5,434,986</b>	<b>566,101</b>	<b>6,001,087</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,857,038</b>	<b>\$ 1,287,801</b>	<b>\$ 6,144,839</b>

**ANTIETAM SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2017**

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

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 143,752
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays	\$ 1,078,099	
Less: Depreciation Expense	<u>(1,533,910)</u>	(455,811)
<p>Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds.</p>		
		(12,417)
<p>Increase in long- term settlement claims expense in other liabilities.</p>		
		(115,699)
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Issuance of Bonds	(1,500,000)	
Issuance of Refunding Bonds	(6,200,000)	
Repayment of Bond Principal	7,080,000	
Bond Premium Incurred	(87,708)	
Amortization of Bond Discount	(9,251)	
Amortization of Bond Premium	9,115	
Amortization of Deferred Charge on Bond Refunding	(24,604)	
Capital Lease Obligations Incurred	(224,255)	
Payments on Capital Lease Obligations	<u>201,606</u>	(755,097)
<p>Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources.</p>		
		(16,690)
<p>In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year.</p>		
		(11,005)
<p>The change in net pension liability and other postemployment benefit obligation and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.</p>		
		<u>(1,017,522)</u>
<b>CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ (2,240,489)</u></u>

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

**June 30, 2017**

	Enterprise Fund Food Service
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 5,610
Interfund Receivables	627
Intergovernmental Receivables	46,788
Other Receivables	15
Inventories	11,238
<b>TOTAL CURRENT ASSETS</b>	64,278
<b>NONCURRENT ASSETS</b>	
Machinery and Equipment, Net	4,395
<b>TOTAL ASSETS</b>	68,673
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources for Pension Expense	69,197
Pension Contributions Made Subsequent to the Measurement Date	35,808
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	105,005
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Interfund Payables	9,093
Accounts Payable	123
Intergovernmental Payables	388
Unearned Revenues	9,119
<b>TOTAL CURRENT LIABILITIES</b>	18,723
<b>NONCURRENT LIABILITIES</b>	
Net Pension Liability	511,271
<b>TOTAL LIABILITIES</b>	529,994
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources for Pension Expense	84,128
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,395
Unrestricted (Deficit)	(444,839)
<b>TOTAL NET POSITION (DEFICIT)</b>	\$ (440,444)

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND

For the Year Ended June 30, 2017

	<u>Enterprise Fund Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 157,909
<b>OPERATING EXPENSES</b>	
Salaries	145,712
Employee Benefits	54,957
Purchased Professional and Technical Services	39,781
Purchased Property Services	15,293
Supplies	234,898
Depreciation	1,623
Other Expenses	62
	<u>492,326</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>492,326</u>
	<b>OPERATING LOSS</b> (334,417)
<b>NONOPERATING REVENUES</b>	
Local Sources - Earnings on Investments	99
State Sources	57,372
Federal Sources	304,151
	<u>361,622</u>
<b>TOTAL NONOPERATING REVENUES</b>	<u>361,622</u>
	<b>CHANGE IN NET POSITION</b> 27,205
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>	<u>(467,649)</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u><u>\$ (440,444)</u></u>

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the Year Ended June 30, 2017

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	<u>Enterprise Fund Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 159,110
Cash Payments to Employees for Services	(199,801)
Cash Payments to Suppliers for Goods and Services	<u>(266,650)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	(307,341)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	52,013
Federal Sources	<u>257,265</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	309,278
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>99</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,036
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>3,574</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 5,610</u></u>



**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUND**

**For the Year Ended June 30, 2017**

	<u>Enterprise Fund Food Service</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	\$ (334,417)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,623
Donated Commodities Used	14,306
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Interfund Receivables	(173)
Inventories	4,959
Deferred Outflows of Resources for Pension Expense	(55,913)
Pension Contributions Made Subsequent to the Measurement Date	(2,755)
Interfund Payables	4,601
Accounts Payable	(486)
Accrued Salaries and Benefits	(753)
Unearned Revenues	1,374
Net Pension Liability	(8,509)
Deferred Inflows of Resources for Pension Expense	<u>68,802</u>
Total Adjustments	<u>27,076</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ (307,341)</u></u></b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$14,306 of commodities from the U.S. Department of Agriculture.

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**

**June 30, 2017**

	Private Purpose Trust Fund	Agency Funds Student Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 4,025	\$ 82,919
<b>TOTAL ASSETS</b>	4,025	\$ 82,919
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Other Current Liabilities	-	\$ 82,919
<b>TOTAL LIABILITIES</b>	-	\$ 82,919
<b>NET POSITION, HELD IN TRUST FOR SCHOLARSHIPS</b>	\$ 4,025	

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**

**For the Year Ended June 30, 2017**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Earnings on Investments	\$ -
<b>DEDUCTIONS</b>	
Scholarships	<u>324</u>
<b>CHANGE IN NET POSITION</b>	(324)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,349</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 4,025</u></u>

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Antietam School District (the "District") is located in Berks County, Pennsylvania. The District's tax base consists of Lower Alsace Township and the Borough of Mount Penn.

The Antietam School District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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##### A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

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

**Impose its will** - If the District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**A. Reporting Entity - continued**

**Financial benefit or burden** - exists if the District (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

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

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

**Joint Venture:** The District is a participating member of the Berks Career & Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

**Jointly Governed Organizations:** The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**B. Basis of Presentation - Government-Wide Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**The District Reports the Following Major Governmental Funds:**

**General Fund:** This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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C. Basis of Presentation - Fund Financial Statements - continued

**Capital Projects Fund:** This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The District's Capital Project Fund consists of:

*Capital Reserve Fund* - This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

*2017 Construction Fund* - The District established the 2017 construction fund with the series 2017 GOB bond issues, which provided resources to fund various capital projects of the District.

**The District has the Following Major Enterprise Fund:**

**Food Service Fund:** This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

**Additionally, the District Reports the Following Fund Type:**

**Fiduciary Funds:** The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**C. Basis of Presentation - Fund Financial Statements - continued**

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If the eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**D. Measurement Focus and Basis of Accounting - continued**

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the accrual basis of accounting. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**E. Budgetary Process**

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

In accordance with Act 1 of 2006, the board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The board shall approve either the accelerated budget process option or the board resolution option.

**Accelerated Budget Process Option**

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the primary election. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction of PDE and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

**Board Resolution Option**

Under the board resolution option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget, the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**E. Budgetary Process - continued**

**Board Resolution Option - continued**

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016/2017 budget transfers.

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

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

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**2. Receivables/Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**3. Inventories and Prepaid Items**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. As of June 30, 2017, the cost of these inventories was \$11,238.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. Capital Assets, Depreciation, and Amortization**

The District's property, plant, and equipment, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The District generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives, in years, for depreciable assets are as follows:

Assets	Years
Buildings	45
Building improvements	7 - 30
Land improvements	15 - 20
Furniture and equipment	3 - 15

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category, which are a deferred charge on bond refunding, a deferred pension contribution, and deferred outflows of resources for pension which are reported in the government-wide statement of net position. A deferred charge on bond refunding results 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. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**5. Deferred Outflows/Inflows of Resources - continued**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, *deferred inflows of resources for pension* relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow. The second item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Unearned Revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

**7. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**8. Fund Balance Policies and Flow Assumptions**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The superintendent and business manager may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District will strive to maintain an unassigned general fund balance of not less than six percent and not more than eight percent of the budgeted expenditures for that fiscal year set by board resolution.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy does not dictate whether restricted or unrestricted is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first, followed by the unrestricted categories. The District's policy also places no restrictions on the order of the unrestricted fund balances used. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**G. Revenues and Expenditures/Expense**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Compensated Absences**

**Sick Pay**

Under the District's various bargaining agreements and plans, professional employees and administrators accumulate unused sick days. These unused sick days may be accumulated for future illnesses and are not vested. Upon retirement, employees are paid for unused sick days at varying rates based on position.

**Vacation Leave**

Unused vacation can be accumulated by administrators and support staff within certain limits. Upon retirement or termination, unused vacation days are paid out at the employee's current rate of pay. The District maintains records of all employees' accumulated vacation and personal days.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**H. Other Use of Estimates**

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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**A. Compliance with Finance Related Legal and Contractual Provisions**

The District has no material violations of finance related legal and contractual provisions.

**B. Deficit Fund Balance or Net Position of Individual Funds**

**Deficit Fund Balance - Proprietary Fund**

For the year ended June 30, 2017, the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$440,444. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by PSERS.

**C. Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2017, the General Fund had excess expenditures over appropriations of \$193,191. This was covered with excess revenues received.

**D. Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2017. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 3 - CASH AND INVESTMENTS**

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The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2017, is as follows:

Petty cash	\$ 450
Cash and cash equivalents	25,285
Pooled cash and investments	<u>7,567,836</u>
	<u>\$ 7,593,571</u>

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. As of June 30, 2017, the carrying amount of the District's deposits was \$25,285 and the bank balance was \$25,335. Of the bank balance, \$25,285 was covered by federal depository insurance.

**Investments**

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

As of June 30, 2017, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA Local Government Investment Trust (PLGIT):			
Money Market Fund		\$ 1,493,398	\$ 1,493,398
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	2,600,000	2,600,000
MAX Account Balance		<u>3,750,853</u>	<u>3,750,853</u>
	Total		7,844,251
	Less: Reconciling Items		<u>(276,415)</u>
	Total Investments		<u><u>\$ 7,567,836</u></u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include PLGIT and PSDLAF at amortized cost. There are no limitations or restrictions on withdrawals from these accounts.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The District's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

As of June 30, 2017, the entire PLGIT and PSDLAF book balance of \$7,567,836 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Interest Rate Risk**

The District has an investment policy that would limit its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

**Credit Risk**

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2017, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. District investments in authorized instruments not backed by the federal or state government shall be limited to the two highest applicable credit ratings. All other investments require board notification.

**Custodial Credit Risk**

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

**Restricted Cash**

Included in pooled cash and investments is \$115,699 of restricted cash set aside to meet the terms of a special education settlement agreement (see Note 15).

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$257,231,200. In accordance with Act 1 of 2006, the District received \$456,630 in property tax reduction funds for the 2016/2017 fiscal year. The District's tax rate for the year ended June 30, 2017, was \$37.79 per \$1,000 of assessed valuation. The schedule for real estate taxes levied for each fiscal year is as follows:

- |                          |   |
|--------------------------|---|
| July 1                   | - Full year tax assessed for current year.  |
| July 1 - August 31       | - Discount period during which a 2% discount is allowed.  |
| September 1 - October 31 | - Face amount of tax is due.  |
| November 1 - January 14  | - A 10% penalty is added to all payments.   |
| January 15               | - All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection. |

Installment payments of the face amount of the property tax can be made by the following dates - July 31, September 15, October 31, and December 15.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance unavailable in the fund financial statements.

The balances at June 30, 2017, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real estate	\$ 522,996	\$ 9,058	\$ 513,938	\$ 70,104	\$ 452,892
Transfer tax	11,489	-	11,489	11,489	-
Earned income tax	53,378	-	53,378	53,378	-
	<u>\$ 587,863</u>	<u>\$ 9,058</u>	<u>\$ 578,805</u>	<u>\$ 134,971</u>	<u>\$ 452,892</u>

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

The following schedule represents intergovernmental receivables and payables at June 30, 2017:

	<u>General Fund</u>	<u>Proprietary Fund</u>
<b>Receivables</b>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 124,090	\$ 3,600
Other Local Education Agencies	59,730	-
<b>Total Local Sources</b>	<u>183,820</u>	<u>3,600</u>
<u>State Sources</u>		
Commonwealth of PA - Social Security	89,639	-
Commonwealth of PA - Retirement	379,062	-
Commonwealth of PA - Health	23,992	-
Commonwealth of PA - Transportation	13,000	-
Commonwealth of PA - Breakfast and Lunch Program	-	2,177
<b>Total State Sources</b>	<u>505,693</u>	<u>2,177</u>
<u>Federal Sources</u>		
Federal Subsidies - School Breakfast and Lunch Program	-	41,011
Federal Subsidies - Title I: Grants to Local Educational Agencies	23,135	-
Federal Subsidies - Supporting Effective Instruction	1,171	-
<b>Total Federal Sources</b>	<u>24,306</u>	<u>41,011</u>
<b>Total Intergovernmental Receivables</b>	<u><u>\$ 713,819</u></u>	<u><u>\$ 46,788</u></u>
<b>Payables</b>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 17,273	\$ -
Mount Penn Borough Municipal Authority	6,063	-
Other Local Education Agencies	81,412	-
<b>Total Local Sources</b>	<u>104,748</u>	<u>-</u>
<u>Federal Sources</u>		
Federal Subsidies - School Breakfast or Lunch Program	-	388
<b>Total Intergovernmental Payables</b>	<u><u>\$ 104,748</u></u>	<u><u>\$ 388</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

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The following schedule represents the interfund receivables and payables at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 28,093	\$ 627
Capital Project	-	19,000
Enterprise Fund - Food Service	627	9,093
	<u>\$ 28,720</u>	<u>\$ 28,720</u>

Interfund receivables and payables resulted from the time lag between dates that interfund goods and services were provided and when payments between funds are made. All will be paid within one year.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 7 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017, was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Construction in progress	-	784,925	-	784,925
Totals not being depreciated	<u>310,056</u>	<u>784,925</u>	-	<u>1,094,981</u>
Capital assets being depreciated:				
Buildings and building improvements	31,047,209	12,248	-	31,059,457
Land improvements	183,115	-	-	183,115
Furniture and equipment	<u>3,886,185</u>	<u>280,926</u>	-	<u>4,167,111</u>
Totals being depreciated	<u>35,116,509</u>	<u>293,174</u>	-	<u>35,409,683</u>
Less accumulated depreciation for:				
Buildings and building improvements	17,012,939	1,165,975	-	18,178,914
Land improvements	58,120	9,155	-	67,275
Furniture and equipment	<u>2,867,037</u>	<u>358,780</u>	-	<u>3,225,817</u>
Total accumulated depreciation	<u>19,938,096</u>	<u>1,533,910</u>	-	<u>21,472,006</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>15,178,413</u>	<u>(1,240,736)</u>	-	<u>13,937,677</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 15,488,469</u>	<u>\$ (455,811)</u>	<u>\$ -</u>	<u>\$ 15,032,658</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Machinery and equipment	\$ 305,735	\$ -	\$ -	\$ 305,735
Less accumulated depreciation for:				
Machinery and equipment	<u>299,717</u>	<u>1,623</u>	-	<u>301,340</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 6,018</u>	<u>\$ (1,623)</u>	<u>\$ -</u>	<u>\$ 4,395</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

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Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

Instructional Services:	
Regular	\$ 842,037
Special	4,622
	<hr/>
	846,659
Support Services:	
Pupil Personnel	2,344
Instructional Staff	51,607
Administration	8,407
Pupil Health	2,101
Business Services	4,128
Operation of Plant and Maintenance Services	527,869
Student Transportation Services	28,739
Central Support Services	56,068
Other Support Services	3,023
	<hr/>
	684,286
Noninstructional Services-Student Activities	<hr/>
	2,965
	<hr/>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,533,910</b>
	<hr/> <hr/>



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES

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Bonds and notes payable at June 30 are as follows:

General Obligation Bonds, Series of 2012A

The General Obligation Bonds, Series of 2012A, aggregate principal of \$2,565,000, were issued May 18, 2012, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2007, and (2) pay bond issuance costs. The bonds mature from August 2012 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.350% to 3.000%. The economic gain or loss on refunding was immaterial.

\$ 1,410,000

General Obligation Bonds, Series 2015

The General Obligation Bonds, Series of 2015, aggregate principal of \$8,055,000, were issued September 15, 2015, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2014B and advance refund a portion of the outstanding General Obligation Bonds, Series 2011, and (2) pay bond issuance costs. The bonds mature from April 2016 to April 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1% to 3%. The District realized a savings of \$176,115 as a result of the refunding.

7,180,000

General Obligation Note, Series 2016

The General Obligation Note, Series of 2016, aggregate principal of \$1,890,000, were issued June 9, 2016, for the purpose of providing funds to: (1) currently refund a portion of the outstanding General Obligation Bonds, Series of 2011, and (2) pay bond issuance costs. The bonds mature from June 2016 to September 2014. Interest is payable semi-annually in March and September. Interest is 2.19%. The economic gain or loss on refunding was immaterial.

1,890,000

General Obligation Bonds, Series of 2017

The General Obligation Bonds, Series of 2017, aggregate principal of \$7,700,000, were issued February 1, 2017, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2012, (2) fund various capital projects and (3) pay bond issuance costs. The bonds mature from April 2017 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.92% to 4.00%. The District realized a net present value savings of \$112,265 as a result of the refunding.

7,395,000

Total Bonds and Notes Payable

\$ 17,875,000

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

The future annual payments required to amortize all outstanding bonds are as follows:

	General Obligation Bonds Series of 2012A	General Obligation Bonds Series 2015	General Obligation Note Series 2016	General Obligation Bonds Series 2017	Total Bonds Payable	Total Interest
2018	\$ 265,000	\$ 510,000	\$ 1,000	\$ 205,000	\$ 981,000	\$ 479,639
2019	280,000	510,000	1,000	200,000	991,000	461,332
2020	280,000	525,000	31,000	200,000	1,036,000	439,782
2021	585,000	530,000	33,000	200,000	1,348,000	418,519
2022	-	545,000	32,000	205,000	782,000	396,404
2023 - 2027	-	2,850,000	1,792,000	1,110,000	5,752,000	1,600,922
2028 - 2032	-	1,710,000	-	3,600,000	5,310,000	794,875
2033 - 2035	-	-	-	1,675,000	1,675,000	130,125
	<u>\$ 1,410,000</u>	<u>\$ 7,180,000</u>	<u>\$ 1,890,000</u>	<u>\$ 7,395,000</u>	<u>\$ 17,875,000</u>	<u>\$ 4,721,598</u>

**Capital Lease Obligations**

The District is obligated under capital leases for certain computer equipment. The gross amount of such equipment and related accumulated amortization under these capital leases was as follows as of June 30, 2017:

Cost	\$ 1,486,502
Accumulated Depreciation	<u>1,022,071</u>
Net Book Value	<u>\$ 464,431</u>

Depreciation expense on assets held under capital leases was \$222,982 for the year ended June 30, 2017.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

Future minimum lease payments under capital lease obligations are as follows:

2016	\$ 130,060
2017	56,545
2017	<u>56,545</u>
Total minimum lease payments	243,150
Less imputed interest	<u>(3,557)</u>
	239,593
Less current installments of obligations under capital leases	<u>(128,428)</u>
Obligations under capital leases, excluding current installments	<u>\$ 111,165</u>

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2017, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds and note payable	\$ 17,255,000	\$ 7,700,000	\$ 7,080,000	\$ 17,875,000	\$ 981,000
Less deferred amounts:					
For issuance discounts	(9,251)	-	(9,251)	-	-
For issuance premiums	36,404	87,708	9,115	114,997	-
Subtotal	<u>17,282,153</u>	<u>7,787,708</u>	<u>7,079,864</u>	<u>17,989,997</u>	<u>981,000</u>
Other Liabilities:					
Capital Leases	216,944	224,255	201,606	239,593	128,428
Compensated Absences	<u>241,912</u>	<u>143,818</u>	<u>132,813</u>	<u>252,917</u>	<u>81,410</u>
<b>TOTAL GOVERNMENTAL LONG-TERM LIABILITIES</b>	<u>\$ 17,741,009</u>	<u>\$ 8,155,781</u>	<u>\$ 7,414,283</u>	<u>\$ 18,482,507</u>	<u>\$ 1,190,838</u>

Payments on bonds and note payable and capital leases are made by the general fund. The compensated absences will also be paid from the general fund. Total interest paid during the year ended June 30, 2017, was \$485,163.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS

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**Employee Defined Benefit Pension Plan**

***Summary of Significant Accounting Policies***

Pension Plan

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.

***General Information about the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information about the Pension Plan - continued***

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

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

Member Contributions

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

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

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

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

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information about the Pension Plan - continued***

**Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2017, was 29.20 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$2,221,866 for the year ended June 30, 2017.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2017, the contribution rate was 0.83 percent of covered payroll and the District contributed \$63,156.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including both contributions related to pension and to healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100 percent of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2017, was \$1,447,305.

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

At June 30, 2017, the District reported a liability of \$28,247,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015, to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0570 percent, which was an increase of 0.0017 percent from its proportion measured as of June 30, 2015.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

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

For the year ended June 30, 2017, the District recognized pension expense of \$3,211,386. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Net difference between projected and actual investment earnings	\$ 1,574,000	\$ -
Difference between expected and actual experience	-	235,000
Changes in proportions - Plan Level	1,094,000	-
Changes in assumptions	1,020,000	-
Changes in proportions - Internal	79,518	79,518
Difference between employer contributions and proportionate share of total contributions	57,590	-
Contributions made subsequent to the measurement date	<u>2,221,866</u>	<u>-</u>
	<u>\$ 6,046,974</u>	<u>\$ 314,518</u>

The \$2,221,866 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 805,386
2019	805,393
2020	1,154,539
2021	<u>745,272</u>
	<u>\$ 3,510,590</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 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.



**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>(14.0%)</u>	0.5%
	<u>100.0%</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, 2016.

Discount Rate

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

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

	<u>1% Decrease</u> 6.25%	<u>Discount Rate</u> 7.25%	<u>1% Increase</u> 8.25%
District's proportionate share of the net pension liability	\$ 34,554,000	\$ 28,247,000	\$ 22,948,000

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](http://www.psers.state.pa.us).

Payables to the Pension Plan

At June 30, 2017, the District had an accrued balance due to PSERS of \$770,636. This amount represents the District's contractually obligated contributions for wages earned in April 2017 through June 2017. The balance will be paid in September 2017.

**403(b) Tax Shelter Plan**

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 10 - OTHER RETIREMENT PLAN**

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The District maintains a Special Pay Deferral Plan for retiring teachers under section 401(a) of the IRS Code. This Plan is designed to handle payments to employees at retirement in a tax-advantaged manner. Payments are based on accumulated sick leave, unused vacation, and a \$5,000 retirement incentive for professional and administrative staff if employed by the District for at least seventeen years. For the year ended June 30, 2017, the District contributed \$0 on behalf of its retirees.

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS**

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**Plan Description**

Antietam School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements also are negotiated between Antietam School District and union representatives. The required contribution is based on pay-as-you-go financing. For eligible employees retired prior to 2007, the retiree pays full premiums for coverage until the earlier of the retiree Medicare eligibility or retiree death. Spouse coverage ends at spouse Medicare eligibility if earlier than above. For eligible employees retired after 2007, the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under the District's health plan. Under all the plans described, coverage is generally provided until the retiree is eligible for Medicare or until retiree's death, whichever is earlier. For the fiscal year ended June 30, 2017, the District contributed \$64,575 to the plan related to retirees.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 97,551
Interest on net OPEB obligation	9,194
Adjustment to annual required contribution	<u>(12,543)</u>
Annual OPEB Cost	94,202
Contributions made	<u>(64,575)</u>
Increase in net OPEB obligation	29,627
Net OPEB obligation - beginning of year	<u>204,318</u>
 Net OPEB obligation - end of year	 <u><u>\$ 233,945</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 94,202	68.5%	\$ 233,945
6/30/2016	94,882	56.3%	204,318
6/30/2015	134,613	50.7%	162,827

**Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$745,053, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$745,053. The covered payroll (annual payroll of active employees covered by the Plan) was \$6,524,419, and the ratio of the UAAL to the covered payroll was 11.42 percent.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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**Funded Status and Funding Progress - continued**

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

**Actuarial Methods and Assumptions**

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

In the January 1, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of six percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2016 with gradual decreases from 5.4 percent in 2021 to 3.8 percent in 2075 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a 10-year open amortization period.

**NOTE 12 - JOINT VENTURE**

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The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of the Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2016/2017 year was \$377,543.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 12 - JOINT VENTURE - CONTINUED**

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During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of taxable real estate of all participating school districts. The District's share for the 2016/2017 year was \$34,910.

Summary financial information as of June 30, 2016 (the most recent information available), is as follows:

<u>Berks Career &amp; Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 31,220,549
Total Liabilities and Deferred Inflows of Resources	<u>30,687,936</u>
Total Net Position (Deficit)	<u>\$ 532,613</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

**NOTE 13 - FUND BALANCE**

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Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2017, are as follows:

**General Fund**

The general fund has a nonspendable fund balance of \$82,954 related to prepaid expenditures, restricted fund balance of \$115,699 for a special education settlement, committed fund balance of \$2,399,263 for retirement rate increases, assigned fund balance of \$796,537 to balance the 2017/2018 school budget, and unassigned fund balance of \$1,462,585. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

**Capital Projects Fund**

The capital projects fund has restricted funds of \$1,287,801 comprised of proceeds from the General Obligation Bond, Series of 2017, and from surplus money transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 14 - RISK MANAGEMENT**

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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. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2016/2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 15 - CONTINGENT LIABILITIES AND COMMITMENTS**

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The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

The District has awarded contracts for a gymnasium and cafeteria renovation project. As of June 30, 2017, the following balances remain on awarded contracts:

<u>Contractor</u>	<u>Total Contract</u>	<u>Commitment Remaining</u>
Balton Construction	\$ 626,684	\$ 334,848
Hirneisen Electric	188,700	69,401
The Warko Group	<u>629,967</u>	<u>365,444</u>
	<u>\$ 1,445,351</u>	<u>\$ 769,693</u>

These commitments will be liquidated by the capital projects fund using drawdowns from the General Obligation Bond, Series of 2017.

The District entered into a special education settlement agreement in which the District agrees to pay tuition directly to a third-party source. Pursuant to this agreement, the District will pay tuition through the 2021 school year plus five percent and necessary tutoring. These funds, totaling \$115,699, will be held in set aside to meet the terms of this settlement agreement and included as restricted cash.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS**

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The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the District's fiscal year ending June 30, 2018.
- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.



**REQUIRED SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended June 30, 2017

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 10,415,693	\$ 10,415,693	\$ 10,559,612	\$ 143,919
State Sources	6,496,375	6,496,375	6,677,107	180,732
Federal Sources	318,140	318,140	354,164	36,024
<b>TOTAL REVENUES</b>	<b>17,230,208</b>	<b>17,230,208</b>	<b>17,590,883</b>	<b>360,675</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES</b>				
Regular Programs - Elementary/Secondary	7,026,157	7,000,557	7,058,534	(57,977)
Special Programs - Elementary/Secondary	2,913,413	2,913,413	3,251,680	(338,267)
Vocational Education Programs	431,500	431,500	412,454	19,046
Other Instructional Programs - Elementary/Secondary	27,754	27,754	11,000	16,754
Non-Public Instruction Programs	-	9,500	9,477	23
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>10,398,824</b>	<b>10,382,724</b>	<b>10,743,145</b>	<b>(360,421)</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	686,323	686,323	666,206	20,117
Instructional Staff	866,432	837,485	851,553	(14,068)
Administration	1,537,021	1,555,831	1,525,624	30,207
Pupil Health	174,872	190,972	183,159	7,813
Business Services	338,537	328,652	318,255	10,397
Operation and Maintenance of Plant Services	1,376,713	1,375,663	1,335,049	40,614
Student Transportation Services	295,065	283,835	245,801	38,034
Central Support Services	419,474	461,476	460,983	493
Other Support Services	9,260	9,260	9,221	39
<b>TOTAL SUPPORT SERVICES</b>	<b>5,703,697</b>	<b>5,729,497</b>	<b>5,595,851</b>	<b>133,646</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Student Activities	421,474	421,474	376,446	45,028
Community Services	18,000	18,000	11,546	6,454
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>439,474</b>	<b>439,474</b>	<b>387,992</b>	<b>51,482</b>
<b>DEBT SERVICE</b>	<b>1,659,823</b>	<b>1,650,123</b>	<b>1,649,362</b>	<b>761</b>
<b>REFUND OF PRIOR YEAR REVENUES</b>	<b>-</b>	<b>-</b>	<b>18,659</b>	<b>(18,659)</b>
<b>TOTAL EXPENDITURES</b>	<b>18,201,818</b>	<b>18,201,818</b>	<b>18,395,009</b>	<b>(193,191)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(971,610)</b>	<b>(971,610)</b>	<b>(804,126)</b>	<b>167,484</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Capital Lease	-	-	226,178	226,178
Budgetary Reserve	(100,000)	(100,000)	-	100,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>226,178</b>	<b>326,178</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (1,071,610)</b>	<b>\$ (1,071,610)</b>	<b>(577,948)</b>	<b>\$ 493,662</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>5,434,986</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 4,857,038</b>	

See note to required supplementary information.

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND RELATED RATIOS - PENSION PLAN**

	<b>June 30, 2017</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.0570%	0.0553%	0.0538%	0.0531%
District's proportionate share of the collective net pension liability	\$ 28,247,000	\$ 23,953,000	\$ 21,295,000	\$ 21,737,000
District's covered employee payroll	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	382.63%	336.50%	310.10%	319.06%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, 2014, and 2013).

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN**

**LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 2,221,866	\$ 1,829,368	\$ 1,479,329	\$ 1,106,236	\$ 794,896	\$ 553,623	\$ 361,231	\$ 286,013	\$ 275,315	\$ 402,821
Contributions in relation to the contractually required contribution	<u>2,221,866</u>	<u>1,829,368</u>	<u>1,479,329</u>	<u>1,106,236</u>	<u>794,896</u>	<u>553,623</u>	<u>361,231</u>	<u>286,013</u>	<u>275,315</u>	<u>402,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 7,565,522	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734					
Contributions as a percentage of covered employee payroll	29.37%	24.78%	20.78%	16.11%	11.67%					

NOTE: This schedule is presented to present the requirement to show information for 10 years.

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Eligible Employees	1/1/2015	\$ -	\$ 745,053	\$ 745,053	0.00%	\$ 6,524,419	11.42%
Eligible Employees	1/1/2012	-	760,555	760,555	0.00%	6,311,870	12.05%
Eligible Employees	1/1/2009	-	959,740	959,740	0.00%	5,981,555	16.04%

**ANTIETAM SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2017**

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**BUDGETARY DATA**

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

**SUPPLEMENTARY INFORMATION**

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2016	Revenue	Expenditures	Accrued (Unearned) Revenue at June 30, 2017
<b>U.S. Department of Education</b>									
Passed through State Department of Education:									
Title I: Grants to Local Educational Agencies	I	84.010	08/26/16-09/30/17	\$ 333,513	\$ 307,668	\$ -	\$ 330,803	\$ 330,803	\$ 23,135
Supporting Effective Instruction State Grant	I	84.367	08/26/16-09/30/17	17,891	16,720	-	17,891	17,891	1,171
Supporting Effective Instruction State Grant	I	84.367	07/01/15-09/30/16	18,423	3,645	3,645	-	-	-
Passed through Berks County Intermediate Unit:									
IDEA Cluster									
Special Education - Grants to States	I	84.027	07/01/15-09/30/16	196,955	73,683	-	196,955	196,955	123,272
Special Education - Grants to States	I	84.027	07/01/15-09/30/16	215,303	80,732	80,732	-	-	-
IDEA - Section 619 - Special Education - Preschool Grants	I	84.173	07/01/15-09/30/16	818	-	-	818	818	818
Subtotal					154,415	80,732	197,773	197,773	124,090
Passed through the Fleetwood Area School District:									
Title III: English Language Acquisition State Grants	I	84.365	07/01/16-09/30/17	7,040	-	-	3,795	3,795	3,795
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<b>482,448</b>	<b>84,377</b>	<b>550,262</b>	<b>550,262</b>	<b>152,191</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY/FEMA</b>									
Passed-Through the PA Emergency Management Agency:									
Disaster Grants - Public Assistance	I	97.036	07/01/16-06/30/17	5,470	5,470	-	5,470	5,470	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY/FEMA</b>					<b>5,470</b>	<b>-</b>	<b>5,470</b>	<b>5,470</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>									
Child Nutrition Cluster									
Passed through State Department of Education:									
School Breakfast Program	I	10.553	07/01/16-06/30/17	N/A	29,923	-	35,687	35,687	5,764
School Breakfast Program	I	10.553	07/01/15-06/30/16	N/A	1,207	1,207	-	-	-
National School Lunch Program	I	10.555	07/01/16-06/30/17	N/A	219,300	-	254,159	254,159	34,859
National School Lunch Program	I	10.555	07/01/15-06/30/16	N/A	6,836	6,836	-	-	-
Subtotal					257,266	8,043	289,846	289,846	40,623
Passed through State Department of Agriculture:									
National School Lunch Program - USDA Commodities	I	10.555	07/01/16-06/30/17	N/A	14,306	-	14,306	14,306	-
<b>TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE</b>					<b>271,572</b>	<b>8,043</b>	<b>304,152</b>	<b>304,152</b>	<b>40,623</b>
<b>TOTAL FEDERAL AWARDS</b>					<b>\$ 759,490</b>	<b>\$ 92,420</b>	<b>\$ 859,884</b>	<b>\$ 859,884</b>	<b>\$ 192,814</b>

I = Indirect Source of Funding

Note: No funds were passed through to subrecipients in the year ended June 30, 2017.

See notes to schedule of expenditures of federal awards.



**ANTIETAM SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Antietam School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Antietam School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Antietam School District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

**NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS**

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The District did not elect to use the De Minimus rate for indirect costs.

**NOTE 4 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



Herbein + Company, Inc.  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

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

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Antietam School District's basic financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**November 13, 2017**



**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

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

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

**Report on Compliance for Each Major Federal Program**

We have audited Antietam School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Antietam School District's major federal programs for the year ended June 30, 2017. Antietam School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, Antietam School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 13, 2017**

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified  
Internal Control Over Financial Reporting:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control Over Major Programs:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified  
Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR Section 200.516(a)?        yes   X   no

**Identification of Major Program(s):**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Child Nutrition Cluster</u>	
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?   X   yes        no

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

There were no financial statement findings.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported.



**Administrative Offices**  
**100 Antietam Road, Reading, Pennsylvania 19606**  
**Fax (610) 779-4424**

**MELISSA G. BREWER, Ed.D.**  
District Superintendent  
(610) 779-0554

**TRACY L. DETWILER**  
Business Manager  
(610) 779-2606

**ANTIETAM SCHOOL DISTRICT**

**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported.