

**BURGETTSTOWN AREA SCHOOL DISTRICT**

**BURGETTSTOWN, PENNSYLVANIA**

**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018**



**Cypher & Cypher**

Accountants | Auditors | Advisors

BURGETTSTOWN AREA SCHOOL DISTRICT

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## Independent Auditor's Report

Burgettstown Area School District  
Burgettstown, Pennsylvania

Ladies and Gentlemen:

### **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 Burgettstown Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the School District'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 Burgettstown Area School District as of June 30, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Proportionate Share of the Net OPEB Liability on Pages i through vii, 40, and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burgettstown Area School District's basic financial statements. The statement of changes in assets and liabilities – agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of changes in assets and liabilities – agency funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly

to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of changes in assets and liabilities – agency funds 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 January 9, 2019, on our consideration of Burgettstown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Burgettstown Area School District's 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 Burgettstown Area School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 9, 2019

# Management's Discussion & Analysis

# BURGETTSTOWN AREA SCHOOL DISTRICT

## BURGETTSTOWN, PENNSYLVANIA

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

June 30, 2018

Our discussion and analysis of the Burgettstown Area School District's financial performance provides an overview of the School District financial activities for the fiscal year ended June 30, 2018. The MD&A should be read in conjunction with the financial statements and footnotes.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

### The School District

Burgettstown Area School District is a School District of the Second Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

### Financial Highlights

Our financial statements provide these insights into the results of this year's operations:

- The General Fund operations reported an increase in fund balance of \$2,833,877, with the total General Fund fund balance at \$1,678,447 at June 30, 2018. Of this increase, \$2,575,388 is the result of a transfer of debt proceeds from the Debt Service Fund.

### Reporting the District as a Whole

#### The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The change in net position provides the reader with a tool to assist in determining whether the District's financial



health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at a conclusion regarding the overall health of the District.

The following table reflects the condensed Statement of Net Position:

**Condensed Statement of Net Position  
As of June 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current and Other Assets	\$ 1,885,695	\$ 3,619,368	\$ 84,641	\$ 75,020	\$ 1,970,336	\$ 3,694,388
Non Current Assets	39,853,372	38,051,562	397,368	373,562	40,250,740	38,425,124
Deferred Outflows	6,273,497	5,734,789			6,273,497	5,734,789
<b>Total Assets &amp; Deferred Outflows</b>	<b><u>48,012,564</u></b>	<b><u>47,405,719</u></b>	<b><u>482,009</u></b>	<b><u>448,582</u></b>	<b><u>48,494,573</u></b>	<b><u>47,854,301</u></b>
Current and Other Liabilities	4,548,147	2,945,811	8,293	7,498	4,556,440	2,953,309
Non Current Liabilities	66,092,687	72,922,465			66,092,687	72,922,465
Deferred Inflows	1,109,773	953,925	2,065	1,999	1,111,838	955,924
<b>Total Liabilities</b>	<b><u>71,750,607</u></b>	<b><u>76,822,201</u></b>	<b><u>10,358</u></b>	<b><u>9,497</u></b>	<b><u>71,760,965</u></b>	<b><u>76,831,698</u></b>
Invested in Capital Assets	4,778,663	128,482	397,368	373,562	5,176,031	502,044
Restricted	15,596	15,704			15,596	15,704
Unrestricted	(28,532,302)	(29,560,668)	74,283	65,523	(28,458,019)	(29,495,145)
<b>Total Net Position</b>	<b><u>\$ (23,738,043)</u></b>	<b><u>\$ (29,416,482)</u></b>	<b><u>\$ 471,651</u></b>	<b><u>\$ 439,085</u></b>	<b><u>\$ (23,266,392)</u></b>	<b><u>\$ (28,977,397)</u></b>

**Assets, Liabilities & Net Position**

As of June 30, 2018, the School District had total assets and deferred outflows of \$47.8 million with 68% in capital assets, net of depreciation, 12% in long term receivables, and 12% in deferred outflows. The remaining 8% is attributable mainly to cash, investments, taxes receivable, and amounts due from other governments.

Total liabilities and deferred inflows as of June 30, 2018 totaled \$76.8 million. This amount includes current liabilities of \$2.9 million mainly comprised of \$1.5 million of salaries and benefits payable and payroll deduction withholdings as well as \$833 thousand from the current portion of noncurrent liabilities. Accrued salaries, benefits and payroll deductions are primarily the result of salaries earned by teachers as of June 30, 2018 and paid during the summer of 2018. The current portion of noncurrent liabilities principally represents debt payments that are due within the next fiscal year. Non-current liabilities include \$37.2 million of bonds and notes payable, a pension liability of \$30.6 million, and \$5.0 million of post retirement obligations.

The resulting deficit \$(29.0) million in net position includes \$500 thousand reserved for net amounts invested in capital assets, \$15 thousand of restricted funds, and a deficit \$(29.5) million of undesignated amounts not reserved for specific purposes identified in this paragraph.

The following table reflects Changes in Net Position:

Fiscal year ended June 30, 2018

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	\$ 75,577	\$ 248,185	\$ 272,960	\$ 293,028	\$ 348,537	\$ 541,213
Operating Grants and Contributions	4,229,540	4,150,853	405,898	395,212	4,635,438	4,546,065
General Revenues:						
Property Taxes	6,427,555	6,224,447			6,427,555	6,224,447
Other Taxes	1,173,163	1,485,056			1,173,163	1,485,056
Grants Subsidies and Contributions	6,815,207	6,866,365			6,815,207	6,866,365
Other	230,307	168,586	768,004	138,548	998,311	307,134
	<u>18,951,349</u>	<u>19,143,492</u>	<u>1,446,862</u>	<u>826,788</u>	<u>20,398,211</u>	<u>19,970,280</u>
Expenditures:						
Depreciation	1,154,900	1,156,745			1,154,900	1,156,745
Instruction	11,813,928	11,996,692			11,813,928	11,996,692
Instructional Student Support	1,316,937	1,429,735			1,316,937	1,429,735
Administrative and Financial Support	1,889,989	1,948,378			1,889,989	1,948,378
Operation and Maintenance of Plant	1,673,823	1,708,794			1,673,823	1,708,794
Pupil Transportation	1,317,800	1,219,615			1,317,800	1,219,615
Student Activities	398,372	371,626			398,372	371,626
Community Services	3,082	3,068			3,082	3,068
Debt Service	1,433,396	1,715,807			1,433,396	1,715,807
Food Service			852,314	859,354	852,314	859,354
Other	767,798	138,112			767,798	138,112
	<u>21,770,025</u>	<u>21,688,572</u>	<u>852,314</u>	<u>859,354</u>	<u>22,622,339</u>	<u>22,547,926</u>
Change in Net Position	<u>\$(2,818,676)</u>	<u>\$(2,545,080)</u>	<u>\$ 594,548</u>	<u>\$ (32,566)</u>	<u>\$(2,224,128)</u>	<u>\$(2,577,646)</u>

## Revenues

The School District's general fund received 44% of its funding from local sources, 55% from state sources, and 1% from federal sources. Real estate tax receipts continue to be the primary source of local revenue for the general fund. The property assessments, from which real estate tax receipts are based, have not increased at a rate sufficient to maintain millage rates. Without a significant increase in state funding, it is anticipated that future annual millage rate increases are likely.

Earned Income Tax is the second most significant local revenue source funding general fund operations and it has increased at a low level during the recent difficult economic times. With the local tax base being limited, the expectation in this area of revenue will stagnate or decline in the future. The financial health of the local economy has been dependent on steel mills that reside in

the area. Only two steel mills remain in operation at this time. The next largest employer is a major airline that is also having financial difficulty.

## **Expenditures**

General fund spending for 2017-18 totaled \$19.4 million including principal debt service payments. Instructional program expenditures amounted to \$11.8 million or 61% of all general fund spending. Support services totaled \$5.8 million or 30%, debt service payments totaled \$1.4 million or 7%, and student activities and athletics totaled \$348 thousand or 2%.

The 2017/2018 budget anticipated to spend \$18.9 million to operate the District. Results of actual general fund operations resulted in expenditures exceeding budgeted amounts by \$659,774 and an increase in fund balance of \$2,833,877, which resulted principally from the proceeds of a debt issuance and some revenues coming in higher than budgeted figures.

Actual expenditures were 103.5% of the amount budgeted for the year. Actual revenues were 104.6% of the amount budgeted.

## **Explanation of Expenditure Category Content:**

*Instruction* – Activities designed to provide students in grades K-12 with learning experiences to prepare them for activities as citizens, family members, and non-vocational workers as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps.

*Instructional Student Support* – Activities that provide students in grades K-12 with learning experiences not covered under regular programs such as Drivers' Education, Summer School, Homebound Instruction, Nonpublic School Programs, Adult Education Programs, and Adult Vocational Education.

*Administrative and Financial Support* – Activities related to establishing and administering policy in connection with the operations of the School District. Such items include: Board Services, Board Treasurer Services, Tax Assessment and Collection Services, Legal Services, Office of the Superintendent, Community Relations Services, Office of Principal Services and other Administration Services. Also included in this category are activities concerned with the fiscal operations of the School District. These include expenditures related to Supervision of Fiscal Services, Budgeting Services, Payroll Services, Financial Accounting Services, Internal Auditing Services, Property Accounting Services and other fiscal services.

*Operation and Maintenance of Plant* – Activities here are concerned with keeping the physical plant open, comfortable and safe for use, and keeping the grounds, buildings and equipment in effective working condition and in a state of repair. Expenditures posted here include the purchase of original or replacement equipment used to maintain buildings and grounds, as well as routine costs incurred to maintain the safety and operational efficiency of buildings and grounds.

*Pupil Transportation* - Expenditures include those activities concerned with the conveyance of students to and from school, as provided by State and Federal Law. It includes transportation costs for trips between home and school and from school to school.

*Student Activities* – School sponsored activities, under the guidance and supervision of school district staff, designed to provide students such experiences as motivation, enjoyment and skills improvement. These include, but are not limited to, programs such as: band, chorus, speech and debate. Expenses relating to athletic events are also recorded here.

*Community Services*- Activities concerned with providing community services to students, staff or other community participants.

*Debt Service*- Interest payments on outstanding bonds and other debt obligations. In addition, any refund of prior year revenues.

The following analysis shows the eight largest functional expenses of the District. This table also shows the Net Costs of Services offset by other Unrestricted Grants, Subsidies and Unrestricted Contributions to show the remaining financial needs to be supported by local tax efforts and other miscellaneous revenues.

Year Ended June 30, 2018  
Governmental Activities

Function/Programs	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
Instruction	\$ 11,813,928	\$ 11,996,692	1.5%	\$ 8,879,871	\$ 8,964,231	1.0%
Instructional Student Support	1,316,937	1,429,735	8.6%	1,150,633	1,250,993	8.7%
Administrative and Financial Support	1,889,989	1,948,378	3.1%	1,675,557	1,717,468	2.5%
Operation and Maintenance of Plant	1,673,823	1,708,794	2.1%	1,482,428	1,373,187	-7.4%
Pupil Transportation	1,317,800	1,219,615	-7.5%	577,587	399,147	-30.9%
Student Activities	398,372	371,626	-6.7%	355,007	301,662	-15.0%
Community Services	3,082	3,068	-0.5%	3,082	3,068	-0.5%
Debt Service - Principal & Interest	2,473,162	1,393,770	-43.6%	1,418,045	1,984,921	40.0%
<b>Total Governmental Activities</b>	<b>\$ 20,887,093</b>	<b>\$ 20,071,678</b>	<b>-3.9%</b>	<b>\$ 15,542,210</b>	<b>\$ 15,994,677</b>	<b>2.9%</b>
Less: Unrestricted Grants, Subsidies and Unrestricted Contributions				(6,815,207)	(6,866,365)	
<b>Total Needs from Local Taxes and Other Revenues</b>				<b>\$ 8,727,003</b>	<b>\$ 9,128,312</b>	

The above analysis modifies information disclosed on the Statement of Activities to exclude depreciation expense and include principal debt payments that reduced long term liabilities on the Statement of Net Position. The purpose for these modifications is an attempt to determine the resources required from local sources.

The following table reflects the Food Service Program, the District's only business type activity.

Year Ended June 30, 2018  
Business Type Activities

Function/Programs	Total Cost of Service	Net Cost of Service
Food Service	\$ 859,354	\$ 171,114

**Financial Analysis of Governmental Funds**

The following table reflects changes in fund balances:

	General Fund	Capital Projects Fund	Cafeteria Fund
June 30, 2017	\$ (1,155,430)	\$ 9,191	\$ 471,651
Increase (Decrease)	2,833,877	108	(32,566)
June 30, 2018	\$ 1,678,447	\$ 9,299	\$ 439,085

The increase in the General Fund is the result of proceeds of the issuance of debt along with some revenues coming in higher than budgeted figures.

**Debt Administration**

The following table reflects the District's long term debt obligations:

General Obligation Bonds	General Obligation Notes	Pension Liability	Compensated Absences	OPEB Obligations	Total
\$ 29,016,043	\$ 8,907,037	\$ 30,675,000	\$ 353,545	\$ 4,804,179	\$ 73,755,804

The School District made principal payments of \$300,000 on its outstanding General Obligation Bonds and Notes during the 2017/2018 year. GASB Statement #75 was implemented in the 17/18 year which resulted in the addition of other post-employment benefit liabilities to the District's financial statements.

**Future Economic Conditions**

Pennsylvania School Employees' Retirement System

It is anticipated that the Retirement Fund will require significantly increased contributions from the school systems within the state. Projections from the retirement system have indicated that rates charged to school systems may increase to more than 36% in the next five years. The impact to Burgettstown Area School District would be an additional cost of several hundred thousand dollars annually.

### **Technology**

Burgettstown Area School District has invested several hundred thousand dollars to acquire technology in the form of equipment, software and infrastructure. An attempt is made each year to budget funds for replacement and upgrade of equipment in an attempt to remain reasonably current with technological advances. Currently, all teachers and labs have equipment that is relatively new. Each year, the district tries to replenish any equipment that has become outdated or inadequate. Keeping up with technological advancements becomes more difficult each year. With the new Middle/High School renovation completed, the District can now utilize technology as an important instructional tool for teachers and as a learning tool for students.

### **Revenue Uncertainty**

The ability of revenue sources to meet the continuing increase in costs of education has been difficult in recent years. While significant effort has been made to reduce costs as much as possible, it is likely that millage increases will continue in the coming years. The political environment at the state legislature may result in changes to funding levels for this school district that could impact subsidy revenue and further affect the School District's taxing power.

### **Contacting the School Board's Financial Management**

The financial report of the Burgettstown Area School District is to provide citizens, taxpayers, students and other interested parties with a general overview of the School District and its accountability for the funds received. Any questions concerning this report or a request for additional information should be addressed to Jamie O'Donnell, Business Manager, 100 Bavington Road, Burgettstown, PA 15021. Telephone #724-947-8144. Fax # 724-947-8143

# Basic Financial Statements

BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,055,827	\$ 22,060	\$ 1,077,887
Investments	1,256,706		1,256,706
Taxes Receivable (Net)	432,176		432,176
State Revenue Receivable	736,383	2,687	739,070
Federal Revenue Receivable	47,318	39,456	86,774
Due from Other Governments	47,063		47,063
Other Receivables	24,805	3,791	28,596
Inventories	19,090	7,026	26,116
Long Term Receivables	5,633,353		5,633,353
Capital Assets (net)	32,418,209	373,562	32,791,771
<b>TOTAL ASSETS</b>	<b>41,670,930</b>	<b>448,582</b>	<b>42,119,512</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension and OPEB Related	5,072,685		5,072,685
Deferred Refunding Loss	662,104		662,104
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,734,789</b>		<b>5,734,789</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 47,405,719</b>	<b>\$ 448,582</b>	<b>\$ 47,854,301</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 117,579	\$ 306	\$ 117,885
Accrued Salaries and Benefits	624,550		624,550
Payroll Deductions and Withholdings	873,557		873,557
Interest Payable	496,580		496,580
Other Current Liabilities	206	7,192	7,398
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	585,000		585,000
Notes Payable	127,339		127,339
Compensated Absences	121,000		121,000
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	28,431,043		28,431,043
Notes Payable	8,779,698		8,779,698
Pension Liability	30,675,000		30,675,000
OPEB Liability - Health Insurance Premium Share	1,265,000		1,265,000
Long-term Portion of Compensated Absences	232,545		232,545
OPEB Obligation	3,539,179		3,539,179
<b>Total Liabilities</b>	<b>75,868,276</b>	<b>7,498</b>	<b>75,875,774</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension and OPEB Related	944,600		944,600
Unearned Revenue	9,325	1,999	11,324
<b>Total Deferred Inflows of Resources</b>	<b>953,925</b>	<b>1,999</b>	<b>955,924</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	128,482	373,562	502,044
Restricted for:			
Capital Projects	9,299		9,299
Other Reserves	6,405		6,405
Unrestricted	(29,560,668)	65,523	(29,495,145)
<b>TOTAL NET POSITION</b>	<b>(29,416,482)</b>	<b>439,085</b>	<b>(28,977,397)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 47,405,719</b>	<b>\$ 448,582</b>	<b>\$ 47,854,301</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>						
Depreciation - Unallocated	\$ 1,156,745	\$ -	\$ -	\$ (1,156,745)	\$ -	\$ (1,156,745)
Instruction	11,996,692	3,470	3,028,991	(8,964,231)	-	(8,964,231)
Instructional Student Support	1,429,735		178,742	(1,250,993)		(1,250,993)
Administrative and Financial Support	1,948,378		230,910	(1,717,468)		(1,717,468)
Operation and Maintenance of Plant	1,708,794	211,250	124,357	(1,373,187)		(1,373,187)
Pupil Transportation	1,219,615		820,468	(399,147)		(399,147)
Student Activities	371,626	33,465	36,499	(301,662)		(301,662)
Community Services	3,068			(3,068)		(3,068)
Interest on Long-Term Debt	1,715,807		(269,114)	(1,984,921)		(1,984,921)
<b>Total Governmental Activities</b>	21,550,460	248,185	4,150,853	(17,151,422)		(17,151,422)
<b>Business Type Activities</b>						
Food Service	859,354	293,028	395,212		(171,114)	(171,114)
<b>Total Business Type Activities</b>	859,354	293,028	395,212		(171,114)	(171,114)
<b>Total Government</b>	22,409,814	541,213	4,546,065	(17,151,422)	(171,114)	(17,322,536)
<b>General Revenues, Special and Extraordinary Items and Transfers</b>						
Taxes						
Property Taxes				6,224,447		6,224,447
Other Taxes				1,485,056		1,485,056
Grants, Subsidies and Contributions, Unrestricted				6,866,365		6,866,365
Investment Earnings				38,679	436	39,115
Miscellaneous Income				129,907		129,907
Transfers Between Governmental and Business Type Activities				(138,112)	138,112	
<b>Total General Revenues, Special and Extraordinary Items and Transfers</b>				14,606,342	138,548	14,744,890
<b>Change in Net Position</b>				(2,545,080)	(32,566)	(2,577,646)
<b>Net Position - Beginning - Restated</b>				(26,871,402)	471,651	(26,399,751)
<b>Net Position - Ending</b>				\$ (29,416,482)	\$ 439,085	\$ (28,977,397)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Governmental Funds			Totals
	General Fund	Debt Service Fund	Capital Projects Fund	
<b>ASSETS</b>				
Cash and Cash equivalents	\$ 1,040,123	\$ 6,405	\$ 9,299	\$ 1,055,827
Investments (At Fair Value)	1,256,706			1,256,706
Taxes Receivable (Net)	132,176			132,176
State Revenue Receivable	736,383			736,383
Federal Revenue Receivable	47,318			47,318
Intergovernmental Receivables	47,063			47,063
Other Receivables (Net)	24,805			24,805
Inventories	19,090			19,090
<b>TOTAL ASSETS</b>	<b>\$ 3,303,664</b>	<b>\$ 6,405</b>	<b>\$ 9,299</b>	<b>\$ 3,319,368</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 117,579	\$ -	\$ -	\$ 117,579
Accrued Salaries and Benefits	624,550			624,550
Payroll Deductions and Withholdings	873,557			873,557
Other Current Liabilities	206			206
Total Liabilities	1,615,892			1,615,892
Deferred Inflows of Resources:				
Unearned Revenue	9,325			9,325
Total Deferred Inflows of Resources	9,325			9,325
Fund Balances:				
Nonspendable:				
Inventory	19,090			19,090
Committed to:				
Debt Service		6,405		6,405
Capital Projects			9,299	9,299
Assigned to:				
Athletics	30,000			30,000
Budget Deficit	1,296,121			1,296,121
Unassigned:	333,236			333,236
Total Fund Balances	1,678,447	6,405	9,299	1,694,151
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,303,664</b>	<b>\$ 6,405</b>	<b>\$ 9,299</b>	<b>\$ 3,319,368</b>

BURGETTSTOWN AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,694,151
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$50,915,519 and the accumulated depreciation is \$18,497,310.	32,418,209
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(37,923,080)
Long-term liabilities, including post retirement liabilities, are not due and payable in the current period and are not reported as liabilities in the funds.	(5,157,724)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	5,633,353
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(496,580)
Deferred Gains and Losses on Refunding of Bonds are not reported in the governmental funds. They constitute deferred inflows and deferred outflows of resources on the Statement of Net Position.	662,104
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(30,675,000)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources.	5,072,685
Deferred inflows of resources.	(944,600)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	300,000
<b>Total Net Position - Governmental Activities</b>	<u>\$ (29,416,482)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Funds			Totals
	General	Debt Service Fund	Capital Projects Fund	
<b>Revenues</b>				
Local Sources				
Taxes	\$ 7,869,503	\$ -	\$ -	\$ 7,869,503
Other Local Revenues	742,853	-	108	742,961
State Sources	10,884,645			10,884,645
Federal Sources	277,166			277,166
Total Revenues	<u>19,774,167</u>		<u>108</u>	<u>19,774,275</u>
<b>Expenditures</b>				
Instruction	11,830,122			11,830,122
Support Services	5,805,262	111,731		5,916,993
Operation Of Non-Instructional Services	348,412			348,412
Debt Service				
Principal and Interest	1,393,770			1,393,770
Total Expenditures	<u>19,377,566</u>	<u>111,731</u>		<u>19,489,297</u>
Excess (Deficiency) of Revenues Over Expenditures	396,601	(111,731)	108	284,978
<b>Other Financing Sources &amp; (Uses)</b>				
Refunding Bond Proceeds		8,435,000		8,435,000
Payment to Refunding Bond Escrow Agents		(5,561,535)		(5,561,535)
Bond Discount (Net)		(186,346)		(186,346)
Interfund Transfers In	2,575,388			2,575,388
Interfund Transfers (Out)	(138,112)	(2,575,388)		(2,713,500)
Total Other Financing Sources & (Uses)	<u>2,437,276</u>	<u>111,731</u>		<u>2,549,007</u>
Net Change in Fund Balances	2,833,877		108	2,833,985
Fund Balances - July 1, 2017	(1,155,430)	6,405	9,191	(1,139,834)
Fund Balances - June 30, 2018	<u>\$ 1,678,447</u>	<u>\$ 6,405</u>	<u>\$ 9,299</u>	<u>\$ 1,694,151</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	2,833,985
Depreciation Expense		(1,353,560)
Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		22,534
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.		(470,784)
Some delinquent property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.		(160,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable.		(52,189)
Bond Premiums and Discounts on current year bond issues.		186,346
Bond Premium and Discount Amortization		(387,378)
In the statement of activities compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		69,465
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		320,401
Bonds issued and refunded during the current year are reported in the governmental funds as revenues and expenditures. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(2,925,000)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
District pension contributions	266,463	
Cost of benefits earned net of employee contributions	(872,000)	(605,537)
Deferred Loss on Refunding of Bonds		51,535
Amortization of Deferred Refunding Gains and Losses on Refunding of Bonds		(74,898)
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b>(2,545,080)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET VS ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
<b>Revenues</b>				
Local Sources				
Taxes	\$ 7,834,247	\$ 7,834,247	\$ 7,869,503	\$ 35,256
Other Local Revenues	407,500	407,500	742,853	335,353
State Sources	10,403,933	10,403,933	10,884,645	480,712
Federal Sources	256,945	256,945	277,166	20,221
Total Revenues	<u>18,902,625</u>	<u>18,902,625</u>	<u>19,774,167</u>	<u>871,542</u>
<b>Expenditures</b>				
Instruction				
Regular Programs	9,067,689	9,067,689	8,996,553	(71,136)
Special Programs	2,449,523	2,449,523	2,547,983	98,460
Vocational Education	270,940	270,940	270,936	(4)
Other Instructional Programs	40,148	40,148	14,650	(25,498)
Total Instruction	<u>11,828,300</u>	<u>11,828,300</u>	<u>11,830,122</u>	<u>1,822</u>
Support Services				
Pupil Personnel	445,882	445,882	445,582	(300)
Instructional Staff	468,765	468,765	634,631	165,866
Administration	1,561,353	1,561,353	1,473,683	(87,670)
Pupil Health	189,617	189,617	197,779	8,162
Business	362,209	362,209	349,386	(12,823)
Operation & Maintenance of Plant Services	1,806,588	1,806,588	1,651,306	(155,282)
Student Transportation Services	1,144,193	1,144,193	1,040,189	(104,004)
Other Support Services	12,745	12,745	12,706	(39)
Total Support Services	<u>5,991,352</u>	<u>5,991,352</u>	<u>5,805,262</u>	<u>(186,090)</u>
Operation of Non-Instructional Services				
Student Activities	347,371	347,371	345,344	(2,027)
Community Services	4,500	4,500	3,068	(1,432)
Total Non-Instructional Services	<u>351,871</u>	<u>351,871</u>	<u>348,412</u>	<u>(3,459)</u>
Debt Service				
Principal and Interest	546,269	546,269	1,393,770	847,501
Total Expenditures	<u>18,717,792</u>	<u>18,717,792</u>	<u>19,377,566</u>	<u>659,774</u>
Excess (Deficiency) of Revenues Over Expenditures	184,833	184,833	396,601	211,768
<b>Other Financing Sources &amp; (Uses)</b>				
Interfund Transfers In			2,575,388	2,575,388
Interfund Transfers (Out)	(184,833)	(184,833)	(138,112)	46,721
Total Other Financing Sources & (Uses)	<u>(184,833)</u>	<u>(184,833)</u>	<u>2,437,276</u>	<u>2,622,109</u>
Net Change in Fund Balances			2,833,877	2,833,877
Fund Balance - July 1, 2017	<u>(1,155,430)</u>	<u>(1,155,430)</u>	<u>(1,155,430)</u>	
Fund Balance - June 30, 2018	<u>\$ (1,155,430)</u>	<u>\$ (1,155,430)</u>	<u>\$ 1,678,447</u>	<u>\$ 2,833,877</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2018

	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 22,060
State Revenue Receivable	2,687
Federal Revenue Receivable	39,456
Other Receivables	3,791
Inventories	7,026
Total Current Assets	75,020
Noncurrent Assets:	
Food Service Equipment (Net of Depreciation)	373,562
Total Noncurrent Assets	373,562
<b>TOTAL ASSETS</b>	<b>\$ 448,582</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 306
Other Current Liabilities	7,192
Total Current Liabilities	7,498
DEFERRED INFLOWS OF RESOURCES	
Unearned Revenue	1,999
Total Deferred Inflows of Resources	1,999
NET POSITION	
Net Investment in Capital Assets	373,562
Unrestricted	65,523
Total Net Position	439,085
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 448,582</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service
<b>Operating Revenues</b>	
Food Service Revenue	\$ 293,028
Total Operating Revenue	293,028
<b>Operating Expenses</b>	
Personal Services - Salaries	292,064
Personal Services - Benefits	203,372
Purchased Professional and Technical Services	4,836
Other Purchased Services	127
Supplies	333,245
Other Objects	1,904
Depreciation Expense	23,806
Total Operating Expenses	859,354
Operating Income (Loss)	(566,326)
<b>Nonoperating Revenues (Expenses)</b>	
Operating Subsidies	
State Subsidies	78,723
Federal Subsidies	
Lunch and Breakfast Subsidies	278,416
Value of Donated Commodities Received	38,073
Earnings on Investments	436
Total Nonoperating Revenue and Expense	395,648
Income (Loss) Before Transfers	(170,678)
Contributions and Transfers	
Transfers from Other Funds	138,112
Change in Net Position	(32,566)
Net Position - July 1, 2017	471,651
Net Position - June 30, 2018	\$ 439,085

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



BURGETTSTOWN AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 289,611
Cash Payments to Employees for Services	(357,324)
Cash Paid to Suppliers for Goods and Services	(294,455)
Net Cash Provided (Used) by Operating Activities	(362,168)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Grants and Subsidies Received for Non-Operating Activities	
State Subsidies	78,868
Federal Subsidies	281,266
Net Cash Provided (Used) by Noncapital Financing Activities	360,134
<b>Cash Flows from Investing Activities:</b>	
Earnings on Investments	436
Net Cash Provided (Used) by Investing Activities	436
Net Increase (Decrease) in Cash and Cash Equivalents	(1,598)
Cash and Cash Equivalents, Beginning of Year	23,658
Cash and Cash Equivalents, End of Year	\$ 22,060
<b>Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities</b>	
Operating Income (Loss)	\$ (566,326)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Depreciation	23,806
Donated Commodities Used	38,073
Changes in Assets and Liabilities:	
Accounts Receivable	(3,529)
Inventories	8,557
Due to/Due From Other Funds	138,112
Accounts Payable	(907)
Unearned Revenues	(66)
Other Current Liabilities	112
Total Adjustments	204,158
Net Cash Provided (Used) by Operating Activities	\$ (362,168)

**Noncash Noncapital Financing Activities:**

During the year, the District received \$38,008 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BURGETTSTOWN AREA SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2018

	Agency Funds
	Student Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 149,201
<b>TOTAL ASSETS</b>	\$ 149,201
<b>LIABILITIES</b>	
Accounts Payable	\$ 5,454
Other Liabilities	143,747
Total Liabilities	149,201
<b>NET POSITION</b>	
Unrestricted	
Total Net Position	
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 149,201

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# Burgettstown Area School District

## Notes to the Basic Financial Statements

### June 30, 2018

#### Note 1 - Summary of Significant Accounting Policies

The Burgettstown Area School District (the "School District") provides public education to residents of Smith Township, the Borough of Burgettstown, Hanover Township, and Jefferson Township.

##### **A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Burgettstown Area School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is however a participant in a jointly governed organization: Western Area Career and Technology Center. The Technology Center is not considered part of the reporting entity, as the School District is not financially accountable for the Center. See Note 9 for details on operating information about this entity.

##### **B. Basis of Presentation**

The financial statements of Burgettstown Area School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District's accounting policies.

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### **1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government,

except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

## **2. Fund Financial Statements**

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## **C. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

### **1. Governmental Funds**

The General Fund and the Construction Fund are the School District's major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund includes the Capital Reserve Fund which is a Section 1432 Capital Reserve Fund set up in accordance with the Pennsylvania School Code. The purpose of the fund is to set aside excess monies available in the General Fund for future use in the area of capital outlay and improvements.

The other governmental fund of the School District, a debt service fund, accounts for other resources whose use is restricted to a particular purpose.

Debt Service Fund – The Debt Service Fund accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

## **2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

### **Enterprise Fund**

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

### ***Food Service***

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School 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 nonoperating revenues and expenses.

## **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, 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 School District's agency fund accounts for various student-managed activities.

### ***Agency Funds***

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of

operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

#### **D. Measurement Focus, Basis of Accounting**

##### **1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

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

##### **2. Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

##### **3. Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided

to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

#### **4. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

#### **5. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### **E. Budgetary Process**

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflect the first appropriation resolution for the General Fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation that includes budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

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

◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.

◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.

◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

## F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2018, the School District has no encumbrances.

## G. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

### Deposits

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 664,911</u>	<u>\$ 770,758</u>	<u>\$ 1,435,669</u>	<u>\$ 1,227,088</u>

### Investments

The District's investments at June 30, 2018 consist of:

	<u>Cost</u>	<u>Fair Value</u>
Pennsylvania Treasurer's INVEST Program	<u>\$ 1,256,706</u>	<u>\$ 1,256,706</u>
Total	<u>\$ 1,256,706</u>	<u>\$ 1,256,706</u>



When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principals, recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- Level 2 inputs: The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

### **Investment Risks**

*Custodial Credit Risk* - Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

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 of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

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 law therefore shall be pledged by the depository.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School District does not have a formal investment

policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan’s net position. The School District places no limit on the amount it may invest in any one issue.

#### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2018, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

### **I. Interfund Receivables/Payables**

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

### **J. Inventories**

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2018.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2018. The inventory consisted of food and non-food supplies (valued at cost) and government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2018 are reported as unearned revenue.

### **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition,

capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

#### **L. Long-Term Liabilities**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **M. Estimates**

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

#### **N. Fund Balances**

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2018 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District’s major funds are \$1,678,447 for the general fund, consisting of nonspendable balances totaling \$19,090 for inventory, \$30,000 that is assigned for athletics, \$1,296,121 that is assigned for the 18/19 budget deficit, and \$333,236 that is unassigned. In addition, \$9,299 is committed for capital projects.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**P. Subsequent Events**

The School District evaluated subsequent events for recognition and disclosure through January 9, 2019, the date the financial statements were available to be issued. No subsequent events were identified requiring recognition or disclosure.

**Note 2 - Real Estate and Unearned Revenue**

Property taxes attach as an enforceable lien on property as of July 1<sup>st</sup> of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2018 was based on assessed values on January 1, 2017 of \$634,482,317. The School District tax rate for the year ended June 30, 2018 is 11.3680 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, and at a 10% penalty until the lien date.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$132,176.

### Note 3 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$ 152,239	\$	\$	\$ 152,239
Depreciable Assets				
Land Improvements	2,177,105			2,177,105
Buildings	46,128,270			46,128,270
Equipment	2,435,371	22,534		2,457,905
Totals at Historical Cost	<u>50,892,985</u>	<u>22,534</u>		<u>50,915,519</u>
Less:				
Accumulated Depreciation	<u>(17,143,750)</u>	<u>(1,353,560)</u>		<u>(18,497,310)</u>
Total Accumulated Depreciation	<u>(17,143,750)</u>	<u>(1,353,560)</u>		<u>(18,497,310)</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,749,235</u>	<u>\$ (1,331,026)</u>	<u>\$</u>	<u>\$ 32,418,209</u>
<b>Business-Type Activities</b>				
Depreciable Assets:				
Equipment	\$ 821,576	\$ -	\$	\$ 821,576
Totals at Historical Cost	<u>821,576</u>	<u>-</u>		<u>821,576</u>
Less Accumulated Depreciation for:				
Equipment	<u>(424,208)</u>	<u>(23,806)</u>		<u>(448,014)</u>
Total Accumulated Depreciation	<u>(424,208)</u>	<u>(23,806)</u>		<u>(448,014)</u>
Business-Type Activities Capital Asset, Net	<u>\$ 397,368</u>	<u>\$ (23,806)</u>	<u>\$</u>	<u>\$ 373,562</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 23,953
Support				22,253
Plant				1,420
Transportation				149,189
Unallocated-Governmental Funds				<u>1,156,745</u>
Total Depreciation Expense				<u>\$ 1,353,560</u>

In the 2017-2018 school year, equipment purchases added \$22,534 to the historical cost of governmental activities. Depreciation expense for that same time period was \$1,353,560 for governmental activities and \$23,806 for business activities, resulting in net book value decrease of \$1,331,026 and \$23,806 for the governmental activities and business activities, respectively.

## Note 4 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 35,265,000	\$	\$ (5,710,000)	\$ 29,555,000	\$ 585,000
General Obligation Notes	740,000	8,435,000	(100,000)	9,075,000	105,000
Leases Payable	42,740		(20,401)	22,339	22,339
	<u>36,047,740</u>	<u>8,435,000</u>	<u>(5,830,401)</u>	<u>38,652,339</u>	<u>712,339</u>
Less: Bond Discount	(939,864)	(186,346)	388,746	(737,464)	
Add: Bond Premium	9,573		(1,368)	8,205	
Total bonds, loans and leases payable	<u>35,117,449</u>	<u>8,248,654</u>	<u>(5,443,023)</u>	<u>37,923,080</u>	<u>712,339</u>
<b>Other liabilities:</b>					
Compensated absences	470,682	8,310	(125,447)	353,545	121,000
Pension Liability	30,383,000	3,538,000	(3,246,000)	30,675,000	
OPEB - Health Insurance Premium Share	1,320,000	73,000	(128,000)	1,265,000	
OPEB Obligation	3,495,915	277,039	(233,775)	3,539,179	
Total other liabilities	<u>35,669,597</u>	<u>3,896,349</u>	<u>(3,733,222)</u>	<u>35,832,724</u>	<u>121,000</u>
Governmental activities long-term liabilities	<u>\$ 70,787,046</u>	<u>\$ 12,145,003</u>	<u>\$ (9,176,245)</u>	<u>\$ 73,755,804</u>	<u>\$ 833,339</u>

### Debt Issuance

On November 2, 2017, the School District issued General Obligation Notes, Series of 2017A and 2017B. The Series of 2017A Notes will be used to: (1) refund, on a current basis, all of the outstanding General Obligation Bonds, Series of 2012, (2) refund, on a current basis, all of the outstanding General Obligation Bonds, Series of 2011, (3) refund, on a current refunding basis, a portion of the outstanding General Obligation Bonds, Series of 2013, and (4) pay all costs and expenses incident to the issuance of the 2017A Notes. The Series of 2017B Notes will be used to: (1) fund a portion of the District's unfunded actuarial accrued pension liability and (2) pay the costs associated with issuing the 2017B Notes.

### General Obligation Bonds

General Obligation Bonds, Series of 2011, original issuance amount of \$9,795,000, variable rate interest from 1.00% to 4.125% with final payment due 2-1-2018. These bonds were partially refunded with the issuance of the General Obligation Refunding Bonds, Series of 2016, and the remaining balance was refunded with the issuance of the Series of 2017A Notes.

General Obligation Bonds, Series of 2012, original issuance amount of \$4,660,000, variable rate interest from 1.00% to 3.650% with final payment due 2-1-2029. These bonds were refunded with the issuance of the Series of 2017A Notes.

General Obligation Bonds, Series of 2012A, original issuance amount of \$5,065,000, variable rate interest from 1.00% to 4.00% with final payment due 2-1-2037.

General Obligation Bonds, Series of 2012B, original issuance amount of \$7,935,000, variable rate interest from 1.00% to 3.80% with final payment due 2-1-2038.

General Obligation Bonds, Series of 2013, original issuance amount of \$8,565,000, variable rate interest from 0.75% to 3.25% with final payment due 2-1-2038. These bonds were partially refunded with the issuance of the Series of 2017A Notes.

General Obligation Bonds, Series of 2015B, original issuance amount of \$720,000, variable rate interest from 0.85% to 3.125% with final payment due 2-1-2036.

General Obligation Refunding Bonds, Series of 2016, original issuance amount of \$9,985,000, variable rate interest from 2.00% to 2.25% with final payment due 2-1-2024.

The General Fund is used to liquidate the long-term liability for post-retirement benefits and compensated absences. The current portion of post retirement benefits is recorded as a current liability in the general fund on the statement of net position.

The amounts necessary to amortize outstanding bonds for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 585,000	\$ 897,540	\$ 1,482,540
2020	1,085,000	881,615	1,966,615
2021	1,105,000	855,315	1,960,315
2022	1,135,000	828,275	1,963,275
2023	1,155,000	805,165	1,960,165
2024-2028	5,840,000	3,619,555	9,459,555
2029-2033	8,415,000	2,686,526	11,101,526
2034-2038	10,235,000	1,135,211	11,370,211
Total	<u>\$ 29,555,000</u>	<u>\$ 11,709,202</u>	<u>\$ 41,264,202</u>

**General Obligation Notes**

General Obligation Notes, Series of 2015A, original issuance amount of \$935,000, variable rate interest from 2.00% to 2.25% with final payment due 2-1-2024.

General Obligation Notes, Series of 2017A, original issuance amount of \$5,815,000, variable rate interest from 1.350% to 3.500% with final payment due 2-1-2040.

General Obligation Notes, Series of 2017B, original issuance amount of \$2,620,000, variable rate interest from 2.473% to 4.002% with final payment due 2-1-2024.

The amount necessary to amortize the outstanding notes payable for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 105,000	\$ 294,251	\$ 399,251
2020	290,000	292,151	582,151
2021	300,000	285,500	585,500
2022	305,000	278,071	583,071
2023	310,000	270,257	580,257
2024-2028	2,000,000	1,185,300	3,185,300
2029-2033	1,000,000	870,065	1,870,065
2034-2038	865,000	754,235	1,619,235
2039-2040	3,900,000	184,613	4,084,613
Total	<u>\$ 9,075,000</u>	<u>\$ 4,414,443</u>	<u>\$ 13,489,443</u>

### ***Lease Purchase Agreements***

On September 7, 2016, the District entered into a lease purchase agreement for computer equipment. The lease consists of an original principal amount of \$67,200, interest at the rate of 9.496%, annual payments of \$24,460 with final payment due 9/2018.

The amounts necessary to amortize outstanding lease purchase agreements to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 22,339	\$ 2,121	\$ 24,460
Total	<u>\$ 22,339</u>	<u>\$ 2,121</u>	<u>\$ 24,460</u>

During the fiscal year ended June 30, 2018, the following short term financing occurred:

<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
\$ -0-	\$ 1,000,000	\$ 1,000,000	\$ -0-

The tax anticipation note consisted of an original balance of \$1,000,000 with interest at the rate of 2.10%. The note was subsequently repaid on October 31, 2017.

## **Note 5 – Pension Plan**

### **1. 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 addition to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported



by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

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

#### Plan Description

PSERS is a governmental cost sharing 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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

#### Benefits Provided

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

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

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

## Contributions

### Member Contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership class T-F contribution rate to fluctuate between 10.3% and 12.3%.

### Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,569,493 for the year ended June 30, 2018.

## **2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2018, the District reported a liability of \$30,675,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.0621 percent, which was an increase of 0.0008 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$3,253,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 320,000	\$ 185,000
Changes in Assumptions	833,000	
Net difference between projected and actual investment earnings	711,000	
Changes in proportions	556,000	617,000
Contributions subsequent to the measurement date	2,569,493	
	<u>\$ 4,989,493</u>	<u>\$ 802,000</u>

\$2,569,493 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 482,000
2019	725,000
2020	437,000
2021	(26,000)

#### Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%.
- 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.
- 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.

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 a long-term expected rate of return by

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	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%
Alternate investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

#### 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 project 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	\$ 37,752,000	\$ 30,670,000	\$ 24,691,000

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

**Schedule of Employer Contributions**

	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 2,375,268	\$ 2,170,206	\$ 2,085,616	\$ 1,892,126
Contributions in relation to the actuarially determined contribution	2,375,268	1,950,221	1,637,060	1,270,950
Contribution Deficiency	-	219,985	448,556	621,177
Covered Payroll	8,263,981	7,937,926	8,151,439	8,142,029
Contribution as a percentage of covered payroll	28.74%	24.57%	20.08%	15.61%

**Note 6 – OPEB Liability – Health Insurance Premium Share**

**OPEB Plan**

**1. Summary of Significant Account Policies**

Other Postemployment Benefits

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

## **General Information about the Health Insurance Premium Assistance Program**

### Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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.

### 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
- Area 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.

### Pension Plan Description

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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

### 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, 2017 was 0.83% 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 OPEB plan from the District were \$69,000 for the year ended June 30, 2017.

1. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$1,265,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.0621%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expenses of \$57,000. At June 30, 2018, 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	-	\$ 59,000
Net difference between projected and actual investment earnings	1,000	
Changes in proportions	15,000	
Contributions subsequent to the measurement date	67,192	
	<u>\$ 83,192</u>	<u>\$ 59,000</u>

\$67,192 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, 2018. 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	\$ (7,000)
2019	(7,000)
2020	(7,000)
2021	(7,000)
2022	(7,000)
Thereafter	(7,000)

### Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 3.13% - 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 @ 50%
  - Eligible retirees will elect to participate Post age 65 @ 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- 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 with age set back 3 for both males and females for healthy annuitants and for dependent 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.)

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.

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.



<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

#### Discount Rate

The discount rate used to measure the total pension liability was 3.13%. 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 reserve 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 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, 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, 2017, retiree 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, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 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.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System net OPEB Liability (in thousands)	\$ 2,315,996	\$ 2,037,412	\$ 1,805,991

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 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate.

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 1,438,000	\$ 1,265,000	\$ 1,122,000

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.pfers.pa.gov](http://www.pfers.pa.gov).

**Schedule of Employer Premium Assistance Contributions**

	2017	2016
Actuarially Determined Contribution	\$ 78,056	\$ 79,380
Contributions in relation to the actuarially determined contributoion	68,657	68,997
Contribution Deficiency	9,399	10,382
Covered Payroll	8,263,981	7,937,926
Contribution as a percentage of covered payroll	0.83%	0.87%

**Note 7 - Compensated Absences & Retirement Incentives**

The School District has made early retirement benefits available to certain employees. The benefit is payment for (1) unused sick days at retirement, (2) a years of service incentive (restrictions apply), and (3) a retirement incentive (restrictions apply). The payables for declared retirements are recorded as current liabilities in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	<u>Sick Day Liability</u>	<u>Years of Service Incentive</u>	<u>Retirement Incentive</u>	<u>Total</u>
June 30, 2017	\$ 34,698	\$ 28,984	\$ 407,000	\$ 470,682
Increases	4,680	3,630		8,310
Decreases	(1,368)	(3,079)	(121,000)	(125,447)
June 30, 2018	<u>\$ 38,010</u>	<u>\$ 29,535</u>	<u>\$ 286,000</u>	<u>\$ 353,545</u>

### Note 8 – Other Post Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District’s health insurance plan.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors.

*Funded Status and Funding Progress.* As of June 30, 2018, the actuarial accrued liability for benefits was \$3,539,179, all of which was unfunded.

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized expense of \$149,066. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 83,600
	<u>\$ -</u>	<u>\$ 83,600</u>

The other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (9,532)
2020	(9,532)
2021	(9,532)
2022	(9,532)
2023	(9,532)
Thereafter	(35,940)

Sensitivity of the Total OPEB liability to changes in the discount rate

The following presents the net OPEB liability to the District, calculated using the discount rate of 3.87%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	<u>1% Decrease</u> 2.87%	<u>Current Discount Rate</u> 3.87%	<u>1% Increase</u> 4.87%
Net OPEB Liability	\$ 3,916,401	\$ 3,539,179	\$ 3,203,366

Sensitivity of the Total OPEB liability to Changes in the Medical Inflation Rate

The following presents the net OPEB liability to the District, calculated using the current medical inflation rate as well as what the District's net OPEB liability would be if it were calculated using an inflation rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Medical Inflation Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 3,105,402	\$ 3,539,179	\$ 4,051,863

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

	<u>2018</u>
Service Cost	\$ 149,066
Interest	127,973
Changes of Benefit Terms	-
Difference between expected and actual	(93,132)
Changes of assumptions or other inputs	
Benefit Payments	<u>(140,643)</u>
Net Change in total OPEB Liability	43,264
Total OPEB liability - beginning of year	<u>3,495,915</u>
Total OPEB liability - end of year	\$ 3,539,179
Covered-employee payroll	\$ 7,237,412
Total OPEB liability as a percentage of covered-employee payroll	48.90%

The following assumptions were also made:

*Actuarial Cost Method – Entry Age normal Percentage of Pay*

*Medical Inflation Rate – 7% increase in the first year, decreasing by 0.5% per year to an ultimate rate of 5%.*

*Asset Valuation Method – Market value*

*Inflation – 2.6%*

*Wage inflation – 3%*

*Salary Increases – 3.00%, average, including inflation.*

*Long-term investment rate of return – 3.87% (6/30/2018 Bond Buyer Municipal Bond Index AA)  
3.58 (6/30/2017 Bond Buyer Municipal Bond Index AA)*

*Retirement Age – Support: Eligibility for unreduced PSERS benefits.  
Teachers/Administrators: Age 55 and 25 years of service.*

*Mortality – RP-2000 Combined Healthy with Scale BB*

## **Note 9 - Jointly Governed Organizations**

The School District is one of eight member school districts of the Western Area Career & Technology Center (The Center). The Center is controlled and governed by the Joint Committee, which is composed of one member from each school board of the member districts. Direct oversight of the Center's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

## **Note 10 - Commitments and Contingencies**

The Burgettstown Area School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2018 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

## Note 11 – Interfund Balances

There were no individual fund interfund receivable and payable balances at June 30, 2018.

During the fiscal year ended June 30, 2018, the following fund level transfers were made:

<u>Transfers From</u>	<u>Amounts</u>	<u>Transfers To</u>	<u>Amounts</u>
General Fund	\$ 138,112	General Fund	\$ 2,575,388
Debt Service Fund	2,575,388	Cafeteria Fund	138,112
	<u>\$ 2,713,500</u>		<u>\$ 2,713,500</u>

The above transfer from the General Fund represents an amount that was owed from the Cafeteria Fund and is being written off as a transfer because the amount is deemed to be uncollectible. The Cafeteria Fund does not have the funds available nor the profitability potential going forward that would be required to repay this debt. The transfer from the Debt Service Fund represents proceeds of a debt issuance that are being used by the General Fund.

## Note 12 - Risk Management

The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Burgettstown Area School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

The School District estimates that the amount of actual or potential claims against the District as of June 30, 2018 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

## Note 13 – New Accounting Pronouncement

GASB Statement #75 was implemented in the 2017/2018 year. This statement addresses accounting and financial reporting for post-employment benefits other than pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows, and expenditures. The beginning balance of the School District's long term net position was restated as of July 1, 2017 to comply with this Statement. The application of this Statement has resulted in the School District including the total unfunded post retirement liability within its financial statements. The beginning balance of the School District's net position was restated to comply with this Statement.

## Required Supplementary Information

BURGETTSTOWN AREA SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
District's Proportion of the Net Pension Liability	0.0621%	0.0613%	0.0634%	0.0638%	0.0609%
District's Proportionate Share of the Net Pension Liability	\$ 30,670,000	\$ 30,378,000	\$ 27,462,000	\$ 25,253,000	\$ 24,931,000
District's Covered-employee Payroll	\$ 8,263,981	\$ 7,937,926	\$ 8,151,439	\$ 8,142,029	\$ 7,816,108
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	371.13%	382.69%	336.90%	310.16%	318.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%



BURGETTSTOWN AREA SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.0621%	0.0613%
District's Proportionate Share of the Net OPEB Liability	\$ 1,265,000	\$ 1,320,000
District's Covered-employee Payroll	\$ 8,263,981	\$ 7,937,926
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	15.31%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.73%	5.47%

## Supplementary Information

BURGETTSTOWN AREA SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Student Activity Fund

	June 30, 2017	Additions	Reductions	June 30, 2018
<b>Assets</b>				
Cash and Cash Equivalents	\$ 176,612	\$ 272,122	\$ 299,533	\$ 149,201
Total Assets	<u>\$ 176,612</u>	<u>\$ 272,122</u>	<u>\$ 299,533</u>	<u>\$ 149,201</u>
<b>Liabilities</b>				
Accounts Payable	\$ 3,060	\$ 5,454	\$ 3,060	\$ 5,454
Other Liabilities	173,552	266,668	296,473	143,747
Total Liabilities	<u>\$ 176,612</u>	<u>\$ 272,122</u>	<u>\$ 299,533</u>	<u>\$ 149,201</u>



# Cypher & Cypher

Accountants | Auditors | Advisors

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Burgettstown Area School District  
Burgettstown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgettstown Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Burgettstown Area School District's basic financial statements, and have issued our report thereon dated January 9, 2019.

### Internal Control over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

CYPHER & CYPHER

A handwritten signature in black ink that reads "Cypher & Cypher". The letters are cursive and fluid, with a stylized ampersand between the two words.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 9, 2019



# Cypher & Cypher

Accountants | Auditors | Advisors

## Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance

Burgettstown Area School District  
Burgettstown, Pennsylvania

### Report on Compliance for Each Major Federal Program

We have audited Burgettstown Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Burgettstown Area School District's major federal programs for the year ended June 30, 2018. Burgettstown Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

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

In our opinion, Burgettstown Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify one deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Burgettstown Area School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Burgettstown Area School 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.

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 9, 2019



# BURGETTSTOWN AREA SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

## Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued:	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	Yes
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

vii.	Major Programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	84.027 84.173	IDEA Cluster
	10.553 10.555	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
ix.	Auditee qualify as low-risk auditee?	No

Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None.

Section 3 – Findings and Questioned Costs for Federal Awards

<b>Federal Internal Control Finding #2018-001 Child Nutrition Cluster</b>	
Criteria	<b>Finding Criteria</b> – The Child Nutrition Cluster regulations require the School District to submit monthly claim forms detailing the meals served at each school within the District in order to receive reimbursement for these meals.
Condition	<b>Condition Found</b> – Procedures noted the School District does not retain sufficient documentation to support the monthly claim forms detailing the meals served at each school. As a result the district had to reprint meal count information from the point-of-sale system for the audit.
Cause/Effect	<p><b>Cause of the Finding</b> – The meal counts on the reprinted information did not match the claim forms submitted for reimbursement.</p> <p><b>Effect of the Finding</b> – Not keeping sufficient documentation for meals served has led to instances of under-reimbursement and over-reimbursement of subsidy claims.</p> <p><b>Questioned Costs</b> – There is no questioned cost associated with this finding because the result of the instances of under-reimbursement and over-reimbursement resulted in a net under-reimbursement for the district.</p>

Recommendations	Documentation that matches the subsidy claim forms should be kept for each month that reimbursement is requested.
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Section 4 – Summary of Prior Year Findings

<b>Compliance Finding #2017-001 Child Nutrition Cluster</b>	
Criteria	<b>Finding Criteria</b> – The Child Nutrition Cluster regulations require the families who wish to participate in the National School Lunch Program must submit a signed application at the beginning of each school year.
Condition	<b>Condition Found</b> – Procedures noted the school district was missing four applications from the original sample selected for testing. These students had information in the PrimeroEdge software and were marked as having paper applications but did not have the actual signed application on file.
Cause/Effect	<b>Cause of the Finding</b> – The applications for these four students were not kept in the file with the rest of the applications after the information was put into the PrimeroEdge software.  <b>Effect of the Finding</b> – The school was not in compliance with the requirements of the National School Lunch Program.  <b>Questioned Costs</b> – There is no questioned cost associated with this finding.
Recommendations	We recommend that the District utilize the scanning functionality of the PrimeroEdge software.
Status of This Finding as of June 30, 2018	This issue has been corrected and is not included as a finding in the current audit.

<b>Compliance Finding #2017-002 Child Nutrition Cluster</b>	
Criteria	<b>Finding Criteria</b> – The Child Nutrition Cluster regulations require the School District to submit monthly claim forms detailing the meals served at each school within the district in order to receive reimbursement for these meals.
Condition	<b>Condition Found</b> – Procedures noted the school district submitted for and received reimbursement for more meals than what was actually

	served.
Cause/Effect	<p><b>Cause of the Finding</b> – The District employee responsible for filling out National School Lunch Program claim forms entered the number of free lunches and paid lunches in the box for free lunches for one month. For another month, the employee responsible for filling out the claim forms reported the total number of breakfasts in the box for free breakfasts.</p> <p><b>Effect of the Finding</b> – The school was reimbursed for 114 more free lunches and 793 more free breakfasts than what was actually served.</p> <p><b>Questioned Costs</b> – The amount of the questioned costs for noncompliance is \$1,812.72.</p>
Recommendations	Another employee, other than the employee entering the meals served, should review the claim forms before the forms are submitted.
Status of This Finding as of June 30, 2018	This issue has been corrected and is not included as a finding in the current audit.

Corrective Action Plan  
For the Year Ended June 30, 2018

**Federal Internal Control Finding 2018-001** Child Nutrition Cluster

Name of contact person: Jamie O'Donnell, Business Manager

Corrective Action: Documentation from the lunch system software will be retained that matches the monthly claims submitted for reimbursement.

Anticipated Completion Date: The District will implement the above procedure immediately.

Burgettstown Area School District  
 Schedule of Expenditure of Federal Awards  
 School Year Ended June 30, 2018

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 17/18	Accrued/Deferred Revenue 7/1/17	Revenues Recognized 17/18	Expenditures Recognized 17/18	Accrued/Deferred Revenue 6/30/18	Carryover To 18/19
<b>Title I, Part A Cluster</b>											
Department of Education											
Passed from Pennsylvania Department of Education											
Title I		84.010	013-18-0053	17/18	\$ 202,331.00	\$ 175,804.90	\$ -	\$ 202,331.00	\$ 202,331.00	\$ 26,526.10	\$ -
			013-17-0053	16/17	204,491.00	25,534.80	25,424.65	110.15	110.15	0.00	-
Total Title I, Part A Cluster					\$ 406,822.00	\$ 201,339.70	\$ 25,424.65	\$ 202,441.15	\$ 202,441.15	\$ 26,526.10	\$ -
<b>Special Education Cluster (IDEA)</b>											
Department of Education											
Passed from Fayette-Greene-Washington-Intermediate Unit #1											
Education of Handicapped - IDEA Program		84.027		17/18	\$ 270,742.00	\$ 270,742.00	\$ -	\$ 270,742.00	\$ 270,742.00	\$ -	\$ -
IDEA-B, Section 619		84.173		17/18	752.00	752.00	-	752.00	752.00	-	-
Total Special Education Cluster (IDEA)					\$ 271,494.00	\$ 271,494.00	\$ -	\$ 271,494.00	\$ 271,494.00	\$ -	\$ -
<b>Department of Health and Human Services (HHS)</b>											
Passed from Pennsylvania Department of Public Welfare											
Medicaid - Administrative Claims		93.778		17/18	1,863.90	1,381.95	-	1,863.90	1,863.90	481.95	-
				16/17	1,508.64	481.17	481.17	-	-	-	-
Total U. S. Department of Health and Human Services					\$ 3,372.54	\$ 1,863.12	\$ 481.17	\$ 1,863.90	\$ 1,863.90	\$ 481.95	\$ -
<b>Child Nutrition Cluster</b>											
U.S. Department of Agriculture											
Passed from Pennsylvania Department of Education											
School Breakfast Program		10.553		17/18	\$ 59,054.35	\$ 50,118.57	\$ -	\$ 59,054.35	\$ 59,054.35	\$ 8,935.78	\$ -
				16/17	62,815.93	10,346.37	10,346.37	-	-	-	-
National School Lunch Program		10.555		17/18	219,362.14	188,842.35	-	219,362.14	219,362.14	30,519.79	-
				16/17	221,376.90	31,959.24	31,959.24	-	-	-	-
Passed From Pennsylvania Department Of Agriculture											
National School Lunch Program - Donated Commodities		10.555		17/18	38,007.57	38,007.57	-	36,008.42	36,008.42	(1,999.15)	d
				16/17	42,988.53	-	(2,064.86)	2,064.86	2,064.86	-	-
Total CFDA #10.555					\$ 21,145.14	\$ 258,809.16	\$ 29,894.38	\$ 257,435.42	\$ 257,435.42	\$ 28,520.64	\$ -
Total Child Nutrition Cluster					\$ 643,015.42	\$ 319,274.10	\$ 40,240.75	\$ 316,489.77	\$ 316,489.77	\$ 37,456.42	\$ -
<b>Department of Education</b>											
Passed through the PA Department of Education											
Title II - Improving Teacher Quality		84.367	020-18-0053	17/18	\$ 40,416.00	\$ 21,614.00	\$ -	\$ 12,674.00	\$ 12,674.00	\$ (8,940.00)	\$ 27,742.00
			020-17-0053	16/17	76,387.00	10,155.18	(22,773.43)	53,238.96	53,238.96	20,310.35	-
Title IV-Student Support and Academic Enrichment Program		84.424	144-18-0053	17/18	10,000.00	7,333.37	-	6,948.00	6,948.00	(385.37)	-
Total Department of Education					\$ 126,803.00	\$ 39,102.55	\$ (22,773.43)	\$ 72,860.96	\$ 72,860.96	\$ 10,884.98	\$ 27,742.00
Grand Total					\$ 1,451,506.96	\$ 833,073.47	\$ 43,373.14	\$ 865,149.78	\$ 865,149.78	\$ 75,949.45	\$ 27,742.00

Footnotes:  
 (a) Total amount of Commodities received from Dept of Agriculture  
 (b) Beginning inventory at July 1  
 (c) Total amount of Commodities Used  
 (d) Ending Inventory at June 30

**BURGETTSTOWN AREA SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of Burgettstown Area School District (the "School District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Burgettstown Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Burgettstown Area School District.

**Note 2 – Summary of Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
  
- (2) Pass-through entity identifying numbers are presented where available.

**Note 3 – Food Distribution**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$1,999 in inventory.

**Note 4 – Indirect Cost Rates**

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