

WARRIOR RUN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
and SUPPLEMENTARY REPORTS
RESULTING FROM SINGLE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2017

EIN: 23-1669490

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Randall G. Herring, CPA (1980-2015)
William J. Roll, CPA
Courtney M. Solomon, CPA

Members of American and Pennsylvania Institute of Certified Public Accountants

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TRANSMITTAL LETTER

Members of the School Board
Warrior Run School District
4800 Susquehanna Trail
Turbotville, Pennsylvania 17772

We have performed the single audit of the Warrior Run School District for the fiscal year ended June 30, 2017 and have enclosed the single audit package.

The single audit was done to fulfill the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an audit of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the financial statements; 4. a review of the internal control structure made as a part of the audit of the federal financial assistance programs; 5. a review of compliance based on an audit of the financial statements in accordance with *Government Auditing Standards*; and 6. a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

A handwritten signature in black ink that reads 'Herring, Roll & Solomon'.

January 15, 2018



Randall G. Herring, CPA (1980-2015)
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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Warrior Run School District
Turbotville, 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 Warrior Run 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 Warrior Run 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, budgetary comparison information on page 15, and the Schedule of Proportionate Share of the Net Pension Liability and District Contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are 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 January 15, 2018, on our consideration of the Warrior Run School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Warrior Run School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hering, Roll + Solomon". The signature is written in dark ink on a light-colored background.

January 15, 2018

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$2,801,972. Net position of governmental activities increased \$2,814,520, which represents an 25 percent increase from fiscal year 2016. Net position of the business-type activity, which represents food service, decreased \$12,548 or 2 percent from fiscal year 2016.
- General revenues accounted for \$18,173,202 in revenue or 75 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$5,994,280 or 25 percent of total revenues of \$24,167,482.
- The School District had \$20,515,167 in expenses related to governmental activities; only \$5,175,142 of total expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily personal and income taxes, property taxes, and grants and entitlements) of \$18,154,545 and net position were adequate to provide for these programs.

Using the Basic Financial Statements

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warrior Run School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Warrior Run School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?". The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting systems used by most private sector companies.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Capital Projects Fund, and the Capital Reserve Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

The School District as a Whole

The perspective of the statement of net position is of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1
Net Position
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<u>Assets:</u>						
Current and Other Assets	11,548	14,014	102	81	11,650	14,095
Capital Assets, Net	11,646	11,401	70	80	11,716	11,481
Deferred Outflow	<u>3,320</u>	<u>7,169</u>	<u>105</u>	<u>292</u>	<u>3,425</u>	<u>7,461</u>
Total Assets	26,514	32,584	277	453	26,792	33,037
<u>Liabilities:</u>						
Current and Other Liabilities	3,666	2,785	32	0	3,699	2,785
Long-Term Liabilities	32,790	37,082	908	1,131	33,698	38,213
Deferred Inflow	<u>1,241</u>	<u>1,085</u>	<u>37</u>	<u>35</u>	<u>1,278</u>	<u>1,120</u>
Total Liabilities	37,697	40,952	977	1,166	38,675	42,118
<u>Net Assets:</u>						
Invested in Capital Assets						
Net of Related Debt	9,135	9,555	70	80	9,205	9,635
Unrestricted (Deficit)	<u>(20,318)</u>	<u>(17,923)</u>	<u>(770)</u>	<u>(793)</u>	<u>(21,088)</u>	<u>(18,716)</u>
Total Net Assets	(11,183)	(8,368)	(700)	(713)	(11,883)	(9,081)

Net position of the School District's governmental activities increased \$2,814,520 from fiscal year 2016. The net position of the School District's business-type activity decreased \$12,548 from fiscal year 2016.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2016.

Table 2
Change in Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for Services and Sales	81	70	397	358	478	428
Operating Grants and Contributions	<u>4,710</u>	<u>5,105</u>	<u>464</u>	<u>461</u>	<u>5,174</u>	<u>5,566</u>
Total Program Revenues	4,791	5,175	861	819	5,652	5,994
General Revenues:						
Property Taxes	7,553	7,775	0	0	7,553	7,775
Income and Personal Taxes	3,871	3,879	0	0	3,871	3,879
Grants and Entitlements	6,284	6,412	0	0	6,284	6,412
Interest	35	67	0	0	35	67
Sale/Compensation for Capital Assets	0	0	0	0	0	0
Miscellaneous	<u>39</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>39</u>	<u>40</u>
Total General Revenues	17,782	18,173	0	0	17,782	18,173
					0	0
Total Revenues	22,574	23,348	861	819	23,435	24,167
Transfers	<u>0</u>	<u>-18</u>	<u>0</u>	<u>18</u>	<u>0</u>	<u>0</u>
Total Revenues and Transfers	22,574	23,330	861	837	23,435	24,167
Program Expenses:						
Depreciation Unallocated	524	542	0	0	524	542
Instruction	12,373	12,954	0	0	12,373	12,954
Instructional Student Support	1,984	2,004	0	0	1,984	2,004
Administrative and Financial Support	1,718	1,675	0	0	1,718	1,675
Operation and Maintenance of Plant	1,561	1,644	0	0	1,561	1,644
Pupil Transportation	1,170	1,166	0	0	1,170	1,166
Student Activities	481	501	0	0	481	501
Community Services	4	1	0	0	4	1
Interest on Long-Term Debt	38	28	0	0	38	28
Food Service	<u>0</u>	<u>0</u>	<u>875</u>	<u>850</u>	<u>875</u>	<u>850</u>
Total Expenses	19,853	20,515	875	850	20,728	21,365
Increase (Decrease) in Net Position	2,721	2,815	-14	-13	2,707	2,802

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities
(In Thousands)

	Total Costs of Services		Net Costs of Services	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Depreciation Unallocated	524	542	524	542
Instruction	12,373	12,954	8,795	9,100
Instructional Student Support	1,984	2,004	1,802	1,802
Administrative and Financial Support	1,718	1,675	1,539	1,473
Operation and Maintenance of Plant	1,561	1,644	1,475	1,546
Pupil Transportation	1,170	1,166	519	454
Student Activities	481	501	366	394
Community Services	4	1	4	1
Interest on Long-Term Debt	<u>38</u>	<u>28</u>	<u>38</u>	<u>28</u>
Total Expenses	19,853	20,515	15,062	15,340

The dependence upon tax revenues for governmental activities is apparent. Over 85 percent of instruction activities are supported through local taxes. The community, as a whole, is the primary support for Warrior Run School District.

Business-Type Activity

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$837,795 and expenses of \$850,343 for fiscal year 2017. Total revenues decreased \$23,193 and expenses decreased \$24,620 over the prior fiscal year.

The Board of Education continues to examine the food service operation in effort to be self-operating with minimal assistance from the General Fund. The business activity received no additional support from the General Fund in fiscal year 2017.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$23,313,752 and expenditures of \$19,992,962.

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, actual revenues, in the amount of \$23,296,638, were above original budgeted revenues in the amount of \$22,014,798. Of this \$1,281,840 variance, most was due to increases in earned income taxes collected and grant funding. In addition, budget versus actual spending for stimulus funds impacted original budgeted revenue.

Expenditures were budgeted at \$22,173,980 while actual expenditures were \$21,347,007. Conservative spending in some areas allowed the district to offset necessary upgrades in other areas.

General Fund revenues were more than expenditures and other financing uses by \$1,949,661. The budget projection was a deficit of (\$41,182) for fiscal year 2017. Due to increase revenues and conservative spending, the School District increased general fund balance by \$1,949,661.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Heather N. Burke, Business Manager/Board Secretary at Warrior Run School District, 4800 Susquehanna Trail, Turbotville, PA 17772, (570) 649-5138, extension 5004.

WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,657,223	\$ 42,499	\$ 12,699,722
Taxes receivable, net (Note 6)	395,481	-	395,481
Intergovernmental receivables:			
State	398,073	-	398,073
Federal	372,421	-	372,421
Local	169,976	1,307	171,283
Inventories	-	37,466	37,466
Prepaid Expenses	12,185	-	12,185
Other Receivables	8,515	-	8,515
TOTAL CURRENT ASSETS	<u>14,013,874</u>	<u>81,272</u>	<u>14,095,146</u>
NON-CURRENT ASSETS			
Capital Assets (Note 4)			
Land and site improvements, net	1,161,390	-	1,161,390
Building and building improvements, net	9,981,736	-	9,981,736
Furniture and equipment, net	257,445	80,145	337,590
TOTAL NON-CURRENT ASSETS	<u>11,400,571</u>	<u>80,145</u>	<u>11,480,716</u>
Deferred outflows of resources- pensions (Note 5)	7,169,436	291,968	7,461,404
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32,583,881</u>	<u>\$ 453,385</u>	<u>\$ 33,037,266</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 341,187	\$ -	\$ 341,187
Accrued Interest	6,507	-	6,507
Current portion of long-term debt (Note 3)	675,000	-	675,000
Accrued salaries and benefits	1,761,983	584	1,762,567
TOTAL CURRENT LIABILITIES	<u>2,784,677</u>	<u>584</u>	<u>2,785,261</u>
NON-CURRENT LIABILITIES			
Bonds and notes payable (Note 3)	1,171,000	-	1,171,000
Net Pension Liability (Note 5)	35,343,306	1,130,694	36,474,000
Separately Finance Specific Liability (Note 5)	5,834	166	6,000
Long-term portion of Other Post Employment Benefits (Note 9)	186,992	-	186,992
Long-term portion of compensated absences (Note 3)	374,988	-	374,988
TOTAL NON-CURRENT LIABILITIES	<u>37,082,120</u>	<u>1,130,860</u>	<u>38,212,980</u>
Deferred inflows of resources- pensions (Note 5)	1,085,578	34,658	1,120,236
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>40,952,375</u>	<u>1,166,102</u>	<u>42,118,477</u>
NET POSITION			
Net Investment in capital assets	9,554,571	80,145	9,634,716
Restricted for:			
Capital expenditures	2,489,656	-	2,489,656
Other restrictions	1,880,330	-	1,880,330
Unrestricted	(22,293,051)	(792,862)	(23,085,913)
TOTAL NET POSITION	<u>(8,368,494)</u>	<u>(712,717)</u>	<u>(9,081,211)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 32,583,881</u>	<u>\$ 453,385</u>	<u>\$ 33,037,266</u>

See notes to financial statements
which are an integral part of this statement.

WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Depreciation unallocated	\$ 541,468	\$ -	\$ -	\$ (541,468)	\$ -	\$ (541,468)
Instruction	12,953,679		3,853,471	(9,100,208)	-	(9,100,208)
Instructional student support	2,004,273	-	202,018	(1,802,255)	-	(1,802,255)
Administrative and financial support service	1,675,354	-	202,077	(1,473,277)	-	(1,473,277)
Operation and maintenance of plant services	1,643,869	-	97,724	(1,546,145)	-	(1,546,145)
Pupil transportation	1,166,389	-	712,364	(454,025)	-	(454,025)
Student activities	500,607	69,788	37,539	(393,280)	-	(393,280)
Community services	1,155	-	161	(994)	-	(994)
Interest on long-term debt	28,373	-	-	(28,373)	-	(28,373)
TOTAL GOVERNMENTAL ACTIVITIES	20,515,167	69,788	5,105,354	(15,340,025)	-	(15,340,025)
BUSINESS-TYPE ACTIVITIES						
Food services	850,343	358,271	460,867	-	(31,205)	(31,205)
TOTAL PRIMARY GOVERNMENT	21,365,510	428,059	5,566,221	(15,340,025)	(31,205)	(15,371,230)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				7,775,243		7,775,243
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				3,878,362		3,878,362
Grants, subsidies, and contributions not restricted				6,412,042		6,412,042
Investment earnings				67,035	218	67,253
Miscellaneous				40,302		40,302
Interfund Transfers				(18,439)	18,439	-
TOTAL GENERAL REVENUES AND TRANSFERS				18,154,545	18,657	18,173,202
CHANGE IN NET POSITION				2,814,520	(12,548)	2,801,972
NET POSITION - BEGINNING				(11,183,014)	(700,169)	(11,883,183)
NET POSITION - ENDING				\$ (8,368,494)	\$ (712,717)	\$ (9,081,211)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General	Capital Reserve	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,796,438	\$ 3,860,785	\$ 12,657,223
Taxes receivable, net	395,481	-	395,481
Prepaid Expenses	12,185	-	12,185
Due from other funds	-	-	-
Intergovernmental receivables:			
State	398,073	-	398,073
Federal	372,421	-	372,421
Local	169,976	-	169,976
Other Receivables	8,515	-	8,515
TOTAL ASSETS	\$ 10,153,089	\$ 3,860,785	\$ 14,013,874
 LIABILITIES			
Accounts payable	\$ 341,187	\$ -	\$ 341,187
Accrued salaries and benefits	1,761,983	-	1,761,983
Deferred revenue	395,481	-	395,481
TOTAL LIABILITIES	2,498,651	-	2,498,651
 EQUITY			
 FUND BALANCE			
Restricted	-	-	-
Assigned	1,881,611	3,860,785	5,742,396
Unassigned	5,772,827	-	5,772,827
Major funds	-	-	-
TOTAL FUND BALANCES	7,654,438	3,860,785	11,515,223
 TOTAL LIABILITIES AND FUND BALANCE	\$ 10,153,089	\$ 3,860,785	\$ 14,013,874

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017**

Total fund balances - governmental funds \$ 11,515,223

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	29,705,611
Less: accumulated depreciation	(18,305,040)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bond principal payable	(1,846,000)
Other Post Employment Benefits	(186,992)
Compensated absences	(374,988)

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

395,481

Governmental funds do not report a liability for accrued interest until due and payable.

(6,507)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability	(35,343,306)
Separately Finance Specific Liability	(5,834)

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

Deferred outflows of resources related to pensions	7,169,436
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Deferred inflows of resources related to pensions	<u>(1,085,578)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (8,368,494)**

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Capital Reserve	Total Governmental Funds
REVENUES			
Local Sources			
Real Estate Taxes	\$ 7,352,298	\$ -	\$ 7,352,298
Other Taxes	3,869,051	-	3,869,051
Interest	49,921	17,114	67,035
Revenue From Intermediate Sources	258,836	-	258,836
Tuition and Fees	71,796	-	71,796
Revenue From Student Activities	69,788	-	69,788
Other Revenue	40,303	-	40,303
Total Local Sources	<u>11,711,993</u>	<u>17,114</u>	<u>11,729,107</u>
State	10,889,836	-	10,889,836
Federal	694,809	-	694,809
TOTAL REVENUES	<u>23,296,638</u>	<u>17,114</u>	<u>23,313,752</u>
EXPENDITURES			
Instruction	12,301,782	-	12,301,782
Support services	6,164,062	-	6,164,062
Operation of non-instructional services	480,887	-	480,887
Capital outlay	332,075	-	332,075
TOTAL EXPENDITURES	<u>19,278,806</u>	<u>-</u>	<u>19,278,806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,017,832</u>	<u>17,114</u>	<u>4,034,946</u>
OTHER FINANCING SOURCES (USES)			
Debt service	(695,717)	-	(695,717)
Interfund transfers	(1,372,454)	1,354,015	(18,439)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,068,171)</u>	<u>1,354,015</u>	<u>(714,156)</u>
NET CHANGE IN FUND BALANCES	1,949,661	1,371,129	3,320,790
FUND BALANCES - BEGINNING	5,704,777	2,489,656	8,194,433
FUND BALANCES - ENDING	<u>\$ 7,654,438</u>	<u>\$ 3,860,785</u>	<u>\$ 11,515,223</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,320,790
Amounts reported for governmental activities in the Statement of Activities are difference because:	
Some property and personal 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.	34,374
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	665,000
Expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(36,732)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	2,344
Governmental funds recognize capital outlays as expenditures versus as capital assets in the Statement of Net Position.	295,742
Depreciation is recognized in the Statement of Activities but is not recognized in governmental funds.	(541,468)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Pension contributions- governmental funds	2,714,034
Cost of benefits earned net of employee contributions- governmental funds	<u>(3,639,564)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,814,520</u></u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 10,982,384	\$ 10,982,384	\$ 11,711,993	\$ 729,609
State sources	10,468,510	10,468,510	10,889,836	421,326
Federal sources	563,904	563,904	694,809	130,905
TOTAL REVENUES	<u>22,014,798</u>	<u>22,014,798</u>	<u>23,296,638</u>	<u>1,281,840</u>
EXPENDITURES				
Regular programs	9,860,804	9,860,804	9,158,985	701,819
Special programs	3,006,531	3,006,531	2,829,981	176,550
Vocational programs	380,000	380,000	286,581	93,419
Other instructional programs	81,251	81,251	26,235	55,016
Pupil personnel services	674,411	674,411	639,953	34,458
Instructional staff services	882,726	882,726	644,482	238,244
Administrative services	1,454,332	1,454,332	1,246,231	208,101
Pupil health	231,815	231,815	228,922	2,893
Business services	362,317	362,317	343,294	19,023
Operation and maintenance of plant services	1,730,747	1,730,747	1,492,292	238,455
Student transportation services	1,181,553	1,181,553	1,166,389	15,164
Central and other support services	389,521	389,521	402,499	(12,978)
Student activities	482,240	482,240	479,732	2,508
Community services	6,000	6,000	1,155	4,845
Facilities acquisition, construction	300,000	300,000	332,075	(32,075)
TOTAL EXPENDITURES	<u>21,024,248</u>	<u>21,024,248</u>	<u>19,278,806</u>	<u>1,745,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>990,550</u>	<u>990,550</u>	<u>4,017,832</u>	<u>3,027,282</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenses	-	-	-	-
Debt service	(1,049,732)	(1,049,732)	(695,717)	354,015
Interfund transfers	118,000	118,000	(1,372,454)	(1,490,454)
Budgetary reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,031,732)</u>	<u>(1,031,732)</u>	<u>(2,068,171)</u>	<u>(1,036,439)</u>
NET CHANGE IN FUND BALANCES	<u>(41,182)</u>	<u>(41,182)</u>	<u>1,949,661</u>	<u>1,990,843</u>
FUND BALANCE - BEGINNING OF YEAR	<u>5,704,777</u>	<u>5,704,777</u>	<u>5,704,777</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,663,595</u>	<u>\$ 5,663,595</u>	<u>\$ 7,654,438</u>	<u>\$ 1,990,843</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Food Service
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 42,499
Intergovernment Receivables	
Local	1,307
Inventories	37,466
TOTAL CURRENT ASSETS	81,272
NON-CURRENT ASSETS	
Furniture and equipment (net)	80,145
Deferred outflows of resources- pensions	291,968
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 453,385
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	-
Accrued salaries and benefits	584
Due to Other Funds	-
TOTAL CURRENT LIABILITIES	584
NON-CURRENT LIABILITIES	
Net Pension Liability	1,130,694
Seperately Finance Specific Liability	166
TOTAL NON-CURRENT LIABILITIES	1,130,860
Deferred Inflows of resources- pensions	34,658
NET POSITION	
Net investment in capital assets	80,145
Unrestricted	(792,862)
TOTAL NET POSITION	(712,717)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 453,385

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Food Service
OPERATING REVENUES	
Food service revenue	\$ 358,271
TOTAL OPERATING REVENUES	358,271
OPERATING EXPENSES	
Personnel services - salaries	288,164
Personnel services - employee benefits	200,034
Other purchased services	6,679
Supplies	347,118
Depreciation	8,348
TOTAL OPERATING EXPENSES	850,343
OPERATING (LOSS)	(492,072)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	218
State sources	76,329
Federal sources	384,538
Interfund Transfers	18,439
TOTAL NON-OPERATING REVENUES (EXPENSES)	479,524
CHANGE IN NET POSITION	(12,548)
NET POSITION - BEGINNING OF YEAR	(700,169)
NET POSITION - END OF YEAR	\$ (712,717)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 358,857
Cash payments to employees for services	(455,192)
Cash payments to suppliers for goods and services	(378,841)
NET CASH USED BY OPERATING ACTIVITIES	(475,176)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	76,329
Federal sources	384,538
Operating transfers in from General Fund	18,439
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	479,306
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	(18,281)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(18,281)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	218
NET CASH PROVIDED BY INVESTING ACTIVITIES	218
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,933)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	56,432
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 42,499
OPERATING (LOSS)	\$ (492,072)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation and net amortization	8,348
(Increase) Decrease in other receivables	586
(Increase) Decrease in inventories	6,627
(Increase) Decrease in deferred outflows of resources	(186,964)
Increase (Decrease) in accounts payable and accrued salaries and benefits	(3)
Increase (Decrease) in due to other funds	(31,671)
Increase (Decrease) in net pension liability	222,377
Increase (Decrease) in deferred inflows of resources	(2,404)
TOTAL ADJUSTMENTS	16,896
TOTAL CASH USED BY OPERATING ACTIVITIES	\$ (475,176)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Activity	Total Fiduciary Funds
ASSETS		
Cash	\$ 105,274	\$ 105,274
Certificates of Deposit	11,000	11,000
TOTAL ASSETS	\$ 116,274	\$ 116,274
 LIABILITIES AND NET POSITION		
LIABILITIES		
Due to Student Groups	\$ 116,274	\$ 116,274
TOTAL LIABILITIES	116,274	116,274
NET POSITION	-	-
TOTAL NET POSITION	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 116,274	\$ 116,274

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Warrior Run School District (the "District") is governed by the Warrior Run School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides public education to the residents of three boroughs and five townships with two elementary schools, one middle school, and one high school in the following three Counties: Union, Northumberland, and Montour County, Pennsylvania. The District is managed under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The financial statements of the Warrior Run School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds.

In February 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The financial statements include designation under this statement in the following categories: Restricted, Committed, Assigned and Unassigned.

The School District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 68, *"Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27"* in the fiscal year ended June 30, 2015. The School District also adopted the provisions of GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68"*.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFINING THE REPORTING ENTITY

The reporting entity was defined by applying the following criteria which were established by the Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity":

- (A) Financial interdependency
- (B) Selection of governing authority
- (C) Designation of management
- (D) Ability to significantly influence operations
- (E) Accountability for fiscal matters.

The District participates in the Lycoming Career and Technology Center (Lyco CTC) located in Hughesville, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because they Lyco CTC is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the Lyco CTC; and the Lyco CTC is maintained as a separate operating unit.

The District has one member on the joint operating committee which governs the Lyco CTC. The committee is comprised of one member from each of the member school districts who are appointed annually. The Lyco CTC provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the Lyco CTC based upon its enrollment percentage. The member school districts approve the budget of the Lyco CTC.

Audited financial statements for the year ended June 30, 2017 for the Lyco CTC are available at its business office.

The District's Intermediate Unit is the Central Susquehanna Intermediate Unit #16 located in Montandon, Pennsylvania.

In defining the reporting entity, all known federal program awards received by the entity have been included and have been subjected to the terms and requirements of the Uniform Guidance.

In applying the above criteria, the District does not have any component units nor is the District a component unit of any other primary government.

BASIS OF PRESENTATION

Government-wide statements - The statement of net position and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF PRESENTATION - continued

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

Depreciation expense is not allocated by function and is included on a separate line of the direct expenses. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF PRESENTATION - continued

The District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following major proprietary fund type:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Other fund types:

Agency Funds - These funds account for assets held by the District as an agent for various student groups and clubs.

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before December 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

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

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

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearing will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. 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 Board of School Directors made several supplemental budgetary appropriations throughout the year which resulted in an increase in the general fund budget. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end, if any, are reported in the fund financial statements as reservations of fund balances.

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

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEPOSITS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

INVENTORY

On government-wide financial statements and in the proprietary fund, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory of the Food Service food and supplies was taken as of June 30, 2017. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Land Improvements	15 years
Buildings and Improvements	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-15 years

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method. Vacation leave does not accumulate. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

ASSIGNED ASSETS

Assigned assets are cash and cash equivalents whose use is intended to be used for a specific purpose but does not meet the criteria to be classified as restricted or committed. These amounts are assigned by the board of directors.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

NET POSITION

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

FOOD SERVICE FUND - UNALLOCATED COSTS

The District does not attempt to allocate "Building-Wide Costs" to the Food Service Fund. Thus, General Fund expenditures (utilities, janitorial services, insurance, etc.) which partially benefit the Food Service Fund are not proportionately recognized within the Food Service Fund. Similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no facilities rental expense).

ESTIMATES

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2018, the date on which the financial statements were available to be issued.

NOTE 2- CASH, CASH EQUIVALENTS AND INVESTMENTS:

CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania Treasurer's Invest Program. The market values of deposits are equal to the cost of the deposits.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to: Deposit in savings accounts or 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

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2- CASH, CASH EQUIVALENTS AND INVESTMENTS - continued:

any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

At June 30, 2017, the carrying amount of the District's deposits was \$12,815,996 and the bank balance was \$13,291,870. Of the total bank balance, \$667,611 was covered by federal depository insurance coverage and \$12,624,259 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the depository's agent.

INVESTMENTS

The District follows the GASB's guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets.

Fair Value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. generally accepted accounting principles (US GAAP) establish the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- ✓ Level 1 inputs have the highest reliability and are related to quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- ✓ Level 2 inputs relate to assets or liability with other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- ✓ Level 3 inputs are unobservable inputs for the asset or liability.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year. At June 30, 2017, the District's investments in certificates of deposit had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk 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 investments subject to custodial credit risk.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2- CASH, CASH EQUIVALENTS AND INVESTMENTS - continued:

Credit Risk

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

Concentration of Credit Risk

The District places no limits on the amount the District may invest in any one issuer. 100% of the Districts investments are in certificates of deposit.

INVESTMENTS:

As of June 30, 2017, the District had certificates of deposits with a total balance of \$11,000 which had interest rates of .10% to .35% and maturity dates of July 19, 2017 to June 3, 2018. These certificates of deposit are reported in the fiduciary funds.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3
Certificates of Deposit	<u>\$ 11,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and cash equivalents on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash & Cash <u>Equivalents</u>
Cash and Cash Equivalents	\$12,815,996
GASB Statement No. 3	\$12,815,996

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3- GENERAL LONG-TERM DEBT:

A summary of General Long-Term Debt is as follows:

	Accrued Compensated Absences	General Obligation Note Series of 2014	Total
BALANCE - JULY 1, 2016	399,217	2,511,000	2,910,217
ADDITIONS	-	-	-
REDUCTIONS	(24,229)	(665,000)	(689,229)
BALANCE - JUNE 30, 2017	<u>374,988</u>	<u>1,846,000</u>	<u>2,220,988</u>

A summary of general long-term debt, principal maturities and interest requirements follows:

Year Ending <u>June 30,</u>	Principal General Note Series of 2014	Interest	Total
2018	675,000	21,270	696,270
2019	686,000	11,675	697,675
2020	485,000	3,419	488,419
Totals	<u>1,846,000</u>	<u>36,364</u>	<u>1,882,364</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3- GENERAL LONG-TERM DEBT- continued:

GENERAL OBLIGATION NOTE - SERIES OF 2014

During the fiscal year ended June 30, 2015, the District secured a General Obligation Note, Series of 2014 in the amount of \$3,639,000. Proceeds of this note were used for the refunding of the General Obligation Bonds, Series of 2009A and to pay cost of issuance. The General Obligation Bonds, Series of 2009A were used to plan, design, acquire, construct, equip and furnish alterations, additions, renovations and/or improvements to the Warrior Run Middle School/High School buildings and related facilities and grounds to pay the costs and expenses related to the issuance of the bonds.

COMPENSATED ABSENCES

Administrative

Administrative personnel will be granted twelve (12) days sick leave per year. Sick days will accumulate to an unlimited amount. Administrative personnel, upon retirement, will be granted a cash settlement of seventy-five (\$75.00) for each sick day accumulated to date of retirement. The superintendent will be granted a cash settlement of one hundred twenty-five (\$125) for each sick day accumulated to date of retirement.

A lump sum payment of five thousand (\$5,000) dollars will be paid at retirement as follows:

- (A) For thirty-five (35) or more years of service with at least ten (10) years to the Warrior Run School District.
- (B) For thirty (30) or more years of service with at least fifteen (15) years to the Warrior Run School District.
- (C) For twenty-five (25) or more years of service with at least ten (10) years to the Warrior Run School District and fifty-five (55) years of age.
- (D) Those employees that do not qualify under (A), (B), or (C) will receive \$100 per year of service to Warrior Run School District.

Classified Personnel

Classified personnel shall be entitled to sick leave accrued according to length of employment with the District.

Classified personnel shall be entitled to unlimited accumulation of sick leave. At retirement, classified personnel will be granted a cash settlement of one thousand (\$1,000.00) dollars for each 280 hours of accumulated sick leave to date to a maximum of five thousand (\$5,000.00) dollars.

All employees will have three (3) personal days per year. These days can be taken in a minimum of ½ hour increments. Unused personal days will convert to sick leave if not used June 30th of each year.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3- GENERAL LONG-TERM DEBT - continued

COMPENSATED ABSENCES – continued

A severance at retirement will be paid on the following schedule. An employee will be paid the larger sum of the percentage of the last year’s calendar W-2 wage or the stated minimum:

<u>Years of Service</u>	<u>% of Last Calendar W-2 Wage</u>	<u>Minimum</u>
20	3% of Last Calendar W-2 Wage	\$ 500
25	4% of Last Calendar W-2 Wage	\$ 750
30	5% of Last Calendar W-2 Wage	\$ 1,000

Professional

Teachers who will be 52 years of age or older by the date of retirement will be granted a cash settlement of sixty (\$60) dollars for each sick day accumulated to date plus one hundred ten (\$110) dollars for each year of service to the district.

Two (2) days personal leave will be available in each year per full-time, full-time substitute, and regular part-time professional employee. Employees hired during the school year will be provided two (2) days if employed prior to December 31 and one (1) day if employed thereafter. Part-time professional employees will be paid pro rata.

Personal days not used in any one year of the agreement period by employee may be accumulated in the next year of the agreement.

Any professional employee who has not used up his accumulated personal days on the date of retirement will receive sixty-five dollars (\$65.00) for each unused personal day. Regular part-time professional employees will receive thirty-two dollars and fifty cents (\$32.50) for each unused personal day.

The liability for compensated absences at June 30, 2017 was \$374,988.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	<u>Balance June 30, 2016</u>	<u>Changes</u>	<u>Balance June 30, 2017</u>
Governmental Activities:			
Capital Assets, Being Depreciated:			
Site Improvements	2,354,077	13,375	2,367,452
Buildings and Improvements	21,377,817	209,565	21,587,382
Furniture and Equipment	<u>5,708,815</u>	<u>41,962</u>	<u>5,750,777</u>
Total Capital Assets, Being Depreciated	29,440,709	264,902	29,705,611
Accumulated Depreciation For:			
Site Improvements	1,170,287	35,775	1,206,062
Buildings and improvements	11,201,883	403,763	11,605,646
Furniture and Equipment	<u>5,422,242</u>	<u>71,090</u>	<u>5,493,332</u>
Total Accumulated Depreciation	17,794,412	510,628	18,305,040
Governmental Activities			
Capital Assets, Net	<u>11,630,293</u>	<u>(245,726)</u>	<u>11,400,571</u>
 Business-type Activities:			
Furniture and Equipment	512,061	18,281	530,342
Less: Accumulated Depreciation	<u>441,849</u>	<u>8,348</u>	<u>450,197</u>
Business-type Activities			
Capital Assets, Net	<u>74,689</u>	<u>9,933</u>	<u>80,145</u>

Depreciation expense charged to governmental activities during the year ended June 30, 2017 was \$541,468.

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- PENSION PLAN

PENSIONS

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

GENERAL INFORMATION ABOUT THE PENSION PLAN

PLAN DESCRIPTION

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

BENEFITS PROVIDED

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

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

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- PENSION PLAN- continued

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

CONTRIBUTIONS

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,789,953 for the year ended June 30, 2017.

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 \$36,474,000 for its proportionate share of the net pension liability and \$10,000 for its proportionate share of the separately finance specific 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 0.0736 percent, which was an increase of 0.0013 from its proportion measured as of June 30, 2015.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- PENSION PLAN- continued

For the year ended June 30, 2017, the District recognized pension expense of \$3,756,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -0-	\$ 304,000
Changes in assumptions	1,317,000	-0-
Net difference between projected and actual investment earnings	2,033,000	-0-
Changes in proportions	915,000	814,000
Difference between employer contributions and proportionate share of total contributions	406,451	2,236
Contributions subsequent to the measurement date	<u>2,789,953</u>	<u>-0-</u>
	<u>\$ 7,461,404</u>	<u>\$ 1,120,236</u>

\$2,789,953 reported as deferred outflows and inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 724,448
2019	724,448
2020	1,104,428
2021	997,891
2022	-0-
Thereafter	-0-

Actuarial assumptions:

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

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%.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- PENSION PLAN- continued

- Salary growth changed from an effective average of 5.50%, which was comprised of inflations 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 (males and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Table 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 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.

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)	(14.0%)	0.5%
	<u>100%</u>	

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

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- PENSION PLAN- continued

Discount rate

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

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$44,617,000	\$36,474,000	\$29,631,000

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.

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE:

The following is a listing of the taxes assessed along with their respective assessed valuations:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real estate – Union County	12.47 mills	\$682,906
Real estate – Montour County	12.88 mills	2,019,258
Real estate – Northumberland County	63.90 mills	5,520,440
Per Capita tax – Act 511	\$5.00/person	<u>72,640</u>
Total Assessed Valuation		<u>\$8,295,244</u>

The following is the tax calendar showing levy date, payment periods and delinquent dates

For the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	December 1 to December 31
Delinquent date	January 1

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE- continued:

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

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

	<u>Governmental Funds</u>			
	Gross	Allowance	Net	
	Taxes	for	Estimated	
<u>Tax</u>	<u>Receivable</u>	<u>Uncollectible</u>	<u>to be</u>	<u>Deferred</u>
		<u>Taxes</u>	<u>Collectible</u>	<u>Taxes</u>
Real Estate	\$376,837	-	\$376,837	\$376,837
Per Capita	24,859	6,215	18,644	18,644
Occupation	-	-	-	-
Total	<u>\$401,696</u>	<u>\$6,215</u>	<u>\$395,481</u>	<u>\$395,481</u>

The amounts due represent taxes levied on 2011 to 2016. As discussed in Note 1, revenue related to taxes receivable is recognized on a modified accrual basis. As of June 30, 2017, the balance of taxes receivable has been recorded as deferred revenue in the fund financial statements.

NOTE 7- COMMITMENTS AND CONTINGENCIES:

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2017, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

GRANT PROGRAMS

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

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8- OPERATING LEASES:

The District leases its copiers under several lease agreements all having terms of four to five years. It is the procedure of the District to regularly upgrade the copiers before the lease terms expire. These continually revolving copier leases are classified as operating leases. Current year rental costs are \$48,500. Future annual lease payments are estimated at \$45,000 per year for the next five years.

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The School District provides a single-employer defined benefit post-employment healthcare benefit. The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

Funding Policy:

The District's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed an estimated \$41,937 to the plan.

Funding Progress:

As of January 1, 2016, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$699,313, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,981,364 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.79%. The actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made into the future.

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 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 actual value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2016 actuarial valuation, the following actuarial assumptions were used:

Actuarial Cost Method	Entry Age, Normal
Interest	4.5% compounded annually net of investment expenses
Amortization Method	Level dollar method at the valuation interest rate
Amortization Period	30 years
Projected Salary Increases	2.5% Cost of Living Adjustment; 1.0% Real Wage Growth, 2.75% to .25% merit increase
Health Care Inflation Rate	6.5% in 2016, decreasing by 0.5% per year to 6.0% in 2017

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS - continued

Annual OPEB Cost and NET OPEB Obligations:

The District's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the School's net OPEB obligation.

Annual OPEB Cost:	
Annual Required Contribution (ARC)	\$ 104,964
Amortization of Unfunded Actuarial Accrued Liability	
Interest on Net OPEB Obligation	5,671
Funding Adjustment	<u>(7,737)</u>
Annual OPEB Cost	\$ 102,898
Contributions Made (estimated)	<u>(41,937)</u>
Estimated Decrease in Net OPEB Obligation	\$ 60,961
Estimated Net OPEB Obligation – July 1, 2016	<u>126,031</u>
Estimated Net OPEB Obligation – June 30, 2017	<u>\$ 186,992</u>

NOTE 10 –RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2017 and the two previous fiscal years, no settlements exceeded insurance coverage.

SUPPLEMENTAL INFORMATION

**Warrior Run School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Program/Cluster Title	Source Code	CFDA Number	Grantor's Pass Thru Number	Program or Award Amt.	Grant Period Beginning/ Ending Date	Total Received For Year	Accrued or (Deferred) July 1, 2016	Revenue Recognized	Expenditures	Accrued or (Deferred) June 30, 2017
U.S. Department of Education- Passed Through the Pennsylvania Department of Education-										
Title I Improving Basic Programs	(I)	84.010	013-16-0460	\$481,938	10/1/15-9/30/16	\$ 96,646	\$ 96,646	\$ -	\$ -	\$ -
Title I Improving Basic Programs	(I)	84.010	013-17-0460	489,763	10/1/16-9/30/17	<u>425,977</u>	<u>-</u>	<u>489,763</u>	<u>489,763</u>	<u>63,786</u>
Total - Title I, Part A Cluster						522,623	96,646	489,763	489,763	63,786
Title II Improving Teacher Quality	(I)	84.367	020-16-0460	90,468	10/1/15-9/30/16	17,886	17,886	-	-	-
Title II Improving Teacher Quality	(I)	84.367	020-17-0460	87,751	10/1/16-9/30/17	<u>76,147</u>	<u>-</u>	<u>87,751</u>	<u>87,751</u>	<u>11,604</u>
Total - Title I, Part A Cluster						94,033	17,886	87,751	87,751	11,604
Total Pennsylvania Department of Education						616,656	114,532	577,514	577,514	75,390
Passed through CSIU										
IDEA Part B	(I)	84.027	062-16-0016	235,053	15-16	149,983	149,983	-	-	-
IDEA Part B	(I)	84.027	062-17-0016	244,840	16-17	72,965	-	244,840	244,840	171,875
IDEA 619	(I)	84.173	131-17-0016	10,375	16-17	<u>379</u>	<u>-</u>	<u>10,375</u>	<u>10,375</u>	<u>9,996</u>
Total Intermediate Unit						223,327	149,983	255,215	255,215	181,871
Total U.S. Department of Education						<u>839,983</u>	<u>264,515</u>	<u>832,729</u>	<u>832,729</u>	<u>257,261</u>
U.S. Department of Health and Human Services- Passed Through the Pennsylvania Department of Public Welfare										
Medical Assistance Program	(I)	93.778	N/A	N/A		<u>111,186</u>	<u>109,051</u>	<u>117,295</u>	<u>117,295</u>	<u>115,160</u>
Total U.S. Department of Health and Human Services						<u>111,186</u>	<u>109,051</u>	<u>117,295</u>	<u>117,295</u>	<u>115,160</u>
U.S. Department of Agriculture- Passed Through the Pennsylvania Department of Education- Child Nutrition Cluster										
* School Breakfast Program	(I)	10.553	N/A	N/A		54,497	-	54,497	54,497	-
* National School Lunch Program	(I)	10.555	N/A	N/A		292,891	-	292,891	292,891	-
* National School Lunch Program **	(I)	10.555	N/A	N/A		<u>60,777</u>	<u>-</u>	<u>60,777</u>	<u>60,777</u>	<u>-</u>
Total U.S. Department of Agriculture						408,165	-	408,165	408,165	-
Total Federal Awards						<u>\$ 1,359,334</u>	<u>\$ 373,566</u>	<u>\$ 1,358,189</u>	<u>\$ 1,358,189</u>	<u>\$ 372,421</u>

* Denotes Major Program

** Value of USDA Commodities

Source Codes-

D = Direct Funding

I = Indirect Funding

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DEFERRED REVENUES:

Deferred Revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Federal funds received before the eligibility requirements are met are recorded as deferred revenue.

NOTE C – DONATED COMMODITIES:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The second GASB 34 implementation guide clarified the recognition of donated commodities on the financial statements. Donated commodities are recognized as revenue when received and not deferred.

NOTE D – MEDICAL ASSISTANCE-ACCESS:

Access reimbursements are classified as fee-for-service revenues and are not considered federal financial assistance. Therefore, the District is not required to report district Access funds on the Schedule of Expenditures of Federal Awards.

**WARRIOR RUN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND DISTRICT CONTRIBUTIONS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
District's Proportion of the Net Pension Liability	0.0755%	0.0723%	0.0736%
District's Proportionate Share of Net Pension Liability	29,883,000	31,317,000	36,474,000
District's Covered-Employee Payroll	9,631,740	9,300,475	9,537,630
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	310%	337%	382%
	<u>2015</u>	<u>2016</u>	<u>2017</u>
DISTRICT CONTRIBUTIONS			
Statutorily Required Contribution	2,006,541	2,511,370	2,789,953
Contributions in Relation to the Statutorily Required Contribution	<u>-2,006,541</u>	<u>-2,511,370</u>	<u>-2,789,953</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	9,631,740	9,300,475	9,537,630
Contributions as a Percentage of Covered-Employee Payroll	20.83%	27.00%	29.13%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only three years are presented in the above schedule.

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

The Public School Employees' Retirement System Trust Fund's net pension liability and associated amounts are measured annually at June 30, based on an actuarial valuation as of the previous June 30. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending June 30.



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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*

Members of the School Board
Warrior Run School District
Turbotville, 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 Warrior Run School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Warrior Run School District's basic financial statements, and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warrior Run 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 Warrior Run School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Warrior Run 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 Warrior Run School District's financial statements are free

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Hering, Roll + Solomon". The signature is written in black ink on a light-colored background.

January 15, 2018



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

Members of the School Board
Warrior Run School District
Turbotville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Warrior Run 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 Warrior Run School District's major federal programs for the year ended June 30, 2017. Warrior Run 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 Warrior Run 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 Warrior Run 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 Warrior Run School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warrior Run 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 Warrior Run 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 Warrior Run 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 Warrior Run 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.

A handwritten signature in cursive script that reads "Hering, Roll + Solomon". The signature is written in dark ink on a light-colored background.

January 15, 2018

OTHER INFORMATION

**WARRIOR RUN SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

No prior audit findings for year ending June 30, 2016

**WARRIOR RUN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unmodified opinion on the financial statements of Warrior Run School District.
2. No deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Warrior Run School District, which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No deficiencies relating to the audit of internal controls over major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Warrior Run School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as a major program included: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555. These programs are part of the Child Nutrition Cluster.
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. Warrior Run School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

No findings related to the financial statement are required to be reported under generally accepted Government Auditing Standards.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings for federal awards are present as reportable conditions.

**WARRIOR RUN SCHOOL DISTRICT
REPORT DISTRIBUTION LIST**

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Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132 (filed electronically)	1



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January 15, 2018

To the Board of Directors
Warrior Run School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warrior Run School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Warrior Run School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of the assets. The estimate for other post-employment benefits is based on the actuarial valuation report from Conrad Siegel Actuaries. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the audited pension schedules with allocations by employer provided by PSERS to the School District have been utilized. We have evaluated the key factors and assumptions used to develop the depreciation and other post-employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Warrior Run School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

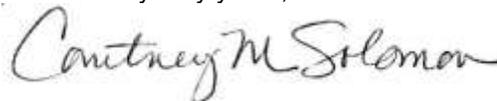
Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the Schedule of Proportionate Share of the Net Pension Liability and District Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the board of directors and management of Warrior Run School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Courtney M. Solomon, CPA



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January 15, 2018

To the Members of the School Board
Warrior Run School District
4800 Susquehanna Trail
Turbotville, Pennsylvania 17772

In connection with our audit of the financial statements of the Warrior Run School District for the year ended June 30, 2017, we are submitting for your consideration the accompanying recommendations designed to help you improve internal accounting controls and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to management.

Since the comments and observations contained in this report are a by-product of the audit of financial statements, the cost justification and other aspects of our suggestions have not been fully evaluated; these evaluations should be made by management. Therefore, we recognize that, after consideration, certain suggestions and recommendations may not be practical to implement.

Our comments deal exclusively with operational, accounting and record-keeping functions, but do not reflect on the integrity or capabilities of anyone in your organization. Also, our comments have been restricted to weaknesses noted and suggested means of improvement and are not intended as a commentary on the various favorable aspects of the District's procedures.

1. Stale Outstanding Checks
Currently, the District does not have a policy in place which requires the deletion of stale outstanding checks.

Recommendation

We recommend that the District implement a policy that would require that checks that have not cleared the bank statement within a reasonable amount of time are investigated and reissued or voided. We discussed our recommendation with the Business Manager. Subsequently, stale checks were voided.

If you should have any questions on the above, or need assistance in implementing any of our recommendations, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads 'Courtney M. Solomon'.

Courtney M. Solomon, CPA