

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 29, 2020

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: “___” (Insured)
S&P: “___” (Underlying)
(See “RATINGS” herein)

In the opinion of Bond Counsel, under existing Pennsylvania laws, the interest on the Bonds is exempt from the present Pennsylvania personal income tax. Conditioned upon compliance by the School District with all covenants and agreements contained in the Resolution and other documents relating to issuance of the Bonds, in the opinion of Bond Counsel interest on the Bonds will not be includible in gross income under the Internal Revenue Code of 1986, as amended (the “Code”) under present statutes, regulations and decisions nor an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals under the Code.

The School District has designated each of the Bonds as a “qualified tax-exempt obligation,” for purposes of and with the effect contemplated by Section 265(b) of the Code (relating to expenses and interest incurred to realize tax-exempt income by certain financial institutions).

\$9,995,000*

Shikellamy School District Northumberland County, Pennsylvania General Obligation Bonds, Series A of 2020

Dated: Date of Delivery

Principal Due: September 1, as shown on inside cover

Interest Due: March 1 and September 1

First Interest Payment: March 1, 2021

The General Obligation Bonds, Series A of 2020 in the aggregate principal amount of \$9,995,000* (the “Bonds”) will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange, and payment as described herein.

The Bonds are general obligations of the Shikellamy School District, Northumberland County, Pennsylvania (the “School District”), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service on the Bonds for each fiscal year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See “Security” and “Taxing Powers of the School District” *infra*).

Interest on each of the Bonds is payable semiannually on March 1 and September 1 of each year, beginning initially on March 1, 2021 until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Manufactures and Traders Trust Company (the “Paying Agent”), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry System for the Bonds is ever discontinued, then in principal of and on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its corporate trust office located in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check and mailed to the person(s) whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “THE BONDS,” *infra*).

The Bonds maturing on and after September 1, 2026 are subject to redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to: (1) refund all or a portion of the School District’s outstanding General Obligation Bonds, Series of 2013; (2) refund all of the School District’s outstanding General Obligation Bonds, Series A of 2014, (3) refund all of the School District’s outstanding General Obligation Bonds, Series of 2015, (4) refund all of the School District’s outstanding General Obligation Bonds, Series A of 2015, and (5) pay the costs of issuing the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____.

MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES {As Shown on Inside Cover}

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Mette, Evans and Woodside, Harrisburg, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain matters will be passed upon for the School District by Levin Legal Group, P.C., Huntingdon Valley, Pennsylvania, School District Solicitor. PFM Financial Advisors LLC, of Harrisburg, Pennsylvania, will act as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about November 12, 2020.

PFM Financial Advisors LLC
Financial Advisor to the School District

Dated: _____

*Estimated, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$9,995,000*
Shikellamy School District
Northumberland County, Pennsylvania
General Obligation Bonds, Series A of 2020

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown below
First Interest Payment: March 1, 2021

Maturity Date (September 1)	Principal Amounts	Interest Rates	Initial Offering Yields	Initial Offering Prices	CUSIP⁽¹⁾
Year					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

*Estimated, subject to change

Shikellamy School District

Northumberland County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Wendy K. Wiest	President
Lori Garman	Vice-President
Bethanne L. Zeigler	Secretary*
Brian Manning	Treasurer*
Gretchen Walter	Member
David Persing	Member
Jennifer Wetzel	Member
Jenna Eister-Whitaker	Member
Michael Erb	Member
Slade Shreck	Member
Jeffrey Balestrini	Member

*Non-Voting member.

SUPERINTENDENT

JASON S. BENDLE, Ed.D.

BUSINESS MANAGER

BRIAN MANNING

SCHOOL DISTRICT SOLICITOR

LEVIN LEGAL GROUP, P.C.
Huntingdon Valley, Pennsylvania

BOND COUNSEL

METTE, EVANS & WOODSIDE
Harrisburg, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania and Buffalo, New York

SCHOOL DISTRICT ADDRESS

200 Island Boulevard
Sunbury, Pennsylvania 17801

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

Shikellamy School District Northumberland County, Pennsylvania General Obligation Bonds, Series A of 2020

INTRODUCTION

This Preliminary Official Statement, including the cover page hereof, is furnished by the Shikellamy School District, Northumberland County, Pennsylvania (the "School District") in connection with the offering of \$9,995,000* General Obligation Bonds, Series A of 2020 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October 6, 2020 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to (1) currently refund all or portion of the School District's General Obligation Bonds, Series of 2013, currently outstanding in the aggregate principal amount of \$5,815,000 (the "2013 Bonds"); (2) to currently refund all of the School District's General Obligation Bonds, Series A of 2014, currently outstanding in the aggregate principal amount of \$280,000 (the "2014A Bonds"); (3) to currently refund all of the School District's General Obligation Bonds, Series of 2015, currently outstanding in the aggregate principal amount of \$3,935,000 (the "2015 Bonds"); (4) to currently refund all the School District's General Obligation Bonds, Series A of 2015, currently outstanding in the aggregate principal amount of \$985,000 (the "2015A Bonds"); (5) and to pay the costs and expenses of issuing and insuring the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Source of Funds

Bond Proceeds.....	_____
Net Original Issue Premium/(Discount)	_____
<i>Total Source of Funds</i>	=====

Use of Funds

Amount Required to Call Series of 2013 Bonds	_____
Amount Required to Call Series of 2014A Bonds	_____
Amount Required to Call Series of 2015 Bonds	_____
Amount Required to Call Series of 2015A Bonds	_____
Costs of Issuance ⁽¹⁾	_____
<i>Total Use of Funds</i>	=====

⁽¹⁾Includes legal, financial advisor, printing, rating, underwriter's discount, municipal bond insurance, CUSIP, paying agent, and miscellaneous costs.

*Estimated, subject to change

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$9,995,000*, will be dated as of the date of delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable in the case of the Bond maturity March 1, 2021 upon maturity and in the case of all other Bonds initially on March 1, 2021 and thereafter semiannually on March 1 and September 1 of each year, beginning March 1, 2021.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal of and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its corporate trust office in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding March 1, 2021, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially March 1, 2021, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth days of February and August, respectively (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

*Estimated, subject to change

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its specified corporate trust office accompanied by a written instrument or instruments in form, with instructions, satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

State Enforcement of Debt Service Payments

Section 633 of the Pennsylvania School Code of 1949, as amended by Act 150 of 1998, presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. But see "**Pennsylvania Budget Adoption**".

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. In the state's 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

The budget for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provides five months of flat funding for most state programs and a full twelve months of flat funding for public education.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.**

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service on the Bonds for such fiscal year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds

and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within the School District within the limits provided by law (see "Taxing Powers of the School District" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "State Enforcement of Debt Service Payments" herein).

Sinking Fund

The sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund - General Obligation Bonds, Series A of 2020" (the "Sinking Fund"), created under the Resolution shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay in full interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and funds deposited therein will be invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by law, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds: DTC's records reflect only the

identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of any particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, interest and redemption premium, if any, on the Bonds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuer or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of Principal, interest and redemption premium, if any, on the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory sinking fund redemptions prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of 100% of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Term bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such mandatory redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Optional Redemption

The Bonds stated to mature on and after September 1, 2026, are subject to redemption prior to maturity, at the option of the School District, as a whole or, from time to time, in part, on September 1, 2025, or on any date thereafter, in each case upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than 30 days nor more than 45 days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of any Bonds called for redemption.

On the date designated for redemption, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of the principal, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

THE SCHOOL DISTRICT

Introduction

The School District is a school district of the third class organized under State Law and located in Northumberland County in central Pennsylvania. It covers approximately 70.7 square miles at the confluence of the North Branch and the West Branch of the Susquehanna River. The School District is comprised of the City of Sunbury, the Townships of Point, Rockefeller and Upper Augusta, and the Boroughs of Northumberland and Snyderstown, all in Northumberland County. The 2010 population served by the School District was approximately 22,592.

Administration

The present School District was organized in 1965 by a consolidation of a number of smaller school districts. It is governed by a nine-member Board of School Directors (the "School Board") elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Manager, who also serves as Board Treasurer, is responsible for budget, financial and non-instructional aspects of operations. The Board of School Directors appoints both officials.

School Facilities

The School District presently operates four elementary schools, a middle and a high school all as described on the following table. Students in grades 10-12 also have the option of attending the Sun Area Technical Institute.

**TABLE 1
SHIKELLAMY SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2020-21 Enrollment
<u>Elementary:</u>					
Beck	1982	---	K-5	624	250
Chief Shikellamy	2002	---	K-5	678	358
Oaklyn	1939	1960/99	K-5	736	359
Priestley	1926	2000	K-5	732	363
<u>Secondary:</u>					
Shikellamy Middle School	2016	---	6-8	1,051	693
Shikellamy High School.....	1934	1958/73/06	9-12	1,338	903

Source: School District Officials. Enrollments include vo-tech students.

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

**TABLE 2
SHIKELLAMY SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2015-16	1,643	1,187	2,830	2020-21	1,714	1,322	3,036
2016-17	1,495	1,530	3,025	2021-22	1,699	1,304	3,003
2017-18	1,479	1,564	3,043	2022-23	1,682	1,291	2,973
2018-19	1,648	1,366	3,014	2023-24	1,665	1,278	2,943
2019-20	1,415	1,585	3,000	2024-25	1,650	1,265	2,915

Source: School District estimates. Enrollments include vo-tech students.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year.

Financial Reporting

The School District keeps its books and prepares its financial reports according to the modified accrual (less taxes) basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Expenditures are recognized when liability for payment exists. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Klacik & Associates, P.C. of Sunbury, Pennsylvania serve as School District's auditor.

The School District's auditor has not been engaged to perform, and has not performed since the date of its report included as an appendix to this Preliminary Official Statement, any procedure on the financial statement addressed in the report. Such auditor also has not performed any procedures relating to this Preliminary Official Statement.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (the "Taxpayer Relief Act" or "Act 1"), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "The Taxpayer Relief Act" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "The Taxpayer Relief Act" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4, which follow. Table 5 show revenues and expenditures for the past five years and 2020-21 Budgeted. The Budget for 2020-21, as adopted June 16, 2020, had budgeted revenues of \$49,386,551 and expenditures of \$51,386,327.

TABLE 3
SHIKELLAMY SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years Ending June 30)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSETS					
Cash and Cash Equivalents	\$12,564,452	\$12,511,722	\$13,398,397	\$12,288,116	\$11,845,708
Taxes Receivable	1,745,312	1,812,669	1,867,272	1,798,781	1,803,886
Interfund Receivable	122,523	75,607	0	0	0
Intergovernmental Receivable	1,779,214	2,601,316	2,934,270	3,378,768	3,705,323
Inventories	214,122	230,650	323,558	275,421	310,966
Prepaid Expenses/Expenditures	4,000	4,000	6,807	4,000	4,000
Other Receivables	56,574	131,181	95,382	86,464	55,930
State & Federal Receivable	0	0	0	0	0
Other	0	0	830	840	858
TOTAL ASSETS	<u>\$16,486,197</u>	<u>\$17,367,145</u>	<u>\$18,626,516</u>	<u>\$17,832,390</u>	<u>\$17,726,671</u>
LIABILITIES					
Accounts Payable	\$376,322	\$1,053,062	\$1,022,150	\$516,099	\$1,273,596
Accrued Salaries and Benefits	1,668,600	1,789,431	1,988,041	2,493,348	2,912,306
Due to Other Funds	0	52,197	0	0	0
Payroll Deductions and Withholdings	1,373,042	1,792,729	1,790,563	2,003,371	1,941,518
Compensated Absences	0	0	0	0	0
Current Portion of Long-Term Debt	69,299	83,209	91,998	95,009	82,965
Unearned Revenues	0	9,032	0	1,563,022	1,574,033
Other	35,075	0	0	0	0
TOTAL LIABILITIES	<u>\$3,522,338</u>	<u>\$4,779,660</u>	<u>\$4,892,752</u>	<u>\$6,670,849</u>	<u>\$7,784,418</u>
DEFERRED INFLOWS OF RESOURCES	\$1,544,677	\$1,550,458	\$1,620,242	\$0	\$0
FUND EQUITIES					
Nonspendable Fund Balance	\$214,122	\$234,650	\$323,558	\$275,421	\$310,966
Committed Fund Balance	1,150,566	1,150,566	1,321,550	625,054	0
Assigned Fund Balance	4,396,246	7,393,802	7,393,802	7,393,802	7,393,802
Unassigned Fund Balance	5,658,248	2,258,009	3,074,612	2,867,264	2,237,485
TOTAL FUND EQUITIES	<u>\$11,419,182</u>	<u>\$11,037,027</u>	<u>\$12,113,522</u>	<u>\$11,161,541</u>	<u>\$9,942,253</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES	<u>\$16,486,197</u>	<u>\$17,367,145</u>	<u>\$18,626,516</u>	<u>\$17,832,390</u>	<u>\$17,726,671</u>

Source: School District Annual Financial Reports.

TABLE 4
SHIKELLAMY SCHOOL DISTRICT
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>Actual</u>				<u>Estimated</u>	<u>Budget</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020⁽¹⁾</u>	<u>2021⁽²⁾</u>
Beginning Fund Balance	\$11,419,183	\$11,037,027	\$12,113,523	\$11,161,541	\$9,942,245	\$9,157,461
Revenues over (under) Expenditure	(382,156)	1,076,496	(951,972)	(1,219,297)	(784,784)	(\$1,999,776)
Other	0	0	0	0	0	0
Ending Fund Balance	<u>\$11,037,027</u>	<u>\$12,113,523</u>	<u>\$11,161,551</u>	<u>\$9,942,245</u>	<u>\$9,157,461</u>	<u>\$7,157,685</u>

*Totals may not add due to rounding.

⁽¹⁾Estimated, subject to change and final audit.

⁽²⁾Budget, as adopted June 16, 2020.

See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received an estimated \$47,714,278 in revenue in 2019-20 and has budgeted revenue of \$49,386,551 in 2020-21. Local sources decreased as a share of total revenues in the past five years, from 48.7 percent in 2015-16 to an estimated 46.2 percent in 2019-20. Revenue from Commonwealth sources increased as a share of total revenues in the past five years, from 47.2 percent in 2015-16 to an estimated 47.9 percent in 2019-20. Federal and other sources increased as a share of total revenue during this period from 4.2 to an estimated 5.9 percent in 2019-20.

**TABLE 5
SHIKELLAMY SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years ending June 30)**

REVENUE:	Actual				Estimated	Budget
	2016	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽²⁾
Local Sources:						
Real Estate Taxes	\$14,272,170	\$14,505,923	\$14,732,039	\$15,154,068	\$15,719,803	\$15,914,652
Total Act 511 Taxes	3,720,856	3,671,865	3,654,815	3,702,351	3,364,966	3,341,259
Payment in Lieu of Taxes	42,984	44,477	47,103	44,191	45,915	44,000
Per Capita (Sec. 679) Taxes	46,064	45,188	44,688	44,099	41,076	42,691
Public Utility Realty Tax	21,752	21,434	20,034	20,108	18,390	18,001
Delinquency on Taxes Levied	1,412,819	1,446,253	1,561,577	1,598,847	1,483,408	1,645,000
Earnings from Investments	52,799	115,303	271,944	384,362	256,400	200,000
Revenue from Student Activities	58,310	69,528	85,644	68,301	13,838	10,000
Federal ARRA IDEA Pass Through Revenue	600,253	632,616	659,331	688,849	655,146	659,895
Receipts from Other LEAS in PA-Education	190,588	221,163	168,223	190,828	198,097	200,000
Other Revenue from Intermediate Sources	63,040	85,427	67,655	74,098	28,552	75,000
Rentals	11,896	15,824	19,667	19,607	16,465	20,000
Contributions and Donations from Private Sources	78,852	106,836	35,099	54,600	20,894	175,000
Refunds and Other Miscellaneous Revenue	148,079	712,060	135,769	0	174,030	150,000
Tuition from Patrons	3,738	4,300	745	4,940	0	0
Other Sources	12,003	15,207	15,969	137,164	19,138	75,000
Total Local Sources	\$20,736,202	\$21,713,404	\$21,520,302	\$22,186,413	\$22,298,495	\$22,825,498
State Sources:						
Basic Instructional Subsidy	\$12,110,013	\$12,509,465	\$12,663,927	\$12,783,424	\$13,048,756	\$13,048,756
Rentals and Sinking Fund Payments	0	957,278	733,365	569,856	546,200	558,386
Special Education	1,873,958	1,906,491	1,968,765	1,965,907	2,090,354	2,090,354
Vocational Education	0	0	0	0	0	0
Transportation	889,765	967,313	1,049,927	1,108,798	1,094,230	1,085,000
Other Program Subsidies	0	0	0	3,542	0	0
Tuition for Orphans & Children in Private Homes	174,090	144,739	222,072	190,830	167,631	250,000
Revenue for Retirement	2,781,775	3,560,035	3,884,168	4,076,823	4,305,132	4,250,000
Revenue for Social Security	765,828	816,183	829,545	843,813	820,871	900,333
Health Services	59,993	55,343	57,819	57,606	0	60,000
PA Accountability/Ready to Learn Grant	530,067	530,067	530,067	530,067	530,067	530,067
State Property Tax Reduction Allocation	896,605	896,433	898,600	897,562	897,090	897,053
Other Sources	832	447	754	163,355	48,045	1,000
Total State Sources	\$20,082,927	\$22,343,793	\$22,839,007	\$23,054,417	\$23,548,376	\$23,670,949
Federal Sources:						
Total Federal Sources	\$1,772,745	\$1,647,599	\$1,846,458	\$2,000,798	\$1,862,432	\$2,890,104
Other Sources:						
Total Other Sources	\$0	\$8,788,590	\$32,455	\$8,862	\$4,975	\$0
TOTAL REVENUE	\$42,591,874	\$54,493,387	\$46,238,221	\$47,250,490	\$47,714,278	\$49,386,551
EXPENDITURES:						
Instruction	\$29,077,525	\$30,045,288	\$31,780,374	\$32,770,369	\$33,306,750	\$33,768,972
Pupil Personnel	1,145,364	1,196,353	1,339,151	1,361,105	1,299,520	1,395,345
Instructional Staff	1,122,644	1,182,316	1,224,814	1,173,843	1,070,011	1,288,499
Administration	2,099,949	2,555,394	2,594,912	2,762,545	2,807,145	3,012,569
Pupil Health	426,515	464,802	503,570	532,902	550,356	1,006,692
Business	465,981	494,564	526,501	459,649	483,751	478,856
Operation and Maintenance	2,855,653	3,039,189	3,248,292	3,576,153	3,390,713	3,739,621
Student Transportation	1,495,867	1,629,634	1,713,841	1,760,747	1,633,496	1,941,649
Central & Other Support Services	154,042	160,187	168,812	171,601	230,452	220,424
Operation of Noninstructional Services	592,195	560,530	598,806	577,021	499,339	611,847
Debt Service	2,779,141	12,066,637	3,459,349	3,304,127	3,171,948	3,211,353
Fund Transfers	759,154	21,995	31,771	19,725	55,582	710,500
TOTAL EXPENDITURES	\$42,974,029	\$53,416,891	\$47,190,193	\$48,469,787	\$48,499,063	\$51,386,327
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	(\$382,156)	\$1,076,496	(\$951,972)	(\$1,219,297)	(\$784,784)	(\$1,999,776)

*Totals may not add due to rounding.

⁽¹⁾Estimated, subject to change and final audit.

⁽²⁾Budget, as adopted June 16, 2020.

See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see "The Taxpayer Relief Act (Act 1)" herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Act 1, a school district may not levy any new tax for the support of the public schools which was not levied in a previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness "incurred" (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, underspecified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed

pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2020-21	3.7
2019-20	3.3
2018-19	3.4
2017-18	3.6
2016-17	3.4

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. This referendum question was not approved by the voters. A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds do *not* qualify for an exception to the Index and referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District must include any tax increases to pay debt service due on the Bonds within the Index applicable in each Fiscal Year.

State Law Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral at the time of implementation to the school district.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the City of Sunbury, three townships, two boroughs, and Northumberland County.

**TABLE 6
SHIKELLAMY SCHOOL DISTRICT
TAX RATES**

	Real Estate (mills)	Per Capita⁽¹⁾ (\$)	Real Estate Transfer⁽²⁾ (%)	Earned Income⁽²⁾ (%)	Occupation (mills)
2016-17.....	87.00	10.00	1.00	1.00	428
2017-18.....	88.00	10.00	1.00	1.00	428
2018-19.....	90.00	10.00	1.00	1.00	428
2019-20.....	93.50	10.00	1.00	1.00	428
2020-21.....	93.50	10.00	1.00	1.00	428

⁽¹⁾Includes School Code and Act 511 taxes.

⁽²⁾Subject to sharing at the rate of 50% providing the municipality levies the tax.

Source: School District Officials.

**TABLE 7
SHIKELLAMY SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
School District.....	87.000	88.000	90.000	93.500	93.500
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Northumberland Borough.....	28.000	30.000	32.000	32.000	32.000
Point Township.....	12.750	13.750	15.250	15.750	16.250
Rockefeller Township.....	5.000	5.000	5.000	5.000	5.000
Snydertown Borough.....	5.000	5.000	5.000	5.000	5.000
City of Sunbury.....	25.425	25.425	31.250	31.250	31.250
Upper Augusta Township.....	0.500	0.500	1.000	1.000	1.000
Northumberland County.....	26.868	26.868	30.218	30.218	30.885

Source: Local Government Officials.

Real Property Tax

The real property tax (excluding delinquent collections) produced an estimated \$15,719,803 in 2019-20, approximately 32.9% percent of total revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide re-assessment was in 1970.

TABLE 8
SHIKELLAMY SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2015-16.....	\$894,328,778	\$189,384,275	21.18%
2016-17.....	909,577,726	188,479,355	20.72%
2017-18.....	911,115,364	188,732,645	20.71%
2018-19.....	947,835,940	189,444,615	19.99%
2019-20.....	953,322,453	190,455,845	19.98%
Compound Average Annual Percentage Change			

Source: PA State Tax Equalization Board (STEB)

TABLE 9
SHIKELLAMY SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2018 Market Value	2018 Assessed Value	2019 Market Value	2019 Assessed Value
Shikellamy School District.....	\$947,835,940	\$189,444,615	\$953,322,453	\$190,455,845
Northumberland Borough.....	148,560,514	28,280,170	148,818,666	28,319,370
Point Township.....	244,924,460	47,712,850	251,091,389	48,948,640
Rockefeller Township.....	145,853,239	25,557,490	147,219,849	25,757,230
Snydertown Borough.....	17,447,060	2,786,210	17,733,834	2,829,690
Sunbury City.....	237,508,724	55,398,325	234,702,820	54,820,505
Upper Augusta Township.....	153,541,943	29,709,570	153,755,895	29,780,410
Northumberland County.....	3,711,378,922	764,171,833	3,734,512,425	767,762,413

Source: PA State Tax Equalization Board (STEB)

TABLE 10
SHIKELLAMY SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2015	2016	2017	2018	2019
Residential.....	\$123,183,185	\$123,184,430	\$124,197,960	\$124,997,830	\$125,146,440
Lots.....	1,450,645	1,435,450	957,030	940,960	972,900
Industrial.....	10,694,100	10,447,800	10,236,250	10,225,400	10,186,840
Commercial.....	36,956,435	36,144,975	37,030,215	36,845,435	37,439,715
Agriculture.....	14,786,190	14,796,290	14,459,460	14,545,990	14,840,130
Land.....	1,804,140	1,882,990	1,363,630	1,403,050	1,405,380
Seasonal.....	86,500	86,500	0	0	0
Trailers.....	423,080	425,900	488,100	485,950	464,440
Total.....	\$189,384,275	\$188,404,335	\$188,732,645	\$189,444,615	\$190,455,845

Source: PA State Tax Equalization Board (STEB)

**TABLE 11
SHIKELLAMY SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Assessed Valuation	Mills	Gross Adjusted Levey	Current Collections Amount	Current Year Collections As a Percent	Total Collections Amount⁽²⁾
2014-15	\$189,100,005	83.25	\$14,724,080	\$13,901,006	94.41%	\$14,857,604
2015-16	189,384,275	85.00	15,332,473	14,272,170	93.08%	15,172,170
2016-17	188,479,355	87.00	15,061,123	14,275,510	94.78%	15,179,182
2017-18	188,779,645	88.00	15,713,851	14,732,039	93.75%	15,765,278
2018-19	189,232,345	90.00	16,133,112	15,156,619	93.95%	16,139,774

⁽¹⁾Flat billing plus penalties, less discounts and exonerations.

⁽²⁾Includes interest on delinquent real estate collections.

Source: School District officials.

The ten largest real property taxpayers, together with their assessed values are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 9.9 percent of total assessed value.

**TABLE 12
SHIKELLAMY SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	Property	2020-21 Assessed Value
Nottingham Associates	Retirement/Nursing Home	\$4,318,690
Weis Markets	Food Processing	3,454,140
UPMC Susquehanna ⁽¹⁾	Medical	2,346,050
Furman Foods	Food Processing	1,943,390
River Front Apartments	Housing	1,695,000
Sunbury Plaza	Shopping Center	1,350,930
Northumberland Terminals	Oil Tanks	1,066,150
Sunbury Motor Company	Automobile Sales	915,910
Manorcare Properties	Retirement/Nursing Home	908,550
Earthgrains/Bimbo	Food Processing	772,000
Total		\$18,770,810

⁽¹⁾UPMC Susquehanna closed the hospital in the Spring of 2020. They still own the property and they are subject to the current assessment.

Source: School District officials.

Other Taxes

Under Act 511, the School District collected an estimated \$3,364,966 in other taxes in 2019-20. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Earned Income Tax, Occupation Tax and Per Capita Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property was \$11,439,869.

COMMONWEALTH AID TO SCHOOL DISTRICTS

General

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by the PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") currently 55.00% or the wealth based Market Value Aid Ratio ("MVAR") currently 69.98%, whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the Bonds will be 21.27% (there has been no determination by the PDE). The School District's MVAR (which is higher than the CARF) is 69.98%. The product of these two factors is 14.88%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year and a retroactive effective date of July 1, 2017. Subsequently, the Commonwealth enacted Act 42 of 2018, which permitted PlanCon applications submitted between July 1, 2017 and November 6, 2017, and whose school district votes to proceed with construction and award bids on their construction contracts no later than July 1, 2021, to receive PlanCon funding as permitted by law, if made available by the Commonwealth. On June 22, 2018, the Governor approved and signed House Bill 1448, known as Act 39 of 2018, extending the PlanCon moratorium through the end of the 2018-2019 fiscal year.

To date, the CFA has issued \$1,559,680,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, as well as its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional notes in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District as of August 10, 2020, including the issuance of the Bonds.

**TABLE 13
SHIKELLAMY SCHOOL DISTRICT
DEBT STATEMENT
(As of August 10, 2020)***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series A of 2020 (last maturity 2029)	\$9,995,000
General Obligation Bonds, Series of 2020 (last maturity 2030)	9,855,000
General Obligation Bonds, Series of 2016 (last maturity 2026)	7,995,000
General Obligation Bonds, Series of 2013 (last maturity 2025)	1,285,000
TOTAL NONELECTORAL DEBT	\$29,130,000
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	\$0
TOTAL PRINCIPAL OF DIRECT DEBT	\$29,130,000

*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the Refunded 2013, 2014A, 2015, and 2015A Bonds being refunded.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, principal of direct debt of the School District will total \$29,130,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$23,608,170.

**TABLE 14
SHIKELLAMY SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of August 10, 2020)***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid(1)
DIRECT DEBT		
Nonelectoral Debt.....	\$29,130,000	\$23,608,170
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$29,130,000	\$23,608,170
OVERLAPPING DEBT		
Northumberland County(2).....	\$15,710,116	\$15,710,116
Municipal Debt.....	27,308,679	27,308,679
TOTAL OVERLAPPING DEBT	\$43,018,796	\$43,018,796
TOTAL DIRECT AND OVERLAPPING DEBT	\$72,148,796	\$66,626,966
DEBT RATIOS		
Per Capita (2010)	\$3,193.56	\$2,949.14
Percent 2019-20 Assessed Value.....	37.88%	34.98%
Percent 2019-20 Market Value.....	7.57%	6.99%

*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the Refunded 2013, 2014A, 2015, and 2015A Bonds being refunded.

(1) Gives effect to current appropriations for payment of debt service and expected future Commonwealth reimbursement of School District sinking fund payments based on current Aid Ratio. See "State Aid to School Districts."

(2) Pro rata share of 25.5 percent of \$61,542,267 outstanding principal amount.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Net Revenues for 2017-18.....	\$45,472,401
Total Net Revenues for 2018-19.....	46,671,774
Total Net Revenues for 2019-20 (estimated).....	47,163,103
Total.....	\$139,307,278
<hr/>	
Annual Arithmetic Average (Borrowing Base).....	\$46,435,759

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$104,480,458	\$29,130,000	\$75,350,458

*Includes the estimated Bonds described herein, excludes the Refunded 2013, 2014A, 2015, and 2015A Bonds being refunded and does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State aid.

Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

TABLE 15
SHIKELLAMY SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS*

<u>Year</u>	<u>Other General Obligation Debt*</u>	<u>Series A of 2020</u>		<u>Subtotal</u>	<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>		
2020-21	\$3,211,353				
2021-22	3,209,694				
2022-23	3,257,966				
2023-24	3,259,050				
2024-25	3,262,221				
2025-26	3,288,396				
2026-27	3,252,938				
2027-28	3,251,734				
2028-29	3,255,599				
2029-30	3,253,033				
2030-31	196,950				
Total	\$32,698,932				

*Totals may not add due to rounding.

TABLE 16
SHIKELLAMY SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID*

2019-20 (estimated) State Aid Received	\$23,548,376
2019-20 (estimated) Debt Service Requirements	3,171,948
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2019-20 (estimated) Debt Service Requirements	7.42 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	Times

* Assumes current State Aid Ratio. See "State Aid to School Districts."

Future Financing

The School District is currently undergoing a feasibility study to evaluate various capital financing needs, but at this time no Board action has been taken regarding upcoming long-term (non-refunding) debt.

LABOR RELATIONS

School District Employees

There are presently 347 employees of the School District, including 213 teachers and administrators and 44 support personnel, in addition to 90 part time support personnel. The support personnel include secretaries, custodians, cafeteria employees, maintenance staff, and teacher's aides.

The School District's teachers are represented by the Shikellamy Education Association (the "Association"), an affiliate of the Pennsylvania State Education Association under a contract, which expires June 30, 2024. The Secretaries and Teacher Aides are represented by the Shikellamy Educational Support Personnel Association, under a contract which expires on June 30, 2020. Custodians, maintenance and cafeteria employees are represented by the International Brotherhood of Teamsters, under a contract which expires on June 30, 2022.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a

percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.51% for the fiscal year 2020-21. Current financial projections indicate the possibility of increases in the contribution rate in the next five years.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2015-16	\$1,878,218
2016-17	1,984,992
2017-18	2,336,791
2018-19	2,325,448
2019-20	2,453,040
2020-21 (budgeted)	2,394,743

At June 30, 2019, the School District reported a liability of \$68,503,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2017 to June 30, 2018. The School District’s proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2018, the School District’s proportion as 0.1427% which was an increase of .0015% from its proportion measured as of June 30, 2017.

As of June 30, 2019, the PSERS plan was 58.1% funded, with an unfunded actuarial accrued liability of approximately \$44.1 billion. PSERS’ rate of return for fiscal year ended June 30, 2019 was 6.68%. The Fund had plan net assets of \$59.1 billion at June 30, 2019. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for some current and future retired employees, and to provide retirement severance pay for some existing employees. The School District became subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the Commonwealth of Pennsylvania. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pennsylvania Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations as of 8:00 p.m. March 19, 2020 to slow the spread of COVID-19. On March 23, 2020, the Pennsylvania Department of Education (PDE) announced that all schools in the Commonwealth would be required to remain closed through at least April 6 as a result of the COVID-19 response efforts. On April 9, 2020, the closure order was extended by the Governor through the remainder of the 2019-20 academic year. The closure order has since been extended indefinitely in an effort to stop the spread of COVID-19. On April 1, 2020, the Governor issued a Stay at Home order effective for all Pennsylvania Counties through May 8, 2020. The Governor has extended the Stay at Home order until June 4, 2020 and some restrictions are being lifted for certain regions in a planned and managed approach. Effective June 26, 2020, Northampton County moved to the “green” phase of the Governor’s reopening plan, meaning that additional restrictions were lifted and certain types of businesses may reopen with constraints.

On March 27, 2020, Act No. 13 of 2020 was signed into law by Governor Wolf to amend the School Code concerning the Pandemic. Act No. 13 permits the Pennsylvania Secretary of Education to further order the closure of all school entities until the threat to health and safety caused by the Pandemic has ended. Act No. 13 also waives the requirement that school entities be open for at least 180 days of instruction and provides for, inter alia, compensation of school entity employees, school subsidies and reimbursements from the Commonwealth as a result of actions taken by the Secretary of Education pursuant to Act No. 13, and continued payments to charter schools, intermediate units, career and technical centers, and approved private schools and residential rehabilitative institutions where public schools have placed students.

Act No. 13 requires each school entity to make a good faith effort to develop a plan to offer continuity of education using alternative means during the closure period. To assist schools during the extended closure, the Commonwealth’s 29 intermediate units will provide technical assistance to help develop continuity of education plans for all students. The School District is currently employing remote instructional resources for its students and working with its teachers to improve its remote instructional techniques to maximize the educational experience for all of its students.

Shikellamy School District returned to the 2020-2021 school year offering students three options for education. The first model of instruction is five day per week in-person instruction which was selected by two-thirds (2/3) of the enrollment or approx. 2,000 students. The second model of instruction is five days per week virtual instruction through the Shikellamy SD Virtual Academy. The third model of instruction is five days per week remote instruction for grades 6-12 where the student follows the district teachers and schedules to prepare them for an easy transition back to the classroom upon return to in-person instruction. Providing multiple options of education has assisted the district with limiting the number of students that would look for alternative educational options, limiting the district’s exposure to cyber charter tuition. Administration is constantly reviewing the educational models to ensure that each student is receiving an appropriate education in these challenging times.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. To secure the payment of the principal of and interest on the Notes, the School District has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District, within the limits provided by law as to rate or amount for such purpose. A reduction in property values may require an increase in the ad valorem tax rate required to pay the Notes as well as the School District’s share of operations and maintenance expenses payable from ad valorem taxes. See “LEGISLATION AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS - ACT 1 OF SPECIAL SESSION 2006 (TAXPAYER RELIEF ACT)” herein for a discussion of the limitations on the School District’s ability to increase the ad valorem tax rate. Despite any taxing initiatives taken by the School District, however, there is also a risk that some taxpayers within the School District will not be able to timely pay such taxes due to employment disruption across the country.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the School District cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to School Districts. The School District cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in Commonwealth funding or an increase in operational costs incurred to implement distance learning strategies or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is also unclear whether the School District will receive any federal relief funding under the recently passed CARES Act, or, even if eligible, how much funding would be available to the School District.

The financial and operating data contained herein are the latest available, but are as of the dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the School District.

The School District continues to monitor the spread of COVID-19 and is working with federal, state, and local agencies to address the potential impact of the Pandemic upon the School District and its students. While the potential impact of the Pandemic on the School District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the School District's operations and financial condition, and the effect could be material.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Commonwealth websites, including but not limited to the Governor's office (<http://www.pa.gov/>), the Pennsylvania Department of Health (<http://www.health.pa.gov/>). The School District has not incorporated by reference the information on such websites and the School District does not assume any responsibility for the accuracy of the information on such websites.

LITIGATION

At the time of settlement, the President or Vice-President of the Board of School Directors of the School District will deliver a certificate dated as of the date of delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds and there is no litigation pending which would materially affect the School District's financial condition; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, the holders of the Bonds shall be entitled to certain remedies provided by the Act. If the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located; any judgment shall have an appropriate priority upon the moneys next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies herebefore described.

EXEMPTION FROM TAXATION

Tax Exemption

In the opinion of Bond Counsel, under existing Pennsylvania laws, the interest on the Bonds is exempt from the present Pennsylvania personal income tax and the present Pennsylvania corporate net income tax. Conditioned upon compliance by the School District with all covenants and agreements contained in the Resolution and other documents relating to issuance of the Bonds, in the opinion of Bond Counsel interest on the Bonds will not be includible in gross income under the Internal Revenue Code of 1986, as amended (the "Code"), under present statutes, regulations and decisions nor an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals under the Code.

No opinion is expressed by Bond Counsel as to other tax consequences that may accrue to an owner of the Bonds as a result of purchase and/or ownership of the same except as specifically set forth above.

The School District will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds it will make no use of the proceeds of the Bonds if such use would cause the Bonds to be "arbitrage bonds" under Section 103(b) and Section 148 of the Internal Revenue Code of 1986, as amended, by the United States Treasury regulations relating to "arbitrage bonds" or corresponding provisions of any Federal tax laws from time to time proposed or enacted and at the time applicable or proposed to be applicable to the Bonds.

The School District has designated and determined under and for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended to qualify each of the Bonds as a "Qualified Tax-Exempt Obligation," as such phrase is defined in the Code.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial and operating information to the Municipal Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent as set forth in its Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix C.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in Section 5 the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate, but does not commit to provide notice of the occurrence of any events except those specifically listed in Section 5 of the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined "obligated persons") with respect to municipal securities issues are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Existing Continuing Disclosure Filing History

The School District has entered into prior undertakings to provide information pursuant to continuing disclosure certificates for several outstanding bond issues. The following table provides information regarding annual filing deadlines and history of filings for the financial information, operating data and material event notices specified in previous continuing disclosure undertakings during the past five years:

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2015	12/27/2015	12/17/2015	EP712424	12/17/2015	EP712431	12/17/2015	EP712434
6/30/2016	12/27/2016	12/21/2016	EP765949	12/21/2016	EP765964	12/21/2016	EP765955
6/30/2017	12/27/2017	12/20/2017	ES838829	12/20/2017	ES838837	12/20/2017	ES838833
6/30/2018	12/27/2018	12/18/2018	ER912512	12/18/2018	ER912516	12/18/2018	ER912509
6/30/2019	12/27/2019	12/20/2019	ES1022859	12/20/2019	ES1022859	12/20/2019	ES1022859

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2015 through June 30, 2019, the School District filed its audited financial statements, the budget and other operating data timely.

Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of

the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

RATINGS

S&P Global Ratings has assigned an underlying rating of "_____" to the Bonds. S&P Global Ratings is expected to assign its municipal bond rating of "_____" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy with respect to the Bonds will be issued by _____. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, New York, New York 10041-0003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$_____, equal to the par value of the Bonds less an underwriters' discount of \$_____, plus a net original issue premium of \$_____, plus accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered with the approving legal opinion of Mette, Evans & Woodside, of Harrisburg, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the School District by Levin Legal Group, P.C., School District Solicitor of Huntingdon Valley, Pennsylvania.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

SHIKELLAMY SCHOOL DISTRICT
NORTHUMBERLAND COUNTY, PENNSYLVANIA

By: _____
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Shikellamy School District

Introduction

The Shikellamy School District is in Northumberland County in Central Pennsylvania, within the Northumberland-Snyder-Union-Montour, PA Labor Market Area (“LMA”). It has a diverse economy of service, non-durable industries and farming activity. The School District is approximately 60 miles north of Harrisburg, approximately 80 miles east of Allentown, and approximately 40 miles south of Williamsport.

Population

Table A-1 which follows shows recent population trends for the School District, Northumberland County and the Commonwealth of Pennsylvania. Table A-2 shows age composition and average number of persons per household in Northumberland County and for the Commonwealth. Average household size was slightly larger for Northumberland County than the Commonwealth average.

**TABLE A-1
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2000</u>	<u>2010</u>	Compound Average Annual Percentage Change <u>2000-2010</u>
School District.....	23,180	22,592	-0.26%
Northumberland County.....	94,556	94,528	0.00%
Commonwealth.....	12,281,054	12,702,379	0.34%

Source: U.S. Bureau of the Census, Decennial Census and Pennsylvania State Data Center, Census 2010.

**TABLE A-2
AGE COMPOSITION**

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	Persons Per <u>Household</u>
Northumberland County.....	23.2%	57.9%	18.9%	2.46
Commonwealth.....	23.5	61.1	15.4	2.57

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data is not compiled for the School District or municipalities within it, but such data is compiled for the MSA (an area which includes the School District).

Table A-3 shows the distribution of employment for the MSA.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
SUNBURY MICROPOLITAN STATISTICAL AREA
(Northumberland County)
NONFARM JOBS – AS OF JULY 2020

<u>ESTABLISHMENT DATA</u>	<u>Jul-2020</u>	<u>Jun-2020</u>	<u>May 2020</u>	<u>Jul-2019</u>	<u>Jun-2020</u>	<u>Jul-2019</u>
Total Nonfarm	25,700	25,800	24,800	29,800	-100	-4,100
Total Private	21,700	21,600	20,700	25,700	100	-4,000
Goods-Producing	5,000	5,000	5,000	5,900	0	-900
Mining, Logging, and Construction	1,000	1,000	1,000	1,400	0	-400
Manufacturing	4,000	4,000	4,000	4,500	0	-500
Service-Providing	20,700	20,800	19,800	23,900	-100	-3,200
Trade, Transportation, and Utilities	6,200	6,300	6,000	6,500	-100	-300
Transportation, Warehousing & Utilities	2,700	2,800	2,700	2,800	-100	-100
Trade	3,500	3,500	3,300	3,700	0	-200
Wholesale Trade	900	900	900	900	0	0
Retail Trade	2,600	2,600	2,400	2,800	0	-200
Professional and Business Services	1,600	1,600	1,600	1,800	0	-200
Education and Health Services	4,800	4,800	4,700	5,200	0	-400
Leisure and Hospitality	1,800	1,700	1,300	3,800	100	-2,000
Other Services	1,400	1,300	1,200	1,500	100	-100
Government	4,000	4,200	4,100	4,100	-200	-100
Local Government	2,900	3,100	3,100	3,000	-200	-100

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Table A-4 shows recent trends in labor force, employment and unemployment for Northumberland County and the Commonwealth.

TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
NOT SEASONALLY ADJUSTED

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020⁽¹⁾</u>	<u>Compound Average Annual % Rate</u>
Northumberland County							
Civilian Labor Force (000)	43.5	44.0	43.7	43.1	43.2	41.7	0.85%
Employment (000)	40.9	41.2	41.2	40.8	40.8	36.5	2.30%
Unemployment (000)	2.6	2.7	2.5	2.3	2.4	5.2	-12.94%
Unemployment Rate	5.9%	6.2%	5.7%	5.2%	5.6%	12.5%	
Pennsylvania							
Civilian Labor Force (000)	6,424.0	6,450.0	6,425.0	6,424.0	6,492.0	6,414.0	0.03%
Employment (000)	6,094.0	6,103.0	6,111.0	6,149.0	6,208.0	5,559.0	1.85%
Unemployment (000)	330.0	347.0	314.0	276.0	284.0	855.0	-17.34%
Unemployment Rate	5.1%	5.4%	4.9%	4.3%	4.4%	13.3%	

⁽¹⁾June 2020

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Major employers within a fifteen-mile radius of the School District include:

Name	Product or Service	Approximate Employment
Geisinger Health System	Hospital	3,500
Weis Markets	Headquarters	1,000
Bucknell University	University	900
Cherokee Pharmaceuticals	Drugs	560
UPMC Susquehanna	Hospital	520
Shikellamy School District	Education	420
Sunbury Textile Mills	Fabric	350
Danville Area School District	Education	350
Selinsgrove Area School District	Education	300
Tyco Electronics (formerly AMP Incorporated)	Electronics	280
Lewisburg Area School District	Education	250
Susquehanna University	University	250

Source: School District officials.

Income

The data on Table A-5 show recent trends in per capita income for the School District, the County and Commonwealth over the 2000-2010 period. Per capita income in the School District is higher than the County but is lower than the Commonwealth. Per capita income for the School District grew at a slower rate over this period than per capita income for the County.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>2000</u>	<u>2010</u>	Compound Average Annual Percentage Change <u>2000-2010</u>
School District.....	\$16,810	\$22,006	2.73%
Northumberland County.....	16,489	21,899	2.88%
Commonwealth.....	20,880	27,824	2.91%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Census, Pennsylvania State Data Center

Commercial Activity

Table A-6 shows recent trends for retail sales in Northumberland County and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Northumberland County	\$867,185	\$1,019,379	\$983,913	\$1,442,285	\$1,236,292
Pennsylvania.....	198,215,135	207,887,941	213,005,475	188,389,810	244,709,540

Source: The Nielson Company.

Educational Institutions

Although there are no post-secondary institutions in Northumberland County, there are excellent educational facilities within commuting distance. The closest, Susquehanna University in Selinsgrove and Bucknell University in Lewisburg are liberal arts colleges offering Bachelor's degrees in a range of majors. Bucknell University also offers graduate programs.

Medical Facilities

Residents of the School District have access to a number of hospitals which provide regional medical services including: Geisinger Medical Center in Danville, Evangelical Community Hospital in Lewisburg, Geisinger Shamokin Area Community Hospital in Shamokin and UPMC Susquehanna in Sunbury. They have a combined total of over 1,000 beds and approximately 4,300 employees.

Utilities

Utility services for the area covered by the School District are provided by Verizon, AT&T, UGI Penn Natural Gas and PPL Utilities Company. Water and sewer services are provided by the Sunbury Municipal Authority and other municipality's municipal authorities within the School District.

Transportation

The School District is traversed by U.S. Routes 11 and 15, which runs north and south along the Susquehanna River. It is adjacent to Interstate 80 in the north. The latter highway bisects the School District from east to west. These roads provide access to all major population centers in eastern Pennsylvania, southeastern New York and northern New Jersey.

APPENDIX B
Opinion of Bond Counsel

THOMAS A. ARCHER*
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TIMOTHY A. HOY
RANDALL G. HURST
JACOB H. KIESSLING
PAULA J. LEICHT
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ROBERT MOORE
VERONICA L. MORRISON
MICHAEL D. REED
MARK S. SILVER
KATHRYN L. SIMPSON

THOMAS F. SMIDA
JAMES A. ULSH
TRACY L. UPDIKE
MELANIE L. VANDERAU
JENNIFER D. WETZEL
CHARLES B. ZWALLY

HOWELL C. METTE
1928-2020

PETER J. RESSLER
1932-2017

* NEW JERSEY BAR

SHIKELLAMY SCHOOL DISTRICT
Northumberland County, Pennsylvania
§
General Obligation Bonds, Series A of 2020

November , 2020

OPINION

Shikellamy School District, Northumberland County, Pennsylvania (the "School District"), is a school district existing under laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The Board of School Directors of the School District by Resolution duly adopted on October 8, 2020 (the "Resolution"), authorized and directed issuance of \$9,855,000 aggregate principal amount of the School District's General Obligation Bonds, Series A of 2020, dated as of November , 2020 (the "Bonds"). The proceeds from sale of the Bonds are to be used for and towards payment of the costs and expenses of the current refunding of certain prior nonelectoral debt of the School District, including payment of costs and expenses of issuance of the Bonds.

Proceedings for authorization, issuance and sale of the Bonds have been conducted in accordance with the Local Government Unit Debt Act, as amended, 53 Pa. C.S. Chs. 80-82 (the "Act"), of the Commonwealth.

The Bonds may be in the denomination of \$5,000 or whole multiples thereof and are fully registered as to principal and interest. The Bonds initially will be registered in the name of the nominee of the Depository Trust Company under the book entry system. The Bonds mature on September 1 of each of the years 2021 to 2029, inclusive, The Bonds bear interest from November , 2020, at rates set forth in the Resolution, payable initially on March 1, 2021, and thereafter semiannually on March 1 and September 1 in each year, beginning September 1, 2021, until maturity or, if redeemable, until prior redemption.

The Bonds maturing on September 1, 202 , and thereafter are subject to redemption prior to maturity, at the option of the School District, as a whole series or, from time to time, in part, on September 1, 202 , or on any date thereafter, at the price, in the manner, upon terms and conditions and with the effect provided in the Resolution and in the Bonds.

has issued a municipal bond insurance policy with respect to the Bonds.

The Pennsylvania Department of Community and Economic Development (the "Department") has approved the proceedings for the increase of debt of the School District and for the issuance and sale of the Bonds as authorized in the Resolution, as required by the Act.

The School District has designated and determined under and for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), to qualify each of the Bonds as a "qualified tax-exempt obligation", as such phrase is defined in the Code.

In connection with the Bonds, we have examined, among other things: all proceedings under the Act; approval of proceedings and facts related to the increase of debt of the School District, as issued by the Department; a certificate of no litigation; a Non-Arbitrage Certificate of the School District; and usual closing certificates and documents.

We are of the opinion that:

1. The School District is authorized by laws of the Commonwealth to issue the Bonds for the purposes hereinbefore set forth.
2. Proceedings for the increase of debt of the School District and for the issuance and sale of the Bonds are in accordance with law.
3. The net nonelectoral debt of the School District, including the Bonds, and the net lease rental debt of the School District presently outstanding is less than the total allowable net nonelectoral debt plus net lease rental debt permitted by the Act.
4. Under existing laws of the Commonwealth, the interest on the Bonds is exempt from the present Pennsylvania personal income tax and the present Pennsylvania corporate net income tax.
5. Conditioned upon compliance by the School District of all covenants and agreements contained in the Resolution and in other documents relating to issuance of the Bonds, we are of the opinion that interest on the Bonds will not be includible in gross income under the Code and under present regulations and decisions nor an item of tax preference for purposes of the alternative minimum tax imposed on individuals under the Code.

No opinion is expressed as to other tax consequences that may accrue to a registered owner or a beneficial owner of the Bonds as a result of purchase and/or ownership of the same except as specifically set forth above.

6. The Bonds are authorized investments under the Pennsylvania Probate, Estates and Fiduciaries Code, Chapter 73, Fiduciaries Investments, Act No. 164 of 1972, approved June 30, 1972, as amended and supplemented.

We are also of the opinion that: (1) the Bonds are valid and binding general obligations of the School District; (2) the School District has effectively covenanted to make payments out of its sinking fund or any other of its revenues or funds at such times and in such annual amounts, specified in such covenant, as shall be sufficient for the payment of the interest agreed to be paid on the Bonds and the principal thereof when due; (3) the full faith, credit and taxing power, within limits permitted by law, of the School District are pledged for payment of the principal of and interest on the Bonds; and (4) the Bonds are enforceable against the School District in accordance with their terms and in accordance with the Act; subject, however, to any applicable bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights heretofore or hereafter enacted.

We express no opinion with respect to the accuracy or completeness of any Official Statement prepared with respect to the Bonds. This Opinion is given as of the date hereof and we assume no obligation to update or supplement this Opinion to reflect any facts or circumstances that hereafter may come to our attention or any changes in law that hereafter may occur.

Very truly yours,

APPENDIX C
Continuing Disclosure Certificate

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the **SHIKELLAMY SCHOOL DISTRICT**, Northumberland County, Pennsylvania (the "School District"), in connection with the issuance of its General Obligation Bonds, Series A of 2020 in the aggregate principal amount of \$ _____, dated as of November, 2020 (the "Bonds"). The Bonds are being issued pursuant to a Resolution, duly adopted by the Board of School Directors of the School District (the "Resolution"). The School District makes the following certifications and representations as an inducement to the Participating Underwriters and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders or beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term or phrase used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the School District pursuant to and as described in Sections 3 and 4 of this Disclosure Certificate.

"Business Day" shall mean a day other than a Saturday, a Sunday or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized by law or executive order to be closed.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Financial Obligation" shall mean: (A) a debt obligation; (B) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of either (A) or (B) but which shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"Material Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations of the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Official Statement" shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by the Commonwealth as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports. The School District shall, within 270 days following the close of each of its fiscal years, beginning with the fiscal year ending June 30, 2021, provide to the MSRB through EMMA at <http://www.emma.msrb.org/> an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package in PDF format, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report.

If the School District is unable to provide to the MSRB an Annual Report by the date required in the preceding paragraph, the School District in a timely manner shall send or cause to be sent a notice to the MSRB through EMMA stating in substance that the School District has not provided an Annual Report as required by this Section 3 and the date that the School District anticipates filing the Annual Report.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the School District:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- a summary of the budget for the current fiscal year
- the aggregate assessed value and market value of all taxable real estate for the current fiscal year
- the taxes and millage rates imposed for the current fiscal year
- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities which have been submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each other document so incorporated by reference. The School District reserves the right to modify from time to time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; Provided, however, that any such modification will be in a manner consistent with the Rule.

SECTION 5. Reporting of Significant Events. The School District will, in a timely manner, within 10 days of the occurrence of the event, file with the MSRB through EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to tax status of the Bonds or other events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) bond calls (excluding mandatory sinking fund redemption) if material and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;
- (m) consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or determination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or other change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the School District or an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District or an Obligated Person, any of which affect security holders, if material;

- (p) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the School District or an Obligated Person, any of which reflect financial difficulties; and
- (q) in a timely manner, to provide to the MSRB through EMMA, notice of any failure to provide required annual financial information on or before the date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 6. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the "Dissemination Agent") to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor, and without notice to holders of the Bonds.

SECTION 7. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate at such time as the School District is no longer an Obligated Person with respect to the Bonds.

SECTION 8. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, The School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors, all as of November , 2020.

SHIKELLAMY
SCHOOL DISTRICT,
Northumberland County, Pennsylvania

By: _____
President of the Board
of School Directors

APPENDIX D
Specimen Municipal Bond Insurance Policy

APPENDIX E
Audited Financial Report for
FYE June 30, 2019

SHIKELLAMY SCHOOL DISTRICT
SUNBURY, Pennsylvania
Financial and Single Audit Reports
For the Year Ended June 30, 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Members of the School Board
Shikellamy School District
200 Island Boulevard
Sunbury, Pennsylvania 17801

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 Shikellamy School District (the "District"), as of and for the year ended June 30, 2019, 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

The District's 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 district'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 District, as of June 30, 2019, 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.

Adoptions of New Governmental Accounting Standards Board's

As described in Note 15 to the financial statements, in 2019 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 83, "Certain Asset Retirement Obligations" and Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund, the schedule of changes in the total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability, schedule of the district's OPEB contributions, the schedule of the district's proportionate share of the net pension liability, the schedule of District contributions pension plan as listed in the accompanying table of contents 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 inquires 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 District's basic financial statements. The accompanying supplementary information, comprised of the combining and individual fund statements, and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual fund statements, and 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 December 16, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Klacik & Associates PC

Shamokin, Pennsylvania
December 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis (MD&A) of the Shikellamy School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the Independent Auditor's Report and notes to the financial statements to augment their understanding of the District's financial performance.

Background

Based on the volume of the Shikellamy School District's annual expenditures, 2002-03 was the first fiscal year the District's financial statements were required to meet the GASB 34 Accounting Standards. Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, properly combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

For the Shikellamy School District, beginning in 2002-03, various statements required under GASB 34 are:

- ❖ Statement of Net Position
- ❖ Statement of Activities
- ❖ Balance Sheet of Governmental Funds
- ❖ Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ❖ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ❖ Statement of Revenues, Expenditures and Changes in Fund Equity – Budget vs. Actual – General Fund

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the district. In the Shikellamy School District only the cafeteria is structured as a business activity, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

Funds analyzed in this audit include:

- ❖ Governmental activities including:
 - General Fund (including Athletic Fund)
 - Capital Projects Fund
 - Capital Reserve Fund
- ❖ Fiduciary Funds:
 - Private Purpose Trust Funds – Various small scholarship funds
 - Agency Fund – Student activity accounts

Financial Highlights

Key financial highlights for the year ending June 30, 2019, are as follows:

- ❖ Total fund balance of all governmental funds equals \$11,188,984.
- ❖ General fund balances:

Committed	-0-
Assigned	\$7,393,802
Unassigned	\$2,237,485

 - Total general fund revenue was \$504,088 or 1.1% under budget.
 - Total general fund expenses were \$57,442 or 0.1% under budget.
- ❖ The District's Proprietary Fund/Business-Type Activity (Cafeteria) showed an unrestricted net position balance of \$(187,935).

Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others.

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

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain is summarized in the table that follows.

Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net position *Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*Statement of fiduciary net assets *Statement of changes in fiduciary net position
Accounting basis measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Analysis of Overall Financial Position and Results of Operations Over the Past Fiscal Year

Net Position – On June 30, 2019, the District has total net position from governmental activities of \$(54,226,555); which is a decrease of \$760,298 in the fiscal year. Other post employment benefit costs being the issue that most significantly affected the net position decrease in the 2018-19 fiscal year.

Business Type Activities (Food Service) has total net position of \$(187,935), a net position decrease of \$398,375, due to the operations deficit and the reflection of OPEB and pension liability costs as per GASB 68 and 75 pronouncements. No General Fund subsidy was made in 2018-19 and the food service operation continues to closely monitor the profit and loss situation, which continues to decline under the pressure of rising costs.

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2019 and 2018.

Table 1
Condensed Statement of Net Position(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total School District		Total % of Change 2018-19
	2019	2018	2019	2018	2019	2018	
Assets							
Current & Other Assets	\$18,973	\$19,338	\$293	\$221	\$19,266	\$19,473	(1.1)
Capital Assets	<u>32,893</u>	<u>34,506</u>	<u>207</u>	<u>235</u>	<u>33,099</u>	<u>34,741</u>	(4.7)
Total Assets	<u>\$51,866</u>	<u>\$53,844</u>	<u>\$499</u>	<u>\$456</u>	<u>\$52,365</u>	<u>\$54,214</u>	(3.4)
Deferred Outflow - Pensions/OPEB							
	\$13,070	\$13,643	\$110	\$ -	\$13,180	\$13,643	(3.4)
Liabilities							
Current Liabilities	\$ 6,127	\$ 5,013	\$530	\$323	\$ 6,657	\$ 5,335	24.8
Long-Term Liabilities	<u>111,581</u>	<u>114,660</u>	<u>221</u>	<u>-</u>	<u>111,802</u>	<u>114,660</u>	(2.5)
Total Liabilities	\$117,708	\$119,673	\$751	\$323	\$118,459	\$119,996	(1.2)
Deferred Outflow – Pensions /OPEB							
	\$1,455	\$1,280	\$46	\$ -	\$1,501	\$1,280	17.2
Net Position							
Net Investments in							
Capital Assets	\$1,104	\$86	\$207	\$235	\$1,310	\$322	307.5
Restricted	-	-	-	-	-	-	-
Unrestricted	<u>(55,330)</u>	<u>(53,553)</u>	<u>(395)</u>	<u>(25)</u>	<u>(55,725)</u>	<u>(53,577)</u>	(4.0)
Total Net Position	<u>\$(54,227)</u>	<u>\$(53,466)</u>	<u>\$(188)</u>	<u>\$210</u>	<u>\$(54,414)</u>	<u>\$(53,256)</u>	(2.2)

Note: Totals may not add due to rounding.

Net Position – Total net position of Governmental Funds equals \$(54,226,555). The following is included:

- ◆ Construction Fund - \$507,021 (committed to projects).
- ◆ Capital Reserve Fund - \$739,710.
- ◆ General Fund –\$2,237,485 is unassigned fund balance; \$7,393,802 is assigned or committed fund balance; \$310,966 is reserved for inventories.

Table 2 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2019 and 2018.

Table 2
Changes in Net Position (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total School District		Total % Change 2018-19
	2019	2018	2019	2018	2019	2018	
Program Revenue							
Charges for Services	\$475	\$329	\$147	\$ 337	\$ 622	\$ 665	(6.4)
Operating Grants and Contributions	11,549	10,912	1,320	1,096	12,868	12,008	7.2
General Revenue							
Property Taxes	15,327	14,990	-	-	15,327	14,990	2.2
Taxes Levied for Specific Purposes	6,159	6,060	-	-	6,159	6,060	1.6
Grants and Entitlements	12,783	12,664	-	-	12,783	12,664	0.9
Investment Earnings	412	272	2	1	414	273	51.9
Sale/Disposal of Assets	-	32	-	-	-	32	(100.0)
Transfer	-	(12)	(9)	12	(9)	-	-
Other	<u>570</u>	<u>1,009</u>	<u>-</u>	<u>-</u>	<u>570</u>	<u>1,009</u>	(43.5)
Total Revenues	<u>47,276</u>	<u>46,256</u>	<u>1,460</u>	<u>1,446</u>	<u>48,736</u>	<u>47,702</u>	2.2
Program Expense							
Instruction	34,323	36,099	-	-	34,323	36,099	(4.9)
Instructional Student Support	2,623	2,796	-	-	2,623	2,796	(6.2)
Administrative and Financial	3,919	3,847	-	-	3,919	3,847	1.9
Operation and Maintenance	4,018	3,366	-	-	4,018	3,366	19.4
Pupil Transportation	1,822	1,776	-	-	1,822	1,776	2.6
Student Activities	564	585	-	-	564	585	(3.6)
Community Services	33	35	-	-	33	35	(6.8)
Facilities Improvements	-	-	-	-	-	-	-
Interest and Fiscal Charges	868	931	-	-	868	931	(6.8)
Food Service	<u>-</u>	<u>-</u>	<u>1,755</u>	<u>1,544</u>	<u>1,755</u>	<u>1,544</u>	13.6
Total Expenses	<u>48,171</u>	<u>49,435</u>	<u>1,755</u>	<u>1,544</u>	<u>49,925</u>	<u>50,979</u>	(2.1)
Increase (Decrease)	(894)	(3,179)	(295)	(98)	(1,189)	(3,277)	63.7
Net Position Restated (Cap. Appraisal)	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	<u>\$(894)</u>	<u>\$(3,179)</u>	<u>\$(295)</u>	<u>\$(98)</u>	<u>(1,189)</u>	<u>(3,277)</u>	63.7

Note: Totals may not add due to rounding.

As of June 30, 2019 and 2018, the District held the following other fund balances:

- ❖ Ending cash and cash equivalents in its proprietary fund (cafeteria) of \$146,289 and \$16,376 (out of total unrestricted net position of \$(394,590) and \$(24,649).
- ❖ Private Purpose Trust Fund balance totals of \$29,419 and \$33,102 in various small scholarship funds.

Budgetary Variances

- ❖ Total General Fund Revenues were under budget by \$504,088 or 1.1%.
 - 2018-19 earned income tax, occupation tax, and delinquent tax collections fell short of budgeted expectations.
- ❖ Total General Fund Expenditures were under budget by \$57,442 or 0.1%.
 - The majority of the variance in expenditures is due to the efforts of school district personnel who scrutinize purchase decisions and try to economize wherever possible. This is done by a wide-range of methods, from bidding to cost/benefit analysis of items or services. This continues to be done year-after-year, while keeping a close watch on budgeted expenditures.
- ❖ Business-Type Activities show a decrease of \$(287,881).
 - Due to the initial year of the Community Eligibility Program, Food service revenue decreased \$189,549 or 56.3%; while federal and state subsidies increased \$223,474 or 20.4%.
 - Meanwhile, food service expenses increased \$210,474 or 13.6%.

Significant Capital Activity

- ❖ None currently, however, according to the Official Statement for the District's General Obligation Bonds, Series of 2016, the District's legal capacity for borrowing stands at \$54,179,858.

Currently Known Facts, Decisions or Conditions

The School District did not participate under Pennsylvania Act 72 of 2004 ("The Homeowner Tax Relief Act"). Only 111 of the state's 501 public school districts elected to participate under Act 72 by the May 30, 2005, deadline. In response, a number of Bills were introduced in the Pennsylvania General Assembly which variously would extend the date by which the board of school directors of a school district may elect to participate under Act 72; require non-participating districts to put the question of participating under Act 72 to the voters at a public referendum; subject tax increases in future fiscal years to public referendum regardless of whether a school district has elected to participate under Act 72; or amend Act 72 to make its implementation mandatory for all school districts.

However, proposed taxpayer relief was state-mandated when Act 1 of Special Session 2006 created the "Taxpayer Relief Act," which utilizes gaming dollars and a local shift to an earned or personal income tax to fund the plan. There are a number of steps and requirements that school districts must follow in order to implement Act 1.

In general, Act 1 is intended to:

- ❖ Provide every qualified owner-occupied home and farm with a potential school property tax reduction. Taxpayers, if they vote to do so, may pay some additional income tax to the school district which needs to be taken into account in terms of the "net" tax reduction to taxpayers.
- ❖ Facilitates a tax reduction and possibly a tax shift but does not directly provide additional revenue to school districts to fund academic programs.
- ❖ School districts will have limits on the ability to raise property tax rates without seeking voter approval.
- ❖ Provide for school district property tax reduction funded through gaming revenue allocated by the state.
- ❖ Citizens can have periodic opportunities to consider raising the initial local income-based taxes to provide for further property tax reduction.

Other than those issues listed in the MD&A or in the notes to the audited financial statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

Additional Financial Information

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. Additional information regarding the financial statements may be obtained from the Business Manager, Shikellamy School District, 200 Island Boulevard, Sunbury, Pennsylvania 17801.

Shikellamy School District
Sunbury, Pennsylvania
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 11,845,708	\$ 146,289	\$ 11,991,997
Investments	1,247,589	1,112	1,248,701
Taxes Receivable, net of allowance of \$380,681	1,803,886	-	1,803,886
Due from Other Funds	479,462	33,627	513,089
Intergovernmental Receivables	3,281,791	63,335	3,345,126
Prepaid Expenses	4,000	-	4,000
Inventories	310,966	48,362	359,328
TOTAL CURRENT ASSETS	18,973,402	292,725	19,266,127
NON-CURRENT ASSETS			
Land and Site Improvements (net of Accumulated Depreciation)	1,770,388	-	1,770,388
Building and Building Improvements (net of Accumulated Depreciation.)	30,047,974	-	30,047,974
Furniture and Equipment (net of Accumulated Depreciation)	1,074,266	206,655	1,280,921
TOTAL NON-CURRENT ASSETS	32,892,628	206,655	33,099,283
TOTAL ASSETS	51,866,030	499,380	52,365,410
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Other Post Employment Benefits	2,611,352	30,926	2,642,278
Deferred Amounts Related to Pensions	10,458,967	78,654	10,537,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,070,319	109,580	13,179,899
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	64,936,349	608,960	65,545,309
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	1,273,596	3,431	1,277,027
Accrued Salaries and Benefits	4,853,824	513,089	5,366,913
Unearned Revenues	-	13,432	13,432
Long Term Liabilities			
Due within one Year			
Bonds Payable	2,500,000	-	2,500,000
Capital Leases	60,724	-	60,724
Compensated Absences	25,000	-	25,000
Due in more than one year			
Bonds Payable	29,165,000	-	29,165,000
Capital Leases	63,229	-	63,229
Compensated Absences	196,288	-	196,288
Net Pension Liability	68,400,433	102,567	68,503,000
Other Postemployment Benefits Liability	11,170,054	118,350	11,288,404
TOTAL LIABILITIES	117,708,148	750,869	118,459,017
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Other Post Employment Benefits	120,780	1,220	122,000
Deferred Amounts Related to Pensions	1,333,976	44,806	1,378,782
TOTAL DEFERRED INFLOWS OF RESOURCES	1,454,756	46,026	1,500,782
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	119,162,904	796,895	119,959,799
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,103,675	206,655	1,310,330
Unrestricted	(55,330,230)	(394,590)	(55,724,820)
TOTAL NET POSITION	\$ (54,226,555)	\$ (187,935)	\$ (54,414,490)

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

**Shikellamy School District
Sunbury, Pennsylvania
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 34,322,560	\$ 407,139	\$ 10,254,293	\$ (23,661,128)	\$ -	\$ (23,661,128)
Instructional Student Support	2,623,224	-	151,734	(2,471,490)	-	(2,471,490)
Administrative and Financial Support Services	3,919,101	-	33,715	(3,885,386)	-	(3,885,386)
Operation and Maintenance of Plant Services	4,018,233	-	-	(4,018,233)	-	(4,018,233)
Pupil Transportation	1,822,062	-	1,108,798	(713,264)	-	(713,264)
Student Activities	564,408	68,301	-	(496,107)	-	(496,107)
Community Services	32,701	-	-	(32,701)	-	(32,701)
Interest on Long Term Debt	868,318	-	-	(868,318)	-	(868,318)
TOTAL GOVERNMENTAL ACTIVITIES	48,170,607	475,440	11,548,540	(36,146,627)	-	(36,146,627)
BUSINESS TYPE ACTIVITIES						
Food Services	1,754,720	146,975	1,319,864	-	(287,881)	(287,881)
TOTAL PRIMARY GOVERNMENT	\$ 49,925,327	\$ 622,415	\$ 12,868,404	(36,146,627)	(287,881)	(36,434,508)
GENERAL REVENUES AND TRANSFERS						
Property Taxes, Levied for General Purposes				15,326,897	-	15,326,897
Public Utility Realty, Earned Income and Per Capita Taxes Levied for General Purposes				6,159,341	-	6,159,341
Grants, Subsidies, and Contributions Not Restricted				12,783,424	-	12,783,424
Transfers				-	(8,862)	(8,862)
Investment Earnings				412,633	1,794	414,427
Miscellaneous Income				569,856	-	569,856
TOTAL GENERAL REVENUES AND TRANSFERS				35,252,151	(7,068)	35,245,083
Change in Net Position				(894,476)	(294,949)	(1,189,425)
Net Position, Beginning, June 30, 2018				(53,332,079)	107,014	(53,225,065)
Net Position, Ending, June 30, 2019				\$ (54,226,555)	\$ (187,935)	\$ (54,414,490)

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

**Shikellamy School District
Sunbury, Pennsylvania
Balance Sheet
Governmental Funds
June 30, 2019**

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 11,845,708	\$ -	\$ 11,845,708
Investments	858	1,246,731	1,247,589
Taxes Receivable	1,803,886	-	1,803,886
Due from Other Funds	479,462	-	479,462
Intergovernmental Receivables	3,281,791	-	3,281,791
Prepaid Expenses	4,000	-	4,000
Inventories	310,966	-	310,966
TOTAL ASSETS	\$ 17,726,671	\$ 1,246,731	\$ 18,973,402
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
Accounts Payable	\$ 1,273,596	\$ -	\$ 1,273,596
Accrued Salaries and Benefits	4,853,824	-	4,853,824
Compensated Absences	82,965	-	82,965
TOTAL LIABILITIES	6,210,385	-	6,210,385
DEFERRED INFLOWS OF RESOURCES	1,574,033	-	1,574,033
FUND BALANCES			
Nonspendable Fund Balance	310,966	-	310,966
Restricted for Debt Service/Pension/ Health Care/Capital Projects	-	1,246,731	1,246,731
Assigned For Future Salary/Health Care/ and or Pension Costs	7,393,802	-	7,393,802
Unassigned Fund Balance	2,237,485	-	2,237,485
TOTAL FUND BALANCES	9,942,253	1,246,731	11,188,984
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 17,726,671	\$ 1,246,731	\$ 18,973,402

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

**Shikellamy School District
Sunbury, Pennsylvania
Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Position
Governmental Funds
June 30, 2019**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		\$ 11,188,984
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.		32,892,628
Deferred outflows and inflows of resources related to pension and other post employment benefits are applicable to future periods, and therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		10,458,967
Deferred outflows of resources related to other postemployment benefits		2,611,352
Deferred inflows of resources related to pensions		(1,333,976)
Deferred inflows of resources related to other postemployment benefits		(120,780)
Long-term liabilities, applicable to the District are not due and payable in the current period and accordingly, are not reported as liabilities in the fund statements. All liabilities, both current and long term are reported on the statement of net position. Balances as of June 30, 2019 are:		
Bonds Payable	(31,665,000)	
Capital Leases	(123,953)	
Net Pension Liability	(68,400,433)	
Other Post Employment Benefits	(11,170,054)	
Compensated Absences	(138,323)	
		(111,497,763)
Delinquent personal and property taxes receivable are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		1,574,033
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ (54,226,555)

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

Shikellamy School District
Sunbury, Pennsylvania
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Non-Major Funds	Total Governmental Funds
REVENUES			
Local Sources			
Taxes	\$ 21,394,924	\$ -	\$ 21,394,924
Investment Earnings	384,362	28,271	412,633
Miscellaneous Income	407,139	-	407,139
State Grants	23,054,417	-	23,054,417
Federal Grants	2,000,798	-	2,000,798
TOTAL REVENUES	47,241,640	28,271	47,269,911
EXPENDITURES			
Instruction	32,770,377	-	32,770,377
Support Services	11,798,545	-	11,798,545
Non-Instructional Services	577,016	-	577,016
Facilities, Acquisition, Construction & Improvement Services	-	306,865	306,865
Debt Service-Interest Payments	868,318	-	868,318
Debt Service-Principal Payments	2,434,000	-	2,434,000
TOTAL EXPENDITURES	48,448,256	306,865	48,755,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,206,616)	(278,594)	(1,485,210)
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Expenditures	(1,809)	-	(1,809)
Interfund Transfers In (Out)	(10,863)	19,725	8,862
TOTAL OTHER FINANCING SOURCES (USES)	(12,672)	19,725	7,053
NET CHANGE IN FUND BALANCES	(1,219,288)	(258,869)	(1,478,157)
FUND BALANCE - JULY 1, 2018	11,161,541	1,505,600	12,667,141
FUND BALANCE - JUNE 30, 2019	\$ 9,942,253	\$ 1,246,731	\$ 11,188,984

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

Shikellamy School District
Sunbury, Pennsylvania
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2019

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS		\$ (1,478,157)
Amounts reported for governmental activities in the statement of net activities are different because:		
Reconciliation of prior tax receivables and deferred revenue that will not be collected for several months after the District's year end require an adjustment not included in the governmental funds.		29,108
Interest is reported as an expenditure when due in the governmental funds, but accrued on outstanding debt on the statement of activities. Accrued interest increased by amount this year.		(7,199)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense. Pension Activities		(947,509)
Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds, Repayment of Debt Principal		2,434,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
OPEB Activities	518,412	
Increase In Compensated Absences	(39,713)	
Payment of Principal on Capital Leases	<u>209,616</u>	688,315
Depreciation is recognized in the statement of activities, but is not recognized in the governmental funds		<u>(1,613,034)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ (894,476)</u></u>

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

**Shikellamy School District
Sunbury, Pennsylvania
Statement of Net Position
Proprietary Fund
June 30, 2019**

	Food Service
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 146,289
Investments	1,112
Due From Other Funds	33,627
Intergovernmental Receivables	63,335
Inventories	48,362
TOTAL CURRENT ASSETS	292,725
NONCURRENT ASSETS	
Machinery and Equipment	1,209,939
Less: Accumulated Depreciation	(1,003,284)
TOTAL NONCURRENT ASSETS	206,655
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	78,654
Deferred Amounts Related to Other Post Employment Benefits	30,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES	109,580
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	608,960
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
<i>Current Liabilities</i>	
Accounts Payable	3,431
Accrued Salaries & Benefits	513,089
Unearned Revenue	13,432
TOTAL CURRENT LIABILITIES	529,952
<i>Long-Term Liabilities</i>	
Net Pension Liability	102,567
Other Postemployment Benefits Liability	118,350
TOTAL LONG-TERM LIABILITIES	220,917
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	44,806
Deferred Amounts Related to Other Post Employment Benefits	1,220
TOTAL DEFERRED INFLOWS OF RESOURCES	46,026
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	796,895
NET POSITION	
Investment in Capital Assets, net of Related Debt	206,655
Unrestricted Net Position	(394,590)
TOTAL NET POSITION	\$ (187,935)

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

**Shikellamy School District
Sunbury, Pennsylvania
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019**

	Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 146,975
OPERATING EXPENSES	
Salaries	473,622
Employee Benefits	382,886
Purchased Services	12,383
Supplies	796,607
Depreciation	28,434
Pension and OPEB Activity	54,038
Other Operating Expenses	6,750
TOTAL OPERATING EXPENSES	1,754,720
OPERATING INCOME/(LOSS)	(1,607,745)
NONOPERATING REVENUES (EXPENSES)	
Interfund Transfer	(8,862)
Earnings on Investments	1,794
State Sources	169,890
Federal Sources	1,149,974
TOTAL NONOPERATING REVENUES (EXPENSES)	1,312,796
CHANGE IN NET POSITION	(294,949)
NET POSITION - JULY 1, 2018	107,014
NET POSITION - JUNE 30, 2019	\$ (187,935)

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

Shikellamy School District
Sunbury, Pennsylvania
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Service
<i>Cash Flows from Operating Activities</i>	
Cash Received from Customers and Intergovernments	\$ 93,739
Cash Payments to Employees for Services	(102,582)
Cash Payments to Suppliers for Goods and Services	(1,174,040)
Net Cash (Used for) Operating Activities	(1,182,883)
<i>Cash Flows from Noncapital Financing Activities</i>	
State Sources	169,890
Federal Sources	1,149,974
Interfund Transfers	(8,862)
Net Cash Provided by Noncapital Financing Activities	1,311,002
<i>Cash Flows from Investing Activities</i>	
Earnings on Investments	1,794
Net Cash Provided by Investing Activities	1,794
Net Increase (Decrease) in Cash and Cash Equivalents	129,913
Cash and Cash Equivalents Beginning of Year	16,376
Cash and Cash Equivalents End of Year	\$ 146,289
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (1,607,745)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	28,434
(Increase) Decrease in Due From Other Funds	(53,260)
(Increase) Decrease in Receivables	42,477
(Increase) Decrease in Deferred Outflows	(2,138)
(Increase) Decrease in Inventory	(18,233)
Increase (Decrease) in Deferred Inflows	(506)
Increase (Decrease) in Accounts Payable	3,431
Increase (Decrease) in Net Pension Liability	53,860
Increase (Decrease) in Net OPEB Liability	2,688
Increase (Decrease) in Accrued salaries and Benefits	371,020
Increase (Decrease) in Deferred Revenue	(2,911)
Net Cash (Used for) Operating Activities	\$ (1,182,883)

See notes to financial statements
which are in integral part of these statements

**Shikellamy School District
Sunbury, Pennsylvania
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019**

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 29,419	\$ 237,860
TOTAL ASSETS	29,419	237,860
LIABILITIES		
Other Current Liabilities	-	237,860
TOTAL LIABILITIES	-	\$ 237,860
FIDUCIARY NET POSITION		
Restricted Fiduciary Net Position	29,419	
TOTAL FIDUCIARY NET POSITION	\$ 29,419	

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

Shikellamy School District
Sunbury, Pennsylvania
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended June 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Gifts & Contributions	\$ 1,666
TOTAL ADDITIONS	<u>1,666</u>
OTHER FINANCING SOURCES (USES)	
Scholarships Paid	<u>(5,349)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,349)</u>
CHANGE IN FIDUCIARY NET POSITION	<u>(3,683)</u>
FIDUCIARY NET POSITION - JULY 1, 2018	<u>33,102</u>
FIDUCIARY NET POSITION - JUNE 30, 2019	<u><u>\$ 29,419</u></u>

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

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Shikellamy School District (The District) provides public education to the residents of one city, two boroughs and three townships with four elementary schools, one middle school, and one high school in Northumberland 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 operates under a locally elected nine-member Board form of government.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

In June 1999, 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 result of operations.
- Financial statements prepared using full-accrual accounting for all the District's activities.
- A change in the full financial statements to focus on major funds.

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

A. Reporting Entity

The reporting entity was defined by applying the following criteria which was established by GASB 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

In defining the reporting entity, all known federal program awards received by the district have been included and have been subjected to the terms and requirements of the Single Audit Act.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

A. Reporting Entity-Continued

In applying the above criteria, the District is not a component unit of another reporting entity, nor does it have any component units.

B. Related Party Transactions

The District participates in the SUN Area Technical institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI 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 SUN ATI; and the SUN ATI is maintained as a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. For each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocable expenditures is refundable by the SUN ATI to the member school districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI. Audited financial statements for the year ended June 30, 2019 for the SUN ATI are available at its business office. At June 30, 2019, the School District had no balance outstanding with SUN ATI.

C. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

D. Fund Accounting

On June 15, 2010, GASB issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

D. Fund Accounting-Continued

Established classifications are as follows:

Non-spendable – Amounts that cannot be spent because they are either in a non-spendable form or are legally or contractually required to be maintained intact.

Restricted — Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

ORDER OF FUND BALANCE SPENDING POLICY

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, non-spendable fund balances are determined. Then, restricted fund balances for the non-General funds are classified as restricted fund balance.

It is possible for the non-General funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the non-General fund.

E. Basis of Presentation

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

E. Basis of Presentation-Continued

The statement of net position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions of enabling legislation.
- Unrestricted Net Position – Consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Separate statements are presented for governmental funds, proprietary funds and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered to be major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental or enterprise funds combined.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

E. Basis of Presentation-Continued

Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major Governmental Fund:

General Fund – The General Fund is the general operating fund of the district and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvements costs that are not paid through other funds are paid from the general fund.

Capital Projects Fund-This is used to account for all capital revenues and expenditures over the fiscal year.

The District reports the following major Proprietary Fund:

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

Fiduciary Fund Types

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support school district programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

F. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

F. Measurement Focus and Basis of Accounting-Continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Budget and Budgetary Accounting

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 financial statements utilize a revised budget as passed by the District's Board of Directors as a comparison against actual revenue and expenditures.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies. The budget to actual schedule can be found on page 65 of the audit report.

H. Due To and From Other Funds

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Inventories & Prepaid Expenses

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. Inventories in the governmental funds include printing program supplies, for which reserve of fund balance is provided. Other inventory items, considering principally of textbooks and instructional supplies are not valued since it is the consistent policy of the District to charge these items to expense.

Prepaid expenses are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaid expenses are similarly reported in government-wide and fund financial statements.

Inventories of the proprietary funds are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred revenue until consumed.

J. 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, as described in Note 11.

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of services or job classification.

Unused sick leave for all employees and unused vacation time have been calculated and are carried in the long-term debt account.

K. Capital Assets

The District's capital assets, which include property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

K. Capital Assets-Continued

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5-40
Improvements, other than Buildings	2-20
Mobile Equipment	3-20
Furniture, Machinery, and Equipment	3-20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over the estimated useful life of the asset.

L. Cash, Cash Equivalents and Investments

Cash and 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.

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair market value based on quoted prices in actively traded markets as of year-end. All investments are stated at cost, including accrued interest which approximates fair value.

M. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as bond indenture. Restricted assets are reported only in the District-wide financial statements.

N. Assigned Assets

Assigned assets are cash and cash equivalents whose use are 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.

O. Fund Balance

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.

P. Net Position

Net position represents the difference between assets and liabilities in the District-wide financial statements.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Q. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Tax Receivable

Tax receivables are reported net an allowance for uncollectible balances. Amounts are written off when they are determined to be uncollectible based upon management's assessment of individual amounts. The allowance for doubtful accounts is based upon a combination of the District's historical losses and a percentage of aged receivables. The allowance for June 30, 2019 is \$380,681, which is on the face of the financials.

S. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

T. Deferred Outflows/Inflows of Resources

In June 2011, the GASB issued Statement 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" GASB 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's financial statements for the year ended June 30, 2013.

Effective July 1, 2013 the District implemented GASB 65, "*Items Previously Reported as Assets and Liabilities.*" This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has deferred outflows of resources in its government wide statement of net position relating to two types of activity. The activity relates to the District's Pension and OPEB liabilities in both the governmental activities and business-type activities.

The District had no deferred outflows of resources in its governmental funds balance sheet. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

T. Deferred Outflows/Inflows of Resources-Continued

The District has deferred inflows of resources in its government wide statement of net position relating to the District's PSERS pension and OPEB liabilities in the governmental activities.

The District has one item that qualifies as deferred inflows of resources in its governmental funds balance sheet, the deferred tax collections. The portion of the net tax receivable estimated to be collectible, which was measurable and available within the 60 days, was recognized as revenue; the balance of the net tax receivable is deferred in the fund financial statements.

U. Long-Term Liabilities

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources and the repayment of debt is reported as expenditures. Premiums received on debt issues are reported as other financing sources; discounts on debt issuances are reported as other financing uses during the current period.

V. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

W. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

X. Accounts Receivable

All receivables are determined at face value. The receivables consist of balances from member districts and federal and state sources. The District does not account for an allowance for doubtful accounts because the District believes they will collect all receivables due to a review of the historical collection in the past.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Y. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

Z. PSERS Pension and OPEB Liabilities

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public School Employee's 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 benefit terms. Investments are reported at fair value.

AA. Subsequent Events

Management has evaluated subsequent events through December 16, 2019 the date on which the financial statements were available to be issued.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3 - DEPOSITS

Custodial Credit Risk and PLGIT

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 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.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 – DEPOSITS-CONTINUED

A cash account is maintained with the Pennsylvania Local Government Investment Trust. All investments made by the Trust are obligations of the U.S. Government or its agencies or instrumentalities.

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 FDIC to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that collateral as provided by law is pledged by the depository.

The District's solicitor has reviewed the collateralization policies of the various banks and determined that it complies with Section 440.1(c) (iii) of the Pennsylvania School Code.

As of June 30, 2019, the carrying amount of cash was \$13,507,463 and the District's bank balance was \$13,738,443. All deposits at June 30, 2019 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000.

Deposits over this amount are collateralized by a pool of eligible securities established under Act 72 of the 1971 Session of the Pennsylvania General Assembly for the protection of public depositors. The pledged securities in the pool are safe kept at correspondent banks in accounts specifically segregated for this purpose. Act 72 specifies that it is the bank's responsibility to maintain sufficient assets in the pool to collateralize adequately all public deposits greater than the \$250,000 per type of account per entity which is FDIC insured.

Other Risks

Included in the total bank balance are deposits with the Pennsylvania Local Government Investment Trust (PLGIT), an external investment trust. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

NOTE 4 - INVESTMENTS

The District is permitted to invest funds consistent with sound business practices in the following types of investments:

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

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – INVESTMENTS-CONTINUED

2. Deposits 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 any amounts above the insured maximum, provided that approved collateral as provided by the law therefore shall be pledged by the depository.

3. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933. So long as the following conditions are met: (a) Investments of that company are in the authorized investments for school district funds in the preceding paragraphs, (b) The investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7, (c) The investment company is rated in the highest category by a nationally recognized rating agency.

At June 30, 2019, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (“PSDLAF”) of \$1,248,701. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

As of June 30, 2019, the District’s investment balance by type and maturity was as follows:

Investment Type	Fair Value	Maturities		
		Less than 1 year	1-5 years	6-10 years
Capital Reserve-PLGIT	\$ 739,710	\$ 739,710	\$ -	\$ -
G.O. Bonds of 2015-PLGIT	507,021	507,021	-	-
General Fund-PLGIT	858	858	-	-
Food Service-PLGIT	1,112	1,112	-	-
	<u>\$ 1,248,701</u>	<u>\$ 1,248,701</u>	<u>\$ -</u>	<u>\$ -</u>

Investments by fair value level	Fair Value Measurement Using 6/30/19	Quoted Prices in		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PLGIT	\$ 1,248,701	\$ -	\$ 1,248,701	\$ -
Total Investments by fair value level	<u>\$ 1,248,701</u>	<u>\$ -</u>	<u>\$ 1,248,701</u>	<u>\$ -</u>

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – INVESTMENTS-CONTINUED

Custodial Credit Risk – 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.

Credit Risk. The District has no investment policy that would limit its investment choices to certain credit ratings.

Interest Rate Risk. Interest Rate risk is the risk that changes in interest rates will adversely affect an investment’s value. The District does not have a formal policy regarding interest rate risk.

Concentration Risk. The District does not have a policy that would limit the amount it may invest in any one issuer.

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES AND INTERFUND TRANSFERS

A) Intergovernmental Receivables

	General Fund	Proprietary Fund	Total
Federal Subsidies	\$ 1,118,051	\$ 60,158	\$ 1,178,209
State Subsidies	2,118,516	3,177	2,121,693
Local Governments	45,224	-	45,224
	\$ 3,281,791	\$ 63,335	\$ 3,345,126

These balances resulted from the time lag between the dates that 1) inter fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made

The following shows the transfers between funds throughout the year. The funds that had transfers during FY 2019 were the General Fund and the Capital Projects Fund.

B) Interfund Transfers

	Transfers to Other Funds	Transfers from Other Funds
General Fund	\$ 10,863	\$ -
Cafeteria Fund	8,862	-
Capital Projects Fund	-	19,725
	\$ 19,725	\$ 19,725

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

Capital assets at June 30, 2019 consist of all land, buildings, furniture and equipment owned by and which has been titled in the name of the District. Amounts reflected in the government-wide statements are summarized as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 799,526	\$ -	\$ -	\$ 799,526
Total Capital Assets, Not Depreciated	799,526	-	-	799,526
Capital Assets, Being Depreciated:				
Site Improvements	3,427,924	-	-	3,427,924
Buildings and Building Improvements	49,042,102	-	-	49,042,102
Furniture and Equipment	8,566,782	-	-	8,566,782
Total Capital Assets, Being Depreciated	61,036,808	-	-	61,036,808
		20,241,625	(21,004,145)	
Less Accumulated Depreciation For:				
Site Improvements	(2,309,595)	(147,467)	-	(2,457,062)
Buildings and Building Improvements	(17,852,504)	(1,141,624)	-	(18,994,128)
Furniture and Equipment	(7,168,573)	(323,943)	-	(7,492,516)
Total Accumulated Depreciation	(27,330,672)	(1,613,034)	-	(28,943,706)
 Governmental Activities -				
Capital Assets, Net	\$ 34,505,662	\$ (1,613,034)	\$ -	\$ 32,892,628
 Business Type Activities:				
Furniture/Equipment	\$ 1,209,939	\$ -	\$ -	\$ 1,209,939
Less: Accumulated Depreciation	(974,850)	(28,434)	-	(1,003,284)
 Business Type Activities-				
Capital Assets, Net	\$ 235,089	\$ 28,434	\$ -	\$ 206,655

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

Instruction	\$ 1,171,386
Instructional Student Support	88,274
Administrative & Financial Support Services	136,750
Operation & Maintenance of Plant Services	135,217
Pupil Transportation	61,314
Student Activities	18,993
Community Services	1,100
Governmental Activities Total	\$ 1,613,034
 Business Type Activities	 \$ 28,434

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of governmental long-term liability activity of the District for the year ending June 30, 2019 as well as the bonds and notes broken down by each year.

Governmental activities	Balance as of 07/01/18	Additions	Retirements	Balance as of 06/30/19	Current Portion
Long Term Debt	\$ 34,099,000	\$ -	\$ 2,434,000	\$ 31,665,000	\$ 2,500,000
Capital Lease Payable	333,369	-	209,616	123,753	60,724
Compensated Absences	181,575	39,713	-	221,288	25,000
OPEB Liability	10,207,797	962,257	-	11,170,054	-
Net Pension Liability	69,583,353	-	1,182,920	68,400,433	-
Total	\$ 114,405,094	\$ 1,001,970	\$ 3,826,536	\$ 111,580,528	\$ 2,585,724

Business Type Activities

Pension Liability	\$ 152,647	\$ -	\$ 50,080	\$ 102,567	\$ -
OPEB Liability	115,682	2,668	-	118,350	-
Total	\$ 268,329	\$ 2,668	\$ 50,080	\$ 220,917	\$ -

Long-term debt activity for the year ended June 30, 2019 as follows:

Description	Interest Rate	Amount of Original Issue	Balance as of 7/1/178	Additions	Retirements	Balance as of 6/30/19	Current Portion
Series of 2013	3%	\$ 9,935,000	\$ 7,235,000	\$ -	\$ 440,000	\$ 6,795,000	\$ 980,000
Series of 2013A	2%	9,835,000	985,000	-	985,000	-	-
Series of 2014	1.410%	3,330,000	514,000	-	514,000	-	-
Series of 2014A	3%	9,955,000	9,945,000	-	5,000	9,940,000	5,000
Series of 2015	2%	4,785,000	4,710,000	-	255,000	4,455,000	255,000
Series of 2015A	2%	2,255,000	1,675,000	-	225,000	1,450,000	230,000
Series of 2016A	1%	9,045,000	9,035,000	-	10,000	9,025,000	1,030,000
			\$ 34,099,000	\$ -	\$ 2,434,000	\$ 31,665,000	\$ 2,500,000

Long-term debt at June 30, 2019 consisted of:

Bond Series of 2013

During the fiscal year ended June 30, 2013, the District refunded the Bond Series of 2008 with General Obligation Bond Series of 2013 in the principal amount of \$9,935,000. Interest on the bonds is due and payable semi-annually on May 15 and November 15. The principal balance as of June 30, 2019 was \$6,795,000.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - LONG-TERM LIABILITIES-CONTINUED

Bond Series of 2013A

During the fiscal year ended June 30, 2014, the District issued General Obligation Bonds, Series of 2013A in the amount of \$9,835,000. Proceeds of the Bonds will be used (1) to demolish the existing C.W. Rice Middle School, (2) to acquire, design, construct, furnish and equip a new middle school, (3) for additions, alterations and renovations and other improvements to the District's existing school buildings and related facilities; and (4) for paying the costs of issuing the Bonds. Interest on the bonds is due and payable semi-annually on May 15 and November 15. These were refinanced during the 2016 Bond Issue. The bond was paid off as of June 30, 2019.

Note Series of 2014

During the fiscal year ended June 30, 2014, the District refunded this Bond Series of 2009 with General Obligation Note Series of 2014 in the principal amount of \$3,330,000. Interest on the note is due and payable semi-annually on March 1 and September 1. The bond was paid off as of June 30, 2019.

Bond Series of 2014A

During the fiscal year ended June 30, 2014, the District issued General Obligation Bonds, Series of 2014A in the amount of \$9,955,000. Proceeds of the Bonds will be used (1) to acquire, design, construct, furnish and equip a new middle school on the site of the former C.W. Rice Middle School, (2) for additions, alterations and renovations and other improvements to the School District's existing school buildings and related facilities; and (3) for paying the costs of issuing the Bonds. Interest on the bonds is due and payable semi-annually on May 15 and November 15. The principal balance as of June 30, 2019 was \$9,940,000.

Bond Series of 2015

During the fiscal year ended June 30, 2016, the District issued General Obligation Bonds, Series of 2015 in the amount of \$4,785,000. Proceeds of the 2015 Bonds will be used: (1) to acquire, construct and equip a new middle school, (2) for additions, alterations, renovations and other improvements to (a) the School District athletic facilities and other school facilities (b) the Sun Area Technical School; and (3) pay the costs of issuing the 2015 Bonds. Interest on the bonds is due and payable semi-annually on September 1 and March 1. The principal balance as of June 30, 2019 was \$4,455,000.

Bond Series of 2015A

During the fiscal year ended June 30, 2016 the District issued General Obligation Bonds, Series A of 2015 in the amount of \$2,255,000. Proceeds of the 2015A Bonds will be used to: (1) currently refund the District's outstanding General Obligation Bonds, Series of 2010 outstanding in the aggregate principal amount of \$2,210,000 (the "2010 Bonds"); and (2) pay the costs of issuing the 2015A Bonds. Interest on the bonds is due and payable semi-annually on September 1 and March 1. The principal balance as of June 30, 2019 was \$1,450,000.

Bond Series of 2016A

In October 2016, the District issued General Obligation Bonds, Series of 2016 in the total amount of \$9,045,000. Proceeds of the 2016 Bonds will be used to: (1) advance refund a portion of the School District Outstanding Obligation Bonds, Series A of 2013, currently outstanding in the aggregate principal amount of \$9,825,000 (the "2013A Bonds"), of which \$8,770,000 shall be refunded (the "Refunded 2013A Bonds"); Interest on the bonds is due and payable semi-annually on September 1 and March 1. The principal balance as of June 30, 2019 was \$9,025,000.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - LONG-TERM LIABILITIES-CONTINUED

Principal and interest payments for long-term debt for the succeeding fiscal years are as follows:

For the years ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 2,500,000	\$ 818,463	\$ 3,318,463
2021	2,570,000	747,693	3,317,693
2022	2,650,000	674,418	3,324,418
2023	2,710,000	598,515	3,308,515
2024	2,765,000	542,975	3,307,975
2025-2029	14,975,000	1,639,324	16,614,324
2030-2031	3,495,000	63,921	3,558,921
Total	\$ 31,665,000	\$ 5,085,309	\$ 36,750,309

NOTE 8 - LEASES

Operating Leases

The District leases its copiers/printers under several lease agreements all having terms of four to five years. It is the procedure of the District to continually upgrade this equipment. These continually revolving leases are classified as operating leases. Current year rental costs approximate \$170,000. Future annual lease payments are estimated for the next four years at approximately \$170,000 per year.

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of equipment (computer hardware).

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

Starting September 1, 2015, the District entered into a lease agreement with Dell for various computer and other technology items for the High Schools and Elementary schools. The total amount for the lease is \$594,295 with yearly rent payments of \$156,544 split between principal and interest. This is a 4-year lease agreement ending that was paid off in 2019.

Starting September 1, 2017, the District entered into a Lease agreement with Dell for computers for students at the Middle School. The Total amount for the lease is \$248,109 with yearly rent payments of \$65,838 split between principal and interest. This is a 4-year lease agreement ending in 2021.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 – LEASES-CONTINUED

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

Year Ending June 30:		Dell
2020		\$ 60,724
2021		63,229
Total Minimum Lease Payments		123,953
Less: Amount Representing Interest		(7,722)
Present Value of Minimum Lease Payments		\$ 116,231

Amortization expense for these assets is included in depreciation expense in the accompanying financial statements.

NOTE 9 - PENSION PLAN

A. Summary of Significant Accounting Policies

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 PSER'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

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

A. Summary of Significant Accounting Policies-Continued

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members 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.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

A. Summary of Significant Accounting Policies-Continued

Participants are eligible for disability retirement benefits after completion of five years of credited service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members).

Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public-school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon retirement.

Employer Contributions:

The contribution policy is set by the Code. The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 32.60% 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 \$6,244,621 for the year ended June 30, 2019.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

A. Summary of Significant Accounting Policies-Continued

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%.

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

At June 30, 2019, the District reported a liability of \$68,503,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one- year reported covered payroll. At June 30, 2018, the District's proportion was 0.1427 percent, which was an increase of .0015 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$947,509. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 552,000	\$ 1,060,000
Changes in assumptions	1,276,000	-
Net difference between projected and actual investment earnings	336,000	-
Change in proportions	-	304,000
Difference between employer contributions and proportionate share of employer contributions	2,129,000	-
Contributions subsequent to the measurement date	6,244,621	-
	<u>\$ 10,537,621</u>	<u>\$ 1,364,000</u>

\$6,244,621 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2019. 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:	
6/30/2019	\$ 2,714,000
6/30/2020	1,652,000
6/30/2021	(635,000)
6/30/2022	(262,000)
Thereafter	-

C. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions used in measurement of the Total Pension Liability beginning June 30, 2018

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

C. Actuarial Assumptions-Continued

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the experience study that was performed for the five-year period ending June 30, 2016. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting and were effective beginning with the June 30, 2017 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 regarding 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	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPS	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative Investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100.0%	

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - PENSION PLAN-CONTINUED

C. Actuarial Assumptions-Continued

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, 2018.

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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 84,915,000	\$ 68,503,000	\$ 54,627,000

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.pa.gov.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN

District Specific Plan

Plan Description

Plan Administration. The District's School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded, and no financial report is prepared.

Plan Membership. As of June 30, 2019, the Plan's membership consisted of the following:

Active Participants	276
Retired Participants	<u>46</u>
Total	<u>322</u>

Benefits Provided. The Plan provides healthcare benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and vary depending on employee classification and years of service of the retiree. The District pays the full premium for medical, and prescription drug for all retirees, spouses and dependents. depending on those factors. Teamsters retired in 2004 are the only employees of the District who have dental and vision benefits as well

Contributions. The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$8,312,404 was measured as of July 1, 2017 and was rolled forward using actuarial assumptions to the valuation date of July 1, 2018.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

District Specific Plan-Continued

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total OPEB Liability

Inflation	3.00%
Salary Increases	3.50% average, including inflation
Discount Rate	3.13%
Healthcare Cost Trend Rate	6.00% for 2019, decreasing to an ultimate rate 3.9% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2018.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2018 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2019 were as follows:

	Total OPEB Liability
Balance at 7/1/2017	\$ 7,446,479
Service Cost	278,410
Interest	227,101
Changes of Benefit Terms	(195,540)
Differences between actual and expected experience	1,397,363
Changes in Assumptions	24,891
Benefit Payments	(866,300)
Net Changes	<u>865,925</u>
Balance at 7/1/2018	<u>\$ 8,312,404</u>

Changes in assumptions reflect a change in the discount rate from 3.13% to 2.98%, an update of trend assumptions, and an update of assumptions for salary, mortality, and retirements based on the new PSERS assumptions.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

District Specific Plan-Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5%) or 1-percentage higher (7%) than the current discount rate:

	Current		
	1% Decrease	discount rate	1% Increase
	5.0%	6.0%	7.0%
District's total OPEB liability	\$ 7,617,520	\$ 8,312,404	\$ 9,129,166
	\$ 7,617,520	\$ 8,312,404	\$ 9,129,166

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage higher (43.98%) than the current discount rate:

	1% Decrease	discount rate	1% Increase
	1.98%		3.98%
District's total OPEB liability	\$ 8,802,576	\$ 8,312,404	\$ 7,850,134
	\$ 8,802,576	\$ 8,312,404	\$ 7,850,134

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$526,303 for the District plan. At June 30, 2019 the District reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ 1,280,916
Changes of assumption	133,783
Benefit Payments subsequent to the measurement date	966,304
	\$ 2,381,003

Amounts, other than contributions subsequent to the measurement date, reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

		Year Ended June 30,
2020	\$	129,618
2021		129,618
2022		129,618
2023		129,618
2024		129,618
Thereafter		766,609

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15-member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.1427% 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 PSERS OPEB plan from the District were \$163,297 for the year ended June 30, 2019.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

PSERS Healthcare Insurance Premium Assistance Plan-Continued

At June 30, 2019, the District reported a liability of \$2,975,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.1427 percent, which was an increase of .0009 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(1,014) for the PSERS plan. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	
Changes in assumptions	\$ 65,000	\$ 113,000	
Change in proportion	33,000	9,000	
Contributions subsequent to the measurement date	163,297	-	
	\$ 261,297	\$ 122,000	

\$163,297 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2018	\$	(23,000)
2019		(23,000)
2020		(23,000)
2021		(23,000)
2022		(24,000)
Thereafter		(24,000)

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

PSERS Healthcare Insurance Premium Assistance Plan-Continued

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females for healthy annuitants and for depended beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

A recent actuarial experience study was not performed.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

PSERS Healthcare Insurance Premium Assistance Plan-Continued

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	100.0%	

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20 Year Municipal Bond Rate at June 30, 2018 was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

PSERS Healthcare Insurance Premium Assistance Plan-Continued

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 3,384,000	\$ 2,975,000	\$ 2,635,000

OPEB 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.pa.gov

NOTE 11 –COMPENSATED ABSENCES

Act 93 Administration

Upon retirement from public school service or death, provided the employee has spent the last five (5) years of service in the District, the District shall pay to said employee or designated beneficiary the sum of fifty dollars (\$50.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed five thousand dollars (\$5,000).

Teachers

Upon retirement from public school service or death, provided the employee has spent the last fourteen (14) years of service in the District, the District shall pay to said employee or designated beneficiary the sum of twenty-five dollars (\$25.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed two thousand dollars (\$2,000).

Support Personnel

Full-time support personnel (those who work at least thirty-five (35) hours per week for nine (9) months or more) who receive one sick day for each month worked and may accumulate sick days without limit. Part-time employees who work twenty-five (25) hours per week or more shall be entitled to two (2) days of paid sick leave after working one (1) year. Thereafter, these part-time employees shall be entitled to one (1) day per year of employment to a maximum of seven (7) days.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11 –COMPENSATED ABSENCES-CONTINUED

Upon retirement, provided the employee has spent the last fourteen (14) years of service in the District, the District shall pay to said employee the larger of a lump sum retirement allowance of five hundred dollars (\$500) or the sum of twenty-five dollars (\$25.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed two thousand dollars (\$2,000).

Custodians, Food Service and Maintenance (Teamsters)

Full-time employees will receive one sick day for each month worked and may accumulate sick days without limit. Part-time employees who work fifteen (15) hours per week or more shall be entitled to have (2) days of paid sick leave after working one (1) year. Thereafter, these part-time employees shall receive one (1) additional day per year to a maximum of five (5) days.

Upon retirement, provided the employee has spent the last fourteen (14) years of service in the District, the District shall pay to said employee the larger of a lump sum retirement allowance of five hundred dollars (\$500) or the sum of fifty dollars (\$50.00) for each day of unused sick leave accumulated with the maximum amount paid not to exceed eighty (80) days or four thousand dollars (\$4,000).

The liability for compensated absences relating to employees paid from the governmental funds is payable from future resources. The estimated liability for compensated absences at June 30, 2019 is included in these financial statements.

The total compensated absences at year-end were \$221,288.

NOTE 12 -TAX REVENUE

Taxes are recognized as revenue when collected, and in addition, delinquent taxes that are estimated to be real estate taxes for the District are collected. The tax on real estate for public school purposes for the year ended June 30, 2019 was 90 mills (\$90.00 per \$1,000) of assessed valuation as levied by the board.

Assessed valuations of property are determined by the County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each year is as follows:

July 1	Levy Date
July 1 – August 31	2% Discount Period
September 1 – October 31	Face Payment Period
November 1 – December 31	10% Penalty Period
December 31	Lien Date

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12 - TAX REVENUE-CONTINUED

The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. 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 delinquent amount for property taxes as of June 30, 2019 was \$1,554,429; which is part of the total tax receivable of \$2,184,567 shown below:

Taxes Receivable	\$ 2,184,567
Less allowance for uncollectible accounts	<u>380,681</u>
Taxes receivable, net	<u><u>\$ 1,803,886</u></u>

NOTE 13 - 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, 2019 and the three previous fiscal years, no settlements exceeded insurance coverage.

The District is a participant in the Central Susquehanna Region School Employees' Health and Welfare Trust, a local consortium of schools participating in self-insurance and health maintenance programs for staff medical, dental and vision benefits, life insurance coverage, and a wellness program. The Trust is organized as a consortium of participants in order to offer rate consistency regardless of claims.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14 - COMMITMENTS AND CONTINGENCIES-CONTINUED

Tax Revenue

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

Litigation

The District normally becomes involved in legal actions arising in the ordinary course of its operations. In the opinion of the District management and outside counsel, the estimated amounts of potential claims against the District will not materially affect the accompanying financial statements. During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2019, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

NOTE 15 - NEW PRONOUNCEMENTS

The District has adopted GASB No. 83, *Certain Asset Retirement Obligations*; GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements effective for the year ending June 30, 2019*; the District has not completed the process of evaluating the impact that will result from GASB No. 84, *Fiduciary Activities*; GASB No. 90, *Majority Equity Interests- an amendment of GASB Statements No. 14 and No. 61 effective for the year ending June 30, 2020*, and GASB No. 87, *Leases*, GASB No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period effective for the year ending June 30, 2021*. The District, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, and 90 will have on its financial position and results of operations when such statements are adopted.

NOTE 16 - FUND BALANCE

Fund Balances reported at June 30, 2019 are summarized as follows:

	General Fund	Non-Major Funds	Total
Nonspendable Fund Balance	\$ 310,966	\$ -	\$ 310,966
Restricted for Debt Service/Pension/ Health Care/Capital Projects	-	1,246,731	1,246,731
Assigned For Future Salary/Health Care/ and or Pension Costs'	7,393,802	-	7,393,802
Unrestricted Fund Balance	2,237,485	-	2,237,485
Total Fund Balances	<u>\$ 9,942,253</u>	<u>\$ 1,246,731</u>	<u>\$ 11,188,984</u>

**SHIKELLAMY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 17- INTERFUND BALANCES & ACTIVITY

Interfund Receivables and Payables – Interfund balances at June 30, 2019 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 479,462	\$ (479,462)
Cafeteria Fund	33,627	(33,627)
	\$ 513,089	\$ (513,089)

NOTE 18- SUBSEQUENT EVENTS

The District has entered into a new lease agreement as lessee for financing the acquisition of equipment.

Starting September 1, 2019, the District entered into a lease agreement with Omega Systems for various computer and other technology items for the High Schools and Elementary schools. There are yearly rent payments of \$200,859 that are split between principal and interest. This is a 4-year lease agreement ending in 2022.

**SHIKELLAMY SCHOOL DISTRICT
JUNE 30, 2019
REQUIRED SUPPLEMENTARY
INFORMATION**

**SHIKELLAMY SCHOOL DISTRICT
DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service Cost	\$ 278,410	\$ 273,063
Interest	227,101	190,196
Change of Benefit Terms	(195,540)	-
Differences Between Actual and Expected Experience	1,397,363	-
Changes of Assumption	24,891	133,160
Benefit Payments, including refunds of employee contributions	(866,300)	(1,124,306)
Net change in total OPEB Liability	865,925	(527,887)
Total OPEB Liability-Beginning	7,446,479	7,974,366
Total OPEB Liability-Ending	\$ 8,312,404	\$ 7,446,479
 Covered payroll	 \$ 16,867,396	 \$ 16,911,733
 District net OPEB liability as a percentage of covered payroll	 49.28%	 44.03%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.

The District has not calculated the actuarial determined contribution, such information is not available.

**SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY-HEALTH
INSURANCE PREMIUM ASSISTANCE PLAN
LAST 10 YEARS**

	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.1427%	0.1412%	0.1416%
District's proportionate share of the PSERS OBEB Liability	\$2,975,000	\$2,877,000	\$3,054,000
District's covered-employee payroll	16,867,396	16,911,733	18,370,910
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	\$18	15.30%	16.62%
Plan fiduciary net position as a percentage of the total OPEB liability	6.00%	6.00%	5.00%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available

**SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE NET OPEB LIABILITY-
HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
LAST 10 YEARS**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 163,297	\$ 153,100
Contributions in relation to the contractually required contribution	(163,297)	(153,100)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 19,211,988	\$ 18,803,523
Contributions as a percentage of covered-employee payroll	1%	1%

Amounts are based on actual contributions during the fiscal year.

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available

**SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

Last 5 Fiscal Years*

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.1427%	0.1412%	0.1418%	0.1326%	0.1338%
District's proportionate share of the net pension liability	\$68,503,000	\$69,736,000	\$70,272,000	\$57,437,000	\$52,959,000
District's covered-employee payroll	19,211,988	18,803,523	18,370,910	17,060,325	17,079,395
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	357%	371%	383%	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	54%	63%	54%	57%	54%

Amounts were determined as of the cost-sharing plan's June 30, 2018 fiscal year.

Amounts were determined as of the cost-sharing plan's June 30, 2018 fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.
2. The covered-employee payroll amount reported for 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2018.

**SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PENSION
CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

Last 5 Fiscal Years*

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 6,244,621	\$ 5,854,701	\$ 5,569,531	\$ 4,604,211	\$ 3,492,676
Contributions in relation to the contractually required contribution	(6,244,621)	(5,854,701)	(5,569,531)	(4,604,211)	(3,492,676)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,211,988	\$ 18,803,523	\$ 18,416,843	\$17,060,325	\$17,079,395
Contributions as a percentage of covered-employee payroll	32.50%	31.14%	30.24%	26.99%	20.45%

Amounts were determined as of the cost-sharing plan's June 30, 2018 fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.
2. The covered-employee payroll amount reported for 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2018.

Shikellamy School District
Sunbury, Pennsylvania
Statement of Revenues, Expenditures & Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Local Revenues	\$ 22,673,980	\$ 22,673,980	\$ 22,186,425	\$ (487,555)
State Program Revenues	23,018,451	23,018,451	23,054,417	35,966
Federal Program Revenues	2,053,297	2,053,297	2,000,798	(52,499)
TOTAL REVENUES	47,745,728	47,745,728	47,241,640	(504,088)
EXPENDITURES				
<i>Instruction:</i>				
Regular Programs	20,782,729	20,782,729	20,287,418	(495,311)
Special Programs	8,381,482	8,381,482	9,682,745	1,301,263
Vocational Programs	1,545,840	1,545,840	1,465,520	(80,320)
Other Instructional Programs	1,626,663	1,626,663	1,334,694	(291,969)
<i>Support Services:</i>				
Pupil Personnel Services	1,370,087	1,370,087	1,360,745	(9,342)
Instructional Staff Services	1,374,594	1,374,594	1,173,846	(200,748)
Administrative Services	2,848,135	2,848,135	2,762,902	(85,233)
Pupil Health	533,545	533,545	532,903	(642)
Business Services	552,021	552,021	459,648	(92,373)
Operation & Maintenance of Plant Services	3,540,927	3,540,927	3,576,152	35,225
Student Transportation Services	1,846,051	1,846,051	1,760,748	(85,303)
Central and Other Support Services	181,028	181,028	171,601	(9,427)
<i>Operation of Noninstructional Services:</i>				
Student Activities	588,139	588,139	545,415	(42,724)
Community Services	32,139	32,139	31,601	(538)
TOTAL EXPENDITURES	45,203,380	45,203,380	45,145,938	(57,442)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,542,348	2,542,348	2,095,702	(561,530)
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Expenditures	-	-	(1,809)	(1,809)
Interfund Transfers (Out)	(21,752)	(21,752)	(10,863)	10,889
Debt Service	(3,302,318)	(3,302,318)	(3,302,318)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (3,324,070)	\$ (3,324,070)	\$ (3,314,990)	\$ (9,080)
Net Change in Fund Balances	\$ (781,722)	\$ (781,722)	\$ (1,219,288)	\$ (570,610)

**SHIKELLAMY SCHOOL DISTRICT
COMBINING & INDIVIDUAL FUND
STATEMENTS**

**Shikellamy School District
Sunbury, Pennsylvania
Combining Balance Sheet
Non-Major Governmental Funds
As of the year ended June 30, 2019**

	Capital Projects Fund	Capital Reserve Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 507,021	\$ 739,710	\$ 1,246,731
TOTAL ASSETS	\$ 507,021	\$ 739,710	\$ 1,246,731
FUND BALANCES			
Restricted Fund Balance	\$ 507,021	\$ 739,710	\$ 1,246,731
TOTAL FUND BALANCES	\$ 507,021	\$ 739,710	\$ 1,246,731

Shikellamy School District
Sunbury, Pennsylvania
Combining Statement of Revenues, Expenditures & Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Capital Projects Fund	Capital Reserve Fund	Total Non-Major Governmental Funds
REVENUES			
Local Sources:	\$ 12,683	\$ 15,588	\$ 28,271
TOTAL REVENUES	12,683	15,588	28,271
EXPENDITURES			
Facilities, Acquisition, Construction & Improvement Services	297,465	9,400	306,865
TOTAL EXPENDITURES	297,465	9,400	306,865
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(284,782)	6,188	(278,594)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In (Out)	-	19,725	19,725
TOTAL OTHER FINANCING SOURCES (USES)	-	19,725	19,725
Net Change in Fund Balances	(284,782)	25,913	(258,869)
Fund Balance - July 1, 2018	791,803	713,797	1,505,600
Fund Balance - June 30, 2019	\$ 507,021	\$ 739,710	\$ 1,246,731

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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
Shikellamy School District
200 Island Boulevard
Sunbury, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shikellamy School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiency 2019-001, described in our accompanying Schedule of Findings and Questioned Costs, to be a material weakness.

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. We consider deficiency 2019-001, described in our accompanying Schedule of Findings and Questioned Costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as deficiency 2019-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Klavick & Associates PC

Shamokin, Pennsylvania
December 16, 2019

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Members of the School Board
Shikellamy School District
200 Island Boulevard
Sunbury, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Shikellamy School District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2019. The 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 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 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 (CFR) 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as deficiency 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a material weaknesses or significant deficiencies and therefore, a material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as deficiency 2019-001 that we consider to be a material weakness.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Management's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Kilacik & Associates PC

Shamokin, Pennsylvania
December 16, 2019

SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
JUNE 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Passed Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received For Year	Accrued or (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue June 30, 2019
U. S. DEPARTMENT OF EDUCATION										
PASSED THROUGH STATE DEPARTMENT OF EDUCATION										
Title I Grants to Local Education Agencies	(I)	84.010	013-18-0427	9/10/17-9/30/18	\$ 830,896	\$ 331,818	\$ 300,061	\$ 31,757	\$ 31,757	\$ -
Title I Grants to Local Education Agencies	(I)	84.010	013-19-0427	9/10/18-9/30/19	892,119	713,006	-	844,427	844,427	131,421
Title I Grants to Local Education Agencies Subtotal						1,044,824	300,061	876,184	876,184	131,421
Title II-Improving Teacher Quality	(I)	84.367	020-180386	9/10/17-9/30/18	131,843	61,176	25,890	35,286	35,286	-
Title II-Improving Teacher Quality	(I)	84.367	020-190386	9/10/18-9/30/19	133,022	97,441	-	99,841	99,841	2,400
Title II-Improving Teacher Quality						158,617	25,890	135,127	135,127	2,400
Title III- Language Instr LEP	(I)	84.365	010-180386	9/10/17-9/30/18	13,160	5,264	4,193	1,071	1,071	-
Title III- Language Instr LEP	(I)	84.365	010-190386	9/10/18-9/30/19	14,338	8,603	-	7,588	7,588	(1,015)
Title III- Language Instr LEP						13,867	4,193	8,659	8,659	(1,015)
Title IV- Student Support and Academic Enrichment	(I)	84.424	144-180386	9/10/17-9/30/18	18,624	12,416	(474)	12,890	12,890	-
Title IV- Student Support and Academic Enrichment	(I)	84.424	144-190386	9/10/18-9/30/19	59,645	59,645	-	56,281	56,281	(3,364)
Title IV- Student Support and Academic Enrichment						72,061	(474)	69,171	69,171	(3,364)
Title VI Rural Education	(I)	84.358	Project #007-18-0427	7/1/17-6/30/18	49,690	27,104	27,104	-	-	-
Title VI Rural Education						27,104	27,104	-	-	-
21st Century Community Cohort 6A	(I)	84.287	4100071086	10/1/13-9/30/14	-	-	(105)	-	-	(105)
21st Century Community Cohort 6 A	(I)	84.287	4100068098	10/1/15-9/30/16	-	-	(15,226)	-	-	(15,226)
21st Century Community Cohort 7	(I)	84.287	4100068098	10/1/17-10/30/18	389,220	222,212	79,862	142,350	142,350	-
21st Century Community Cohort 9	(I)	84.287	4100068098	10/1/17-10/30/18	397,500	215,457	84,045	131,412	131,412	-
21st Century Community Cohort 7	(I)	84.287	4100068098	10/1/18-10/30/19	291,915	209,480	-	223,127	223,127	13,647
21st Century Community Cohort 9	(I)	84.287	4100078114	10/1/18-10/30/19	397,500	139,006	-	255,542	255,542	116,536
21st Century Grants						786,155	148,576	752,431	752,431	114,852
PASSED THROUGH CENTRAL SUSQUEHANNA IU										
Special Education-Preschool	(I)	84.173	131-170017	7/1/17-6/30/18	11,900	11,900	11,900	-	-	-
Special Education-Preschool	(I)	84.173	131-170017	7/1/18-6/30/19	9,520	-	-	9,520	9,520	9,520
Special Education-Preschool						11,900	11,900	9,520	9,520	9,520
Special Education - Grants to States	(I)	84.027	062-18-0016	7/1/17-6/30/18	647,431	647,431	647,431	-	-	-
Special Education - Grants to States	(I)	84.027	062-18-0016	7/1/18-6/30/19	679,329	-	-	679,329	679,329	679,329
Special Education-Grants to State						647,431	647,431	679,329	679,329	679,329
Total Special Education Cluster						659,331	659,331	688,849	688,849	688,849
TOTAL U. S. DEPARTMENT OF EDUCATION						\$ 2,761,959	\$ 1,164,681	\$ 2,530,421	\$ 2,530,421	\$ 933,143

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

**SHIKELLAMY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Passed Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received For Year	Accrued or (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue June 30, 2019
US DEPARTMENT OF HEALTH & HUMAN SERVICES										
PASSED THROUGH DEPARTMENT OF PA HUMAN SERVICES										
Medical Assistance	(I)	93.778	044-007427	17-18	\$ 91,974	\$ 91,974	\$ 91,974	\$ -	\$ -	\$ -
Medical Assistance	(I)	93.778	044-007427	18-19	94,128	-	-	94,128	94,128	94,128
Medical Assistance						91,974	91,974	94,128	94,128	94,128
Total US Department of Health & Human Services						91,974	91,974	94,128	94,128	94,128
U.S. DEPT OF AGRICULTURE										
PASSED THROUGH STATE DEPARTMENT OF EDUCATION										
National School Lunch Program (NSLP)	(I)	10.555	Unknown	07-01-18/06-30-19	Unknown	920,555	101,964	865,555	865,555	46,964
School Breakfast Program (SBP)	(I)	10.553	Unknown	07-01-18/06-30-19	Unknown	194,083	23,772	183,506	183,506	13,195
State Source	(S)	10.553,10.555	Unknown		Unknown	57,616	6,488	54,305	54,305	3,177
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE										
Value of USDA Commodities	(I)	10.555	Unknown	07-01-18-06-30-19	Unknown	88,731 (A)	12,922 (B)	100,912	100,912 (C)	25,103 (D)
Total Child Nutrition Cluster						1,203,369	138,658	1,149,973	1,149,973	85,262
TOTAL US DEPARTMENT OF AGRICULTURE						1,203,369	138,658	1,149,973	1,149,973	85,262
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ 4,057,302	\$ 1,395,313	\$ 3,774,522	\$ 3,774,522	\$ 1,112,533

Source Code Legend:

- (I) Indicates Indirect Funding
- (S) Indicates State Matching Funds

Other Code Legend

- (A) Total amount of commodities received
- (B) Beginning inventory at July 1, 2018
- (C) Total amount of commodities used
- (D) Ending inventory at June 30, 2019

SHIKELLAMY SCHOOL DISTRICT
Sunbury, Pennsylvania
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

The non-cash expenditures of \$100,912 reported under CFDA No. 10.555, Value of USDA Commodities (Food Commodities), represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service Commodity Price List. These food commodities were received from the Pennsylvania Department of Agriculture, Bureau of Food Distribution for the year ended June 30, 2019.

2. CATEGORIZATION OF EXPENDITURES

The accompanying Schedule of Expenditures of Federal Awards reflects federal expenditures for all programs which were active during the year. The categorization of expenditures included in the accompanying Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. The accompanying Schedule of Expenditures of Federal Awards reflects CFDA changes issued through June 2019.

3. ADDITIONAL INFORMATION

The School District did not have any sub-recipients or pass through and funds to sub-recipients.

The School District elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. IDENTIFICATION OF MAJOR PROGRAMS

As shown on the accompanying *Schedule of Findings and Questioned Costs*, the dollar threshold used to distinguish between type A and type B programs were seven hundred and fifty thousand (\$750,000) dollars. The District had one major program, Child Nutrition Cluster, which is CFDA number 10.555 with total federal expenditures of \$1,149,973.

SHIKELLAMY SCHOOL DISTRICT
Sunbury, Pennsylvania
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

5. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

Revenues per the Statement of Revenues, Expenditures and Changes in Fund Balances (Net Assets)	
Federal-General Funds	\$ 2,000,798
Federal -Food Service	1,149,974
Total Per Financial Statements	<u>3,150,772</u>
Less: Medical payments not recorded on SEFA	33,715
Less: Security money not recorded on SEFA	26,281
Less: Other monies not recorded on SEFA	5,103
Add: IDEA Funds in Local Revenues	688,849
Total Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,774,522</u>

**SHIKELLAMY SCHOOL DISTRICT
SUNBURY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:
 Material weakness(es) identified? X yes no

Significant deficiency(ies)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? X yes no

Significant deficiency(ies)? yes X none reported

Type of auditors' report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of Major Programs:

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes no

**SHIKELLAMY SCHOOL DISTRICT
SUNBURY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

No audit findings

**SHIKELLAMY SCHOOL DISTRICT
SUNBURY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III – Major Federal Award Program Finding

Finding 2019-001

**INTERNAL CONTROL OVER CASH MANAGEMENT – SCHOOL NUTRITION PROGRAM
CLAIMS FOR REIMBURSEMENT NOT PROPERLY COMPLETED – SIGNIFICANT
DEFICIENCY**

CFDA 10.553 & 10.555 Child Nutrition Cluster

**U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH PENNSYLVANIA
DEPARTMENT OF EDUCATION**

Criteria: Per Uniform Guidance 2 CFR Part 200 – payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures. Accounting records including cost accounting records that are supported by source documentation to support cash payment.

Condition: Shikellamy School District is responsible for ensuring that cash reimbursements related to Federal Programs are properly completed. Testing performed on Cash Management compliance identified 4 out of a sample of 12 cash draws that did not properly reflect the number of school lunch meals served, therefore, understating the District's reimbursement for meals served for all site locations within the District.

Cause: District personnel did not properly enter the number of school lunch meals served for site locations within the District.

Effect: The District did not receive the correct Federal reimbursement relating to the school lunch meals served for all site locations with the District.

Questioned Costs: \$43,150

Recommendation: District management should establish approval procedures to reconcile the Federal claim for reimbursement reports to District underlying data documenting meals served for all site locations.

**SHIKELLAMY SCHOOL DISTRICT
SUNBURY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III – Major Federal Award Program Finding (Continued)

Finding 2019-001(Continued)

Prior Year Finding: No

Management

Response and

Corrective Action: See attached response

**SHIKELLAMY SCHOOL DISTRICT
SUNBURY, PENNSYLVANIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION 1- PRIOR YEAR AUDIT FINDINGS

There were no findings or questioned costs for the prior year ended June 30, 2018.



SHIKELLAMY

SCHOOL DISTRICT

Island Park Administrative Center • 200 Island Boulevard • Sunbury, PA 17801 • www.shikbraves.org
Phone: (570) 286-3721 • Fax: (570) 286-3776 • Email: ipac@shikbraves.org

December 16, 2019

Klacik & Associates, P.C.
101 West Independence Street
Shamokin, PA 17872

Finding 2019-001

Management Response:

The Business Manager and/or Director of Food Service will review monthly claims for reimbursement to assure completeness and accuracy by assigned personnel.

Individual Responsible:

Business Manager and/or Director of Food Service

Anticipated Completion Date:

January 2020