

**POTTSVILLE AREA SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**POTTSVILLE, PENNSYLVANIA**

**FOR THE YEAR ENDED JUNE 30, 2017**

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Board of School Directors  
Pottsville Area School District  
Pottsville, Pennsylvania

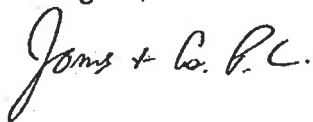
We have performed the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Pottsville Area School District for the year ended June 30, 2017. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than nine months after the year end (March 31, 2018).

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

As part of our report, we have not enclosed a management letter for the fiscal year ended June 30, 2017.

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) requires that when filing the Single Audit Report and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.



February 28, 2018  
Pottsville, Pennsylvania

**POTTSVILLE AREA SCHOOL DISTRICT**

**LIST OF REPORT DISTRIBUTION**

**JUNE 30, 2017**

- |   |  |
|---|--|
| 1 Single Audit Report -   | Prothonotary Office<br>Schuylkill County Courthouse<br>Pottsville, PA  |
| 1 Single Audit Report,<br>Data Collection Form<br>Single Audit Reporting<br>Package Checklist | Must be submitted Via Electronic<br>& Mail (E-mail)<br>Commonwealth of Pennsylvania<br>Office of the Budget - Bureau of<br>Audits, Special Audit Services<br>Division<br><u><a href="mailto:RA-BOASingleAudit@state.pa.us">RA-BOASingleAudit@state.pa.us</a></u> |
| 1 Single Audit Report and<br>Data Collection Form   | Federal Audit Clearinghouse<br>Via Internet Website<br><u><a href="http://www.harvester.census.gov/sac">www.harvester.census.gov/sac</a></u>   |
| 1 Single Audit Report -   | Schuylkill IU #29<br>Marlin, PA  |

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**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Pottsville Area School District  
Pottsville, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pottsville Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pottsville Area 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 financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 10-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

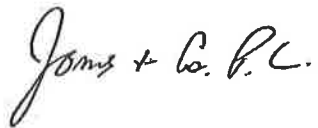
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pottsville Area School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, on our consideration of the Pottsville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pottsville Area School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jones + Co. P.C.".

February 28, 2018  
Pottsville, Pennsylvania

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

Board of School Directors  
Pottsville Area School District  
Pottsville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pottsville Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pottsville Area School District's basic financial statements, and have issued our report thereon dated February 28, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pottsville 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 the Pottsville Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pottsville 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. This significant deficiency is identified as finding 2017-01.

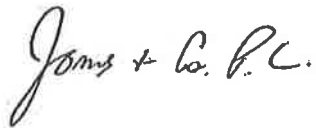


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pottsville 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones + Co. P.C.".

February 28, 2018  
Pottsville, Pennsylvania

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

Board of School Directors  
Pottsville Area School District  
Pottsville, Pennsylvania

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

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

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

In our opinion, the Pottsville 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, 2017.

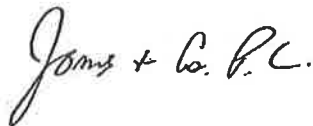
### **Report on Internal Control over Compliance**

Management of the Pottsville 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 the Pottsville 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 the Pottsville 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



February 28, 2018  
Pottsville, Pennsylvania

**POTTSVILLE AREA SCHOOL DISTRICT  
POTTSVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2017**

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

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

**FINANCIAL HIGHLIGHTS**

During the fiscal year 2016-2017, the Pottsville Area School District experienced another year of significant increases in the costs for instruction and health benefits for our employees. In the budgeting process, the Board of School Directors approved an increase in millage to our taxpayers in order to balance the budget.

**USING THE ANNUAL FINANCIAL REPORT (AFR)**

This annual report consists of two distinct series of financial statements: district-wide and fund.

The first two statements (district-wide) are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

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

**Figure A-1  
Required Components of  
Pottsville Area School District's  
Financial Report**

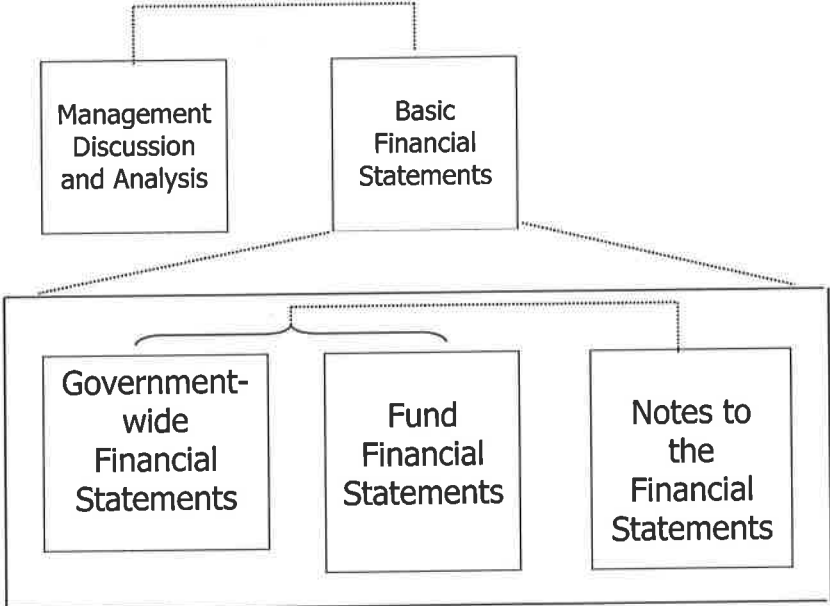


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

<b>Figure A-2 Major Features of Pottsville Area School District's Government-wide and Fund Financial Statements</b>				
		<b>Fund Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of Net Position  Statement of Activities (SOA)	Balance Sheet (NAG)  Statement of Revenues, Expenditures, and Changes in Fund Balance (REG)	Statement of Net Position  Statement of Revenues, Expenses, and Changes in Fund Net Assets (REP)  Statement of Cash Flows (CFP)	Statement of Fiduciary Net Position  Statement of Changes in Fiduciary Net Assets (CNAF)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## OVERVIEW OF FINANCIAL STATEMENTS

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

### Fund Financial Statements

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

**Governmental funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**Fiduciary funds** - The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position:** The District's combined net position decreased at June 30, 2017 when compared to the prior fiscal year. Total net position decreased \$5,152,247 during the year from (\$57,451,013) to (\$62,603,260) on June 30, 2017. (See Table A-3.)

**Table A-3**  
**Pottsville Area School District**  
**For Years Ended June 30, 2017 and 2016**  
**Net Position**

	<b>Governmental Activities 2016-2017</b>	<b>Governmental Activities 2015-2016</b>	<b>Business Type Activities 2016-2017</b>	<b>Business Type Activities 2015-2016</b>	<b>Total 2016-2017</b>	<b>Total 2015-2016</b>
Current And Other Assets	7,154,551	11,085,648	157,658	192,912	7,312,209	11,278,560
Capital Assets	12,212,187	10,802,308	1,891	2,359	12,214,078	10,804,667
<b>Total Assets</b>	<b>19,366,738</b>	<b>21,887,956</b>	<b>159,549</b>	<b>195,271</b>	<b>19,526,287</b>	<b>22,083,227</b>
Deferred Outflows of Resources	9,364,000	1,506,000	0	0	9,364,000	1,506,000
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>28,730,738</b>	<b>23,393,956</b>	<b>159,549</b>	<b>195,271</b>	<b>28,890,287</b>	<b>23,589,227</b>
Deferred Inflows Resources	637,739	383,000	38,387	34,392	676,126	417,392
Current And Other Liabilities	7,500,524	7,076,684	42,957	34,296	7,543,481	7,110,980
Long Term Liabilities	83,262,440	73,495,915	11,500	15,953	83,273,940	73,511,868
<b>Total Liabilities</b>	<b>91,400,703</b>	<b>80,955,599</b>	<b>92,844</b>	<b>84,641</b>	<b>91,493,547</b>	<b>81,040,240</b>
Invested In Capital Assets - Net Of Related Net	3,996,665	3,612,055	1,891	2,359	3,998,556	3,623,414
Capital Projects	609,810	2,390,527	0	0	609,810	2,390,527
Unrestricted Total Net Assets	-67,276,440	-63,573,225	64,814	108,271	67,211,626	63,464,954
<b>Total Net Position</b>	<b>-62,669,965</b>	<b>-57,561,643</b>	<b>66,705</b>	<b>110,630</b>	<b>62,603,260</b>	<b>57,451,013</b>
<b>Total Liabilities And Net Position</b>	<b>28,730,738</b>	<b>23,393,956</b>	<b>159,549</b>	<b>195,271</b>	<b>28,890,287</b>	<b>23,589,227</b>

Most of the District's net assets are invested in capital assets (buildings, land, and equipment).



**Table A-4**  
**Pottsville Area School District**  
**Change in Net Position**  
**For Years Ended June 30, 2017 and 2016**

	<b>Governmental Activities 2016-2017</b>	<b>Governmental Activities 2015-2016</b>	<b>Business Type Activities 2016-2017</b>	<b>Business Type Activities 2015-2016</b>	<b>Total 2016-2017</b>	<b>Total 2015-2016</b>
<b>REVENUES:</b>						
Program Revenues						
Charges for Services	0	0	599,032	578,623	599,032	578,623
Operating Grants & Contributions	8,578,212	7,683,960	1,335,312	1,280,336	9,913,524	8,964,296
General Revenues						0
Property Taxes	8,673,312	8,327,142	0	0	8,673,312	8,327,142
Other Taxes	4,443,289	4,804,192	0	0	4,443,289	4,804,192
State Formula Aid	13,908,475	13,562,530	0	0	13,908,475	13,562,530
Investment Earnings	2,590	16,933	26	29	2,616	16,962
Other	3,051,930	3,101,652	2,163	50,202	3,054,093	3,151,854
Transfers	-65,000	-225,000	65,000	225,000	0	0
Gain(Loss) Sale – Fixed Assets	322,262	0	0	0	322,262	0
<b>Total Revenues</b>	<b>38,915,070</b>	<b>37,271,409</b>	<b>2,001,533</b>	<b>2,134,190</b>	<b>40,916,603</b>	<b>39,405,599</b>
<b>EXPENSES:</b>						
Depreciation - Unallocated	596,686	411,443	0	0	596,686	411,443
Instruction	29,202,311	31,035,511	0	0	29,202,311	31,035,511
Instructional Student Support	2,792,460	2,806,579	0	0	2,792,460	2,806,579
Administration	4,941,988	4,687,324	0	0	4,941,988	4,687,324
Operation & Maintenance of Facilities	3,784,728	4,562,790	0	0	3,784,728	4,562,790
Pupil Transportation	1,483,349	1,473,168	0	0	1,483,349	1,473,168
Student Activities	1,359,953	1,347,580	0	0	1,359,953	1,347,580
Community Services	83,579	142,946	0	0	83,579	142,946
Interest on Long-Term Debt	231,576	91,587	0	0	231,576	91,587
Food Service	0	0	2,045,458	2,042,584	2,045,458	2,042,584
Capital Outlay	133,482	0			133,482	0
<b>Total Expenses</b>	<b>44,610,112</b>	<b>46,558,928</b>	<b>2,045,458</b>	<b>2,042,584</b>	<b>46,655,570</b>	<b>48,601,512</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>-5,695,042</b>	<b>-9,287,519</b>	<b>-43,925</b>	<b>91,606</b>	<b>-5,738,967</b>	<b>-9,195,913</b>

The District's total revenues were \$40,916,603 for the year ended June 30, 2017. Taxes and State Formula Aid amounted to \$27,025,076 or 66% of total revenue for the year. Another \$9,913,524 or 24% came from State and Federal Aid for specific programs (Operating Grants and Contributions) and the remainder totaling \$3,978,003 or 10% from Fees Charged for Services as well as Investment Earnings and Miscellaneous Sources. (See Table A-4.)

The total cost of all programs and services was \$46,655,570 for the year ended June 30, 2017. The majority of the District's costs related to educating and servicing students (Instruction, Instructional Student Support, Pupil Transportation, Student Activities), in the amount of \$34,838,073 or 75%, Administrative Costs accounted for \$4,941,988 or 11%, Operation of the District's Facilities accounted for \$3,784,728 or 8%, Food Service Costs made up \$2,045,458 or 4%, and all other expenses accounted for \$1,045,323 or 2%. (See Table A-4.)

Total expenses exceeded revenues decreasing net assets by \$5,738,967. (See Table A-4.)

The cost of all District activities was \$46,655,570. (See Table A-4.)

- Some of the cost was paid by the users of the District's programs (\$599,032).
- Federal and state governments subsidized certain programs with grants and contributions (\$9,913,524).
- Most of the District's costs (\$30,404,047), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with taxes and state aid based on the statewide education aid formula and with investment earnings and other general revenues.

**Table A-5  
Pottsville Area School District  
Net Cost of Governmental Activities  
For Years Ended June 30, 2017 and 2016**

	<b>Total Cost of Services 2016-2017</b>	<b>Total Cost of Services 2015-2016</b>	<b>Percentage Change 2016-2017</b>	<b>Net Cost of Services 2016-2017</b>	<b>Net Cost of Services 2015-2016</b>	<b>Percentage Change 2016-2017</b>
Depreciation - Unallocated	596,686	411,443		-596,686	-411,443	
Instruction	29,202,311	31,035,511		-22,618,736	-25,158,289	
Instructional Student Support	2,792,460	2,806,579		-2,404,156	-2,452,334	
Administration	4,941,988	4,687,324		-4,453,813	-4,258,789	
Operation & Maintenance of Facilities	3,784,728	4,562,790		-3,530,732	-4,328,286	
Pupil Transportation	1,483,349	1,473,168		-771,720	-818,323	
Student Activities	1,359,953	1,347,580		-1,217,318	-1,221,615	
Community Services	83,579	142,946		-73,681	-134,302	
Interest & Charges on Long Term Debt	231,576	91,587		-231,576	-91,587	
Capital Outlay	133,482	0		-133,482	0	
Less on Disposal of Assets	0	0			0	
<b>Total Expenses</b>	<b>44,610,112</b>	<b>46,558,928</b>	<b>-4%</b>	<b>-36,031,900</b>	<b>-38,874,968</b>	<b>7%</b>

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers. (See Table A-5.)

## FINANCIAL ANALYSIS OF DISTRICT FUNDS

As of June 30, 2017, the District's governmental funds reported a combined fund balance of \$-605,256 a decrease of \$3,752,017 from the prior year amount of \$3,146,761. (See Table A-6.) The primary reasons for this are specific to two funds:

### **General Fund:**

The District budgeted significantly for health benefit costs, costs for anticipated needs of special education, and transportation. These costs continue to increase from year to year and are a challenge for the district in budgeting. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. While the District does prepare a budget with a modest reserve each year for unexpected emergencies; this expenditure is dependent upon actual experience during the fiscal year. There were no significant unexpected expenditures during the year so the budgeted reserve amount was not needed.

### **Capital Reserve Fund:**

The District has this fund for unforeseen and various capital expenditures.

**Table A-6  
Pottsville Area School District  
Change in Fund Balances  
For Years Ended June 30, 2017 and 2016**

	<b>Fund Balance June 30, 2017</b>	<b>Fund Balance June 30, 2016</b>	<b>Increase (Decrease)</b>
General Fund	-1,215,066	756,223	-1,971,299
Capital Reserve Fund	609,803	640,220	-30,417
Capital Projects	7	1,750,308	-1,750,307
Non-Major Funds	0	0	0
<b>Totals</b>	<b>-605,256</b>	<b>3,146,761</b>	<b>-3,752,017</b>

Revenues for the District's governmental funds were \$40,916,603 while total expenses were \$44,668,620 resulting in a net change in the fund balances of (\$3,752,017).

### **General Fund Budget**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year-end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

The following provides a summary of General Fund revenues:

**Table A-7  
Pottsville Area School District  
General Fund Revenues  
For Years Ended June 30, 2017 and 2016**

	<b>Revenues 2016-2017</b>	<b>Revenues 2015-2016</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Local Sources				
Taxes	14,201,200	12,901,174	1,300,026	
Interest	2,590	14,469	-11,879	
Other	2,437,887	3,022,944	-585,057	
State Sources	21,217,494	20,258,256	959,238	
Federal Sources	1,269,192	988,234	280,958	
Other Sources	339,620	1,893,198	-1,553,578	
<b>Total Revenue</b>	<b>39,467,983</b>	<b>39,078,275</b>	<b>389,708</b>	<b>1%</b>

Total General Fund revenue increased by \$389,708 or 1% from the previous year.  
(See Table A-7.)

The following provides a summary of General Fund expenditures:

**Table A-8  
Pottsville Area School District  
General Fund Expenditures  
For Years Ended June 30, 2016 and 2017**

	<b>Expenditures 2016-2017</b>	<b>Expenditures 2015-2016</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Salaries	17,960,585	18,819,931	(859,346)	
Employee Benefits	12,797,528	12,082,435	715,093	
Purchased Services	7,837,996	10,045,274	(2,207,278)	
Supplies	1,403,157	1,672,702	(269,545)	
Equipment	23,179	110,981	(87,802)	
Debt Service	1,727,283	973,336	753,947	
Other Expenditures	276,275	302,081	(25,806)	
<b>Total Expenditures</b>	<b>42,026,003</b>	<b>44,006,740</b>	<b>(1,980,737)</b>	<b>-4%</b>

Total General Fund expenditures decreased \$1,980,737 or -4% from the previous year. The primary reason for this decrease is due to freeze on non-essential spending and evaluation all resignations, hires and retirement positions to see if positions are necessary. (See Table A-8.)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2017, the District had \$12,214,078 an increase of \$1,409,411 invested in a broad range of capital assets, including land, buildings and furniture, and equipment. (See Table A-9.)

The following provides a summary of our Capital Assets:

**Table A-9**  
**Pottsville Area School District**  
**Capital Assets – Net of Depreciation**  
**For Years Ended June 30, 2017 and 2016**

	Governmental Activities 2016-2017	Governmental Activities 2015-2016	Business Type Activities 2016- 2017	Business Type Activities 2015- 2016	Total 2016-2017	Total 2015-2016	% Change
Site Improvements	134,708	53,441	0	0	134,708	53,441	
Building & Building Improvements	11,166,875	8,165,415	0	0	11,166,875	8,165,415	
Furniture and Equipment	910,604	1,005,540	1,891	2,359	912,495	1,007,899	
Construction in Progress	0	1,577,912	0	0	0	1,577,912	
Long Term Prepayments	0	0	0	0	0	0	
<b>Totals</b>	<b>12,212,187</b>	<b>10,802,308</b>	<b>1,891</b>	<b>2,359</b>	<b>12,214,078</b>	<b>10,804,667</b>	<b>11.5%</b>

### Debt Administration

The district has one extended capital lease agreements with DELL Financial Services for the purchase of various computer equipment. The outstanding balance is \$52,761.96. The District has two Leaf leases for iPads with outstanding balances of \$19,638.37 and \$36,982.70. The District also has an agreement with Capital One Public Funding for the purchase of a new District-wide telephone system. Outstanding balance with Capital One Public Funding is \$58,137.99. The District has an energy conservation lease with Banc of America with an outstanding balance of \$2,015,528.67.

The District also has three lease agreements with Apple with the following outstanding balances:

1. \$1,224,476.34
2. \$83,830.88
3. \$82,958.55

On August 28, 2012, the District issued \$4,155,000 in general obligation bonds with the proceeds to be utilized for various capital improvements including roofing projects. This included sufficient funds to retire 2008 Bonds on October 1, 2013. The District also issued \$3,070,000 in general obligation bonds in 2016.

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the financial statements.

The following provides a summary of our Long – Term Liabilities:

**Table A-10  
Pottsville Area School District  
Long-Term Liabilities  
For Years Ended June 30, 2017 and 2016**

	Year Ending June 30, 2017	Year Ending June 30, 2016	Increase (Decrease)
General Obligation Bonds	6,200,000	6,590,000	-390,000
Other Outstanding Debt & Compensated Absences	4,979,456	4,965,915	13,541
Net PSERS Pension Liability	73,542,000	62,330,000	11,212,000
<b>Totals</b>	<b>84,721,456</b>	<b>73,885,915</b>	<b>10,835,541</b>

#### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

A major financial issue facing the District again in fiscal year 2017-2018 will be the funding of our employer contribution to PSERS. The rate during 2017-18 is 32.57%, it has been established by the PSERS Board at 33.43% in 2018-2019. In 2004-2005, the rate was 4.23%. Another significant cost is the tuition paid to cyber/charter schools which have exceeded 1.5 million in the 2013-14 and grew to 1.9 million in 2015-16. Special education costs have grown significantly each year which has a direct correlation to rising costs in the related transportation for the special education students. Historically, the District was part of a consortium arrangement with Schuylkill Intermediate Unit No. 29 for their special education services. The consortium was comprised of twelve county public school districts during the 2002-2003 school year, eleven during the 2003-2004 school year, and has been declining since then. Over this time period our percentage of students requiring special education services has increased which has a direct correlation with the level of costs dependent on the severity of the disability.

Starting with the 2005-2006 school year, the District had taken over their district-located special education classes. As a result, the District will have to continue to budget for district-located special education costs as well as budgeting for special education students still located at the Intermediate Unit.

Please note that after reconciliation received in November 2016, there was a increase in the payment to the Intermediate Unit in the amount of \$21,911.80 for 2015-2016. Special Education costs for school year 2016-2017 were \$978,656.

There is a tentative projected decrease in the payment to the Intermediate Unit for 2017-2018 in the amount of \$316,359 noting that more could be owed after reconciliation in December 2018. In addition to the Intermediate Unit costs, the District has projected \$7,046,719 of Special Education costs for district-located classes.

It will be necessary to continue to closely monitor future special education costs due to the fact of the District taking over its district-located special education classes as well as our reconciliation from the Intermediate Unit not being received until December of the following year. (See Table A-11.)

**Table A-11  
Pottsville Area School District  
Intermediate Unit Special Education Costs  
For Years Ended June 30, 2018; 2017; and 2016**

	<b>IU Special Ed 2017-2018</b>	<b>IU Special Ed 2016-2017</b>	<b>% Change</b>	<b>IU Special Ed 2015-2016</b>	<b>% Change</b>
Projected Figure Adjustment Final Owed	\$662,297	\$978,656	-32.3%	\$997,166 <u>5,713.20</u> 991,452.80	-1.3%

The District's retirement contribution on behalf of its employees to the Pennsylvania School Employees Retirement System (PSERS) increased for 2017-2018 by 2.54%. (See Table A-12.) The District also expects health care premiums to increase approximately 8% per year for the foreseeable future. Specifically, The PSERS rate is scheduled to increase to 33.43% on July 1, 2018. All of these factors may cause the Board to reduce programs, increase taxes, or both.

**Table A-12  
Pottsville Area School District  
Employer's Retirement Contributions**

<b>Retirement 2017-2018</b>	<b>Retirement 2016-2017</b>	<b>Retirement 2015-2016</b>	<b>Retirement 2014-2015</b>	<b>Retirement 2013-2014</b>
32.57%	30.03%	25.84%	21.40%	16.93%

The percentage of the total budget of revenue and expenditure by category for 2017-2018 as compared to 2016-2017 is as follows:

**BUDGETED REVENUES**

	<u>2017-2018</u>	<u>2016-2017</u>
Local	47%	45%
State	50%	52%
Federal/Other	3%	3%



### BUDGETED EXPENDITURES

	<u>2017-2018</u>	<u>2016-2017</u>
Instruction	63%	64%
Support Services	32%	31%
Non-Instruction/Community	3%	3%
Fund Transfers/Debt	2%	2%

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Brian Manning, Business Manager at Pottsville Area School District, 1501 West Laurel Boulevard, Pottsville, PA 17901, (570) 621-2904.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents - Unrestricted	\$ 1,422,487	\$ 105,295	\$ 1,527,782
Cash and cash equivalents - Restricted	609,810	0	609,810
Taxes receivable, net	2,623,199	0	2,623,199
Intergovernmental receivables	2,499,055	18,096	2,517,151
Inventories	0	34,267	34,267
<b>TOTAL CURRENT ASSETS</b>	<b>7,154,551</b>	<b>157,658</b>	<b>7,312,209</b>
<b>NON-CURRENT ASSETS</b>			
Land and site improvements - net of accumulated depreciation	134,708	0	134,708
Building and building improvements - net of accumulated depreciation	11,166,875	0	11,166,875
Furniture, equipment, and automobiles - net of accumulated depreciation	910,604	1,891	912,495
Construction in progress	0	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12,212,187</b>	<b>1,891</b>	<b>12,214,078</b>
<b>TOTAL ASSETS</b>	<b>19,366,738</b>	<b>159,549</b>	<b>19,526,287</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,364,000</b>	<b>0</b>	<b>9,364,000</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 28,730,738</b>	<b>\$ 159,549</b>	<b>\$ 28,890,287</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 627,236	\$ 23,166	\$ 650,402
Accrued salaries and benefits	2,529,110	58,776	2,587,886
Current portion of long-term debt	1,384,016	0	1,384,016
Current portion of compensated absences	75,000	0	75,000
Internal balances	38,985	(38,985)	0
Accrued expenses	2,786,764	0	2,786,764
Accrued interest	59,413	0	59,413
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,500,524</b>	<b>42,957</b>	<b>7,543,481</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable	5,800,000	0	5,800,000
Extended term financing agreements payable	2,606,425	0	2,606,425
Long-term portion of compensated absences	734,971	11,500	746,471
Net PSERS pension liability	73,542,000	0	73,542,000
Other postemployment benefits	579,044	0	579,044
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>83,262,440</b>	<b>11,500</b>	<b>83,273,940</b>
<b>TOTAL LIABILITIES</b>	<b>90,762,964</b>	<b>54,457</b>	<b>90,817,421</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>637,739</b>	<b>38,387</b>	<b>676,126</b>
<b>NET POSITION (DEFICIT)</b>			
Invested in capital assets, net of related debt	3,996,665	1,891	3,998,556
Restricted for capital projects	609,810	0	609,810
Unrestricted	(67,276,440)	64,814	(67,211,626)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(62,669,965)</b>	<b>66,705</b>	<b>(62,603,260)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<b>\$ 28,730,738</b>	<b>\$ 159,549</b>	<b>\$ 28,890,287</b>

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

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
Unallocated depreciation	\$ 596,686	\$ 0	\$ 0	\$ (596,686)	\$ 0	\$ (596,686)
Instruction	29,202,311	0	6,583,575	(22,618,736)	0	(22,618,736)
Instructional student support	2,792,460	0	388,304	(2,404,156)	0	(2,404,156)
Administrative and financial support services	4,941,988	0	488,175	(4,453,813)	0	(4,453,813)
Operation and maintenance of plant services	3,784,728	0	253,996	(3,530,732)	0	(3,530,732)
Pupil transportation	1,483,349	0	711,629	(771,720)	0	(771,720)
Student activities	1,359,953	0	142,635	(1,217,318)	0	(1,217,318)
Community services	83,579	0	9,898	(73,681)	0	(73,681)
Capital outlay	133,482	0	0	(133,482)	0	(133,482)
Interest on long-term debt	231,576	0	0	(231,576)	0	(231,576)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>44,610,112</b>	<b>0</b>	<b>8,578,212</b>	<b>(36,031,900)</b>	<b>0</b>	<b>(36,031,900)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food services	2,045,458	599,032	1,335,312	0	(111,114)	(111,114)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>46,655,570</b>	<b>599,032</b>	<b>9,913,524</b>	<b>(36,031,900)</b>	<b>(111,114)</b>	<b>(36,143,014)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes, net				8,673,312	0	8,673,312
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				4,443,289	0	4,443,289
Grants, subsidies, and contributions not restricted				13,908,475	0	13,908,475
Investment earnings				2,590	26	2,616
Transfers				(65,000)	65,000	0
Gain (loss) on the sale of fixed assets				322,262	0	322,262
Miscellaneous				3,051,930	2,163	3,054,093
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>30,336,858</b>	<b>67,189</b>	<b>30,404,047</b>
<b>CHANGE IN NET POSITION</b>				<b>(5,695,042)</b>	<b>(43,925)</b>	<b>(5,738,967)</b>
<b>NET POSITION - BEGINNING</b>				<b>(57,561,643)</b>	<b>110,630</b>	<b>(57,451,013)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>				<b>586,720</b>	<b>0</b>	<b>586,720</b>
<b>NET POSITION (DEFICIT) - ENDING</b>				<b>(62,669,965)</b>	<b>\$ 66,705</b>	<b>\$ (62,603,260)</b>

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

POTTSVILLE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash	\$ 1,422,488	\$ 609,803	\$ 7	\$ 2,032,298
Taxes receivable, net	2,623,199	0	0	2,623,199
Due from other funds	0	0	0	0
Intergovernmental receivables	2,499,055	0	0	2,499,055
<b>TOTAL ASSETS</b>	<u>6,544,742</u>	<u>609,803</u>	<u>7</u>	<u>7,154,552</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 6,544,742</u>	<u>\$ 609,803</u>	<u>\$ 7</u>	<u>\$ 7,154,552</u>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 627,235	\$ 0	\$ 0	\$ 627,235
Due to other funds	38,985	0	0	38,985
Accrued expenses	2,786,764	0	0	2,786,764
Accrued salaries and benefits	2,529,110	0	0	2,529,110
<b>TOTAL LIABILITIES</b>	<u>5,982,094</u>	<u>0</u>	<u>0</u>	<u>5,982,094</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,777,714</u>	<u>0</u>	<u>0</u>	<u>1,777,714</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted	0	609,803	7	609,810
Unassigned	(1,215,066)	0	0	(1,215,066)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>(1,215,066)</u>	<u>609,803</u>	<u>7</u>	<u>(605,256)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 6,544,742</u>	<u>\$ 609,803</u>	<u>\$ 7</u>	<u>\$ 7,154,552</u>

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (DEFICIT)**

**GOVERNMENTAL FUNDS**

**AS OF JUNE 30, 2017**

<b>TOTAL FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>(605,256)</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Cost of capital assets		31,663,064
Less: accumulated depreciation		(19,450,877)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.</p>		
Bond payable		(6,200,000)
Extended term financing agreements payable		(3,590,441)
Other postemployment benefits		(579,044)
Net PSERS pension liability		(73,542,000)
Compensated absences		(809,971)
<p>Delinquent personal and property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.</p>		
		1,752,973
<p>Net Deferred outflows (inflows) related to PSERS net pension liability</p>		
		8,751,000
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>		
		<u>(59,413)</u>
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(62,669,965)</u></b>

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICIT)**

**ALL GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

	General	Capital Reserve	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 16,641,677	\$ 2,519	\$ 1,141	\$ 16,645,337
State sources	21,217,494	0	0	21,217,494
Federal sources	1,269,192	0	0	1,269,192
<b>TOTAL REVENUES</b>	<b>39,128,363</b>	<b>2,519</b>	<b>1,141</b>	<b>39,132,023</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sales of assets	322,262	0	0	322,262
Insurance recoveries	0	0	285,421	285,421
Proceeds from extended term financing	17,358	0	0	17,358
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>339,620</b>	<b>0</b>	<b>285,421</b>	<b>625,041</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>39,467,983</b>	<b>2,519</b>	<b>286,562</b>	<b>39,757,064</b>
<b>EXPENDITURES</b>				
Instruction	26,745,252	0	0	26,745,252
Support services	11,991,137	0	0	11,991,137
Non-instructional services	1,314,059	0	0	1,314,059
Capital outlay	0	32,936	2,200,634	2,233,570
Debt service	1,746,783	0	0	1,746,783
<b>TOTAL EXPENDITURES</b>	<b>41,797,231</b>	<b>32,936</b>	<b>2,200,634</b>	<b>44,030,801</b>
<b>OTHER FINANCING (USES)</b>				
Interfund transfer	(228,771)	0	163,771	(65,000)
<b>TOTAL OTHER FINANCING (USES)</b>	<b>(228,771)</b>	<b>0</b>	<b>163,771</b>	<b>(65,000)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>42,026,002</b>	<b>32,936</b>	<b>2,036,863</b>	<b>44,095,801</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,558,019)</b>	<b>(30,417)</b>	<b>(1,750,301)</b>	<b>(4,338,737)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>756,233</b>	<b>640,220</b>	<b>1,750,308</b>	<b>3,146,761</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>586,720</b>	<b>0</b>	<b>0</b>	<b>586,720</b>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<b>\$ (1,215,066)</b>	<b>\$ 609,803</b>	<b>\$ 7</b>	<b>\$ (605,256)</b>

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

POTTSVILLE AREA SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (4,338,737)</b>
Because some property taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the governmental funds.	(759,634)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,498,512
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	172,696
Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(93,097)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	16,697
Governmental funds report issuance of long term debt as revenues. In the Statement of Net Position these are listed as long-term debt.	(17,358)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	2,100,088
Pension expense related to the PSERS net pension liability	(3,584,000)
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(690,209)</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (5,695,042)</u></b>

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

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 17,683,282	\$ 17,683,282	\$ 16,641,677	\$ (1,041,605)
State sources	20,720,472	20,720,472	21,217,494	497,022
Federal sources	1,088,565	1,088,565	1,269,192	180,627
<b>TOTAL REVENUES</b>	<u>39,492,319</u>	<u>39,492,319</u>	<u>39,128,363</u>	<u>(363,956)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sales of assets	211,562	211,562	322,262	110,700
Proceeds from extended term financing	0	0	17,358	17,358
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>211,562</u>	<u>211,562</u>	<u>339,620</u>	<u>128,058</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>39,703,881</u>	<u>39,703,881</u>	<u>39,467,983</u>	<u>(235,898)</u>
<b>EXPENDITURES</b>				
Regular programs	17,714,157	17,714,157	17,433,317	280,840
Special programs	7,020,323	7,020,323	7,410,574	(390,251)
Vocational programs	1,314,649	1,314,649	1,306,554	8,095
Other instructional programs	462,281	462,281	577,857	(115,576)
Nonpublic school programs	25,000	25,000	16,950	8,050
Pupil personnel services	1,418,616	1,418,616	1,322,513	96,103
Instructional staff services	1,256,619	1,256,619	1,284,282	(27,663)
Administrative services	2,541,312	2,541,312	2,538,619	2,693
Pupil health	523,838	523,838	480,409	43,429
Business services	801,742	801,742	1,003,198	(201,456)
Operation and maintenance of plant services	4,413,294	4,413,294	3,573,940	839,354
Student transportation services	1,359,370	1,359,370	1,280,956	78,414
Central and other support services	612,464	612,464	507,220	105,244
Other support services	12,000	12,000	0	12,000
Student activities	1,140,209	1,140,209	1,238,582	(98,373)
Community services	87,600	87,600	75,377	12,223
Scholarships and awards	0	0	100	(100)
Capital outlay	0	0	0	0
Debt service (principal and interest)	963,384	963,384	1,746,783	(783,399)
<b>TOTAL EXPENDITURES</b>	<u>41,666,858</u>	<u>41,666,858</u>	<u>41,797,231</u>	<u>(130,373)</u>
<b>OTHER FINANCING (USES)</b>				
Interfund transfers	(75,000)	(75,000)	(228,771)	153,771
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(228,771)</u>	<u>153,771</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>41,741,858</u>	<u>41,741,858</u>	<u>42,026,002</u>	<u>(284,144)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,037,977)	(2,037,977)	(2,558,019)	(520,042)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	3,015,985	3,015,985	756,233	(2,259,752)
<b>PRIOR PERIOD ADJUSTMENT</b>	0	0	586,720	586,720
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 978,008</u>	<u>\$ 978,008</u>	<u>\$ (1,215,066)</u>	<u>\$ (2,193,074)</u>

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



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

	<u>Food Service</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 105,295
Intergovernmental receivables	18,096
Due from other funds	38,985
Inventories	<u>34,267</u>
<b>TOTAL CURRENT ASSETS</b>	196,643
<b>NON-CURRENT ASSETS</b>	
Machinery and equipment	671,893
Less: accumulated depreciation	<u>(670,002)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	1,891
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ <u>198,534</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 23,166
Due to other funds	0
Accrued expenses	58,776
Accrued salaries and benefits	<u>0</u>
<b>TOTAL CURRENT LIABILITIES</b>	81,942
<b>NON-CURRENT LIABILITIES</b>	
Long-term portion of compensated absences	<u>11,500</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	11,500
<b>TOTAL LIABILITIES</b>	<u>93,442</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenues - commodities	21,534
Deferred revenues - student payments	<u>16,853</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>38,387</u>
<b>NET POSITION</b>	
Invested in capital assets - net of related debt	1,891
Unrestricted	<u>64,814</u>
<b>TOTAL NET POSITION</b>	<u>66,705</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ <u>198,534</u></b>

**POTTSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Food service revenues	\$ 599,032
Other operating revenues	2,163
<b>TOTAL OPERATING REVENUES</b>	<u>601,195</u>
 <b>OPERATING EXPENSES</b>	
Personal services - salaries	739,960
Personal services - employee benefits	520,655
Purchased property services	14,715
Supplies	768,962
Depreciation	468
Other operating expenses	698
<b>TOTAL OPERATING EXPENSES</b>	<u>2,045,458</u>
 <b>OPERATING (LOSS)</b>	 (1,444,263)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	26
State sources	227,993
Federal sources	1,107,319
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>1,335,338</u>
 <b>CONTRIBUTIONS AND TRANSFERS</b>	
Transfers in (out)	65,000
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>65,000</u>
 <b>CHANGE IN NET POSITION</b>	 (43,925)
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>110,630</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><u>\$ 66,705</u></u>

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

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and intergovernments	\$ 724,481
Cash paid to employees for services	(1,260,615)
Cash paid to suppliers for goods and services	<u>(784,375)</u>
<b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>(1,320,509)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State sources	227,993
Federal sources	1,107,319
Operating transfers in (out)	65,000
Increase (Decrease) in long-term portion of compensated absences	<u>(4,453)</u>
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>1,395,859</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>0</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>26</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>75,376</u>
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>29,919</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 105,295</u>
 <b>OPERATING INCOME (LOSS)</b>	<u>\$ (1,444,263)</u>
 <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	468
Changes in current assets and current liabilities	
(Increase) Decrease in intergovernmental receivables	111,488
(Increase) Decrease in inventories	(858)
(Increase) Decrease in advances from other funds	(38,985)
Increase (Decrease) in accounts payable	23,166
Increase (Decrease) in accrued expenses	58,776
Increase (Decrease) in advances to other funds	(31,491)
Increase (Decrease) in accrued salaries and benefits	(2,805)
Increase (Decrease) in deferred revenue	<u>3,995</u>
<b>TOTAL ADJUSTMENTS</b>	<u>123,754</u>
 <b>TOTAL CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (1,320,509)</u>

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

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust	Activity	Total Fiduciary Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Cash	809,371	\$ 443,900	\$ 1,253,271
<b>TOTAL ASSETS</b>	<u>809,371</u>	<u>443,900</u>	<u>1,253,271</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 809,371</u>	<u>\$ 443,900</u>	<u>\$ 1,253,271</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Other current liabilities	\$ 0	\$ 443,900	\$ 443,900
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>443,900</u>	<u>443,900</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>			
Unrestricted	809,371	0	809,371
<b>TOTAL NET POSITION</b>	<u>809,371</u>	<u>0</u>	<u>809,371</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 809,371</u>	<u>\$ 443,900</u>	<u>\$ 1,253,271</u>

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 142,882
Other additions	<u>0</u>
<b>TOTAL ADDITIONS</b>	<u>142,882</u>
 <b>DEDUCTIONS</b>	
Scholarships awarded	67,859
<b>TOTAL DEDUCTIONS</b>	<u>67,859</u>
 <b>CHANGE IN NET POSITION</b>	<u>75,023</u>
 <b>NET POSITION - BEGINNING OF YEAR</b>	<u>734,348</u>
 <b>NET POSITION - END OF YEAR</b>	<u><u>\$ 809,371</u></u>

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

The Pottsville Area School District (the "District") is governed by the Pottsville Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

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

The financial statements include:

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**REPORTING ENTITY**

The District is not a component unit of any other primary government.

**BASIS OF PRESENTATION**

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

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

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

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**BASIS OF PRESENTATION - continued**

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

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

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

The District reports the following major governmental funds:

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

**Capital Projects/Reserve Fund** - The Capital Projects/Reserve Fund is used to account for financial resources to be used for the acquisition or construction of capital items or extraordinary expenditures.

The District reports the following major proprietary fund types:

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



**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**BASIS OF ACCOUNTING**

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

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

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

**BUDGETING**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**DEPOSITS AND INVESTMENTS**

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

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

**TAXES ASSESSED**

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

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levy</u>
Real Estate - Schuylkill County	35.15 mills	\$ 9,737,762
Occupation Tax - Act 511	\$100.00/person	1,107,600
Per Capita Tax - Act 511	\$ 5.00/person	55,380
Per Capita Tax - Section 679	\$ 5.00/person	55,380
<b>Total Assessed Valuation</b>		<b>\$ <u>10,956,122</u></b>

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. An allowance has been established to recognize the uncollectible portion.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**INVENTORY**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the fund based financial statements, commodities received are recorded as deferred revenue until consumed.

**CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,250. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**COMPENSATED ABSENCES**

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method, which has no current maximum per employee. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

**FUND EQUITY**

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

**NET POSITION**

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. At June 30, 2017, the carrying amount of the District's deposits was \$3,390,864. and the bank balance was \$4,344,283. Of the bank balance \$900,674. was covered by federal depository insurance, and \$3,443,609. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name. The District is secured under Act 72 as required by the Commonwealth of Pennsylvania primarily by a pledged pool of securities.

A portion of the District's deposits (\$609,809.) are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

INVESTMENTS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds. As of June 30, 2017, the District had no investments.

Investments classified as U.S. agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS – continued**

INVESTMENTS - continued

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

Custodial Credit Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2017, PSDLAF, PLGIT, INVEST, FHLBs, FHLMCs, and FNMA were rated as AAA by a nationally recognized statistical rating organization.

Concentration Risk

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 - CAPITAL ASSETS:**

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

	Balance June 30, 2016	Net Additions (Deductions)	Balance June 30, 2017
<b>Capital Assets, Being Depreciated:</b>			
Land and Site Improvements	1,563,446	93,000	1,656,446
Buildings and Improvements	19,188,056	3,585,000	22,773,056
Furniture, Equipment, and Vehicles	<u>7,233,562</u>	<u>0</u>	<u>7,233,562</u>
<b>Total Capital Assets, Being Depreciated</b>	<u>27,985,064</u>	<u>3,678,000</u>	<u>31,663,064</u>
<b>Accumulated Depreciation For:</b>			
Land and Site Improvements	(1,510,005)	(11,733)	(1,521,738)
Buildings and Improvements	(11,022,641)	(583,540)	(11,606,181)
Furniture, Equipment, and Vehicles	<u>(6,228,022)</u>	<u>(94,936)</u>	<u>(6,322,958)</u>
<b>Total Accumulated Depreciation</b>	<u>(18,760,668)</u>	<u>(690,209)</u>	<u>(19,450,877)</u>
Construction in progress	<u>1,577,912</u>	<u>(1,577,912)</u>	<u>0</u>
<b>Governmental Activities - Capital Assets, Net</b>	<u>\$ #REF!</u>	<u>\$ #REF!</u>	<u>\$ #REF!</u>
<b>Business-type Activities:</b>			
Furniture/Equipment	\$ 671,893	\$ 0	\$ 671,893
Less: Accumulated Depreciation	<u>(669,534)</u>	<u>(468)</u>	<u>(670,002)</u>
<b>Business-type Activities - Capital Assets, Net</b>	<u>\$ 2,359</u>	<u>\$ (468)</u>	<u>\$ 1,891</u>

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
Unallocated	\$ 596,686
Instructional	10,877
Administration and Financial Support	544
Operation and Maintenance of Plant Services	2,863
Student Transportation	74,631
Student Activities	<u>4,608</u>
<b>Total Governmental Activities</b>	690,209
<b>Business-Type Activities</b>	
Food Service	<u>468</u>
<b>Total Depreciation Expense</b>	<u>\$ 690,677</u>

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT:**

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

	Compensated Absences	General Obligation Bonds	Extended Term Financings	Net PSERS Pension Liability	Other Post Employment Benefits	Total
Balance - July 1, 2016	\$ 982,669	\$ 6,590,000	\$ 4,681,595	\$ 62,330,000	\$ 485,947	\$ 75,070,211
Additions	0	0	17,358	11,212,000	504,139	11,733,497
Principal Reductions	(172,698)	(390,000)	(1,108,512)	0	(411,042)	(2,082,252)
Balance - June 30, 2017	<u>\$ 809,971</u>	<u>\$ 6,200,000</u>	<u>\$ 3,590,441</u>	<u>\$ 73,542,000</u>	<u>\$ 579,044</u>	<u>\$ 84,721,456</u>
Due Within One Year	<u>\$ 75,000</u>	<u>\$ 400,000</u>	<u>\$ 984,016</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,459,016</u>

**COMPENSATED ABSENCES**

General Long-Term Debt includes a liability of \$809,971., which represents the amounts of compensated absences computed by using unused sick and vacation days at current compensation rates, not limited to the maximum payout at retirement. If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

**Emergency and personal** - no payout

**Vacation (administrative personnel)** - limited accumulation of vacation days

**Sickness** - payout is based on age and years of services in the District with no maximum per professional employee.

Nonprofessional employees are subject to a minimum payout of \$500. and a maximum payout of \$2,400.



**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued**

**EXTENDED TERM FINANCINGS**

Extended term financings are comprised of the following agreements:

AFS Education Finance

On March 25, 2017, the District entered into a capital lease with Apple Financial Services Education Finance in the amount of \$17,358. for the acquisition of various computer equipment. Terms require fourteen (14) quarterly payments of \$1,328.79 including interest through August 15, 2020.

\$ 16,126

Citi Mortgage Agreement

On September 26, 2006, the District entered into an extended term financing agreement with Citi Mortgage. Proceeds were used to finance a new District-wide telephone system. Terms require three (3) interest only payments of \$756.38 each and 166 payments of \$1,573.95, including interest at the rate of 4.73% per annum through October 2020.

\$ 58,138

Dell Financial Services

On July 1, 2012, the District entered into a capital lease with Dell Financial Services in the amount of \$328,480. for the acquisition of various computer equipment. Terms require five (5) annual payments of \$53,528.47, including interest at 4.702% per annum through December 1, 2016. This lease was satisfied during the current year.

\$ 0

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued**

Dell Financial Services

On June 1, 2013, the District entered into a Capital Lease with Dell Financial Services in the amount of \$252,865. for the acquisition of various computer equipment. Terms require 5 annual payments of \$54,950.14 including interest at 4.070% per annum through July 1, 2017.

\$ 52,762

Banc of America Public Capital Corp

On May 14, 2013, the District entered into a Capital Lease with Banc of America Public Capital Corp in the amount of \$3,200,977. to finance a Honeywell energy contract in the amount of \$1,185,000. The balance of the funds (\$2,015,977.) was utilized to satisfy the CITI Capital Lease identified above. Terms require 193 monthly payments ranging from \$8,041.17 to \$32,172.93 including interest at 4.504% per annum through May 14, 2019.

\$ 2,015,529

AFS Education Finance

On July 8, 2013, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$397,325. for the acquisition of various computer equipment. Terms require 4 annual payments of \$101,412.25 including interest at 1.391% per annum through July 8, 2016. This lease was satisfied during the current year.

\$ 0

AFS Education Finance

On July 25, 2015, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$165,936. for the acquisition of various computer equipment. Terms require 4 annual payments of \$42,414.88 including interest at 2.70% per annum through July 25, 2018.

\$ 83,831

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued**

LEAF Capital Funding

On July 16, 2014, the District obtained a capital lease in the amount of \$41,800 thru LEAF Capital Funding, LLC for the purchase of Toshiba Laptop computers. Terms of the lease call for 60 monthly payments of \$806.74 at an interest rate of 5.929% through July 2019.

\$ 19,638

AFS Education Finance

On April 29, 2016, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$1,624,637. for the acquisition of various computer equipment. Terms require 16 quarterly payments of \$103,995.23 including interest at 1.173% per annum through April 1, 2020.

\$ 1,224,476

AFS Education Finance

On July 9, 2014, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$333,041. for the acquisition of various computer equipment. Terms require 4 annual payments of \$85,004.51 including interest at 2.50% per annum through July 9, 2017.

\$ 82,959

LEAF Capital Funding

On July 1, 2015, the District obtained a capital lease in the amount of \$102,625 thru LEAF Capital Funding, LLC for the purchase of Toshiba laptop computers. Terms of the lease call for 60 monthly payments of \$806.74 at an interest rate of 8.038% through July 2019.

\$ 36,983

**NET PSERS PENSION LIABILITY:**

During the year ended June 30, 2017 the District, in conformity with GASB 68 recorded its' share of the Net PSERS pension liability. At June 30, 2017 the Districts' share of the liability is \$73,442,000. See Note 15 for more information.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT – continued**

**GENERAL OBLIGATION BONDS**

General Obligation Bonds - Series of 2012

On August 28, 2012, the District issued \$4,155,000. of General Obligation Bonds for the purpose of substantially refunding the Series of 2008 issue and to pay the costs of issuance. Interest rates range from .26% through 2.77%. Annual installments as set fourth below are required to provide for payment of principal and interest through October 2027.

\$ 3,255,000

General Obligation Bonds - Series of 2016

On February 18, 2016, the District issued \$3,070,000. of General Obligation Bonds for the purpose of financing a infrastructure and guaranteed energy reduction District wide project and to pay the costs of issuance. Interest rates range from .90% through 2.65%. Annual installments as set fourth below are required to provide for payment of principal and interest through May 2033.

\$ 2,945,000

**OTHER POST EMPLOYMENT BENEFITS**

The District also provides other postemployment benefits as more fully discussed in Note 10. Total liability at June 30, 2017 was \$579,044.

A summary of Long-Term Debt principal maturities and interest requirements follows:

Year Ending June 30,	General Obligation Bond Series 2012/2016	Extended Term Financing Agreements	Total
2018	\$ 552,440	\$ 1,050,065	\$ 1,602,505
2019	557,233	872,813	1,430,046
2020	570,357	823,571	1,393,928
2021	582,483	200,836	783,319
2022	588,432	99,773	688,205
2023-2027	3,075,830	547,550	3,623,380
2028-2032	1,538,973	233,010	1,771,983
Subtotal	<u>7,465,748</u>	<u>3,827,618</u>	<u>11,293,366</u>
Less: Interest Expense	<u>(1,265,748)</u>	<u>(237,177)</u>	<u>(1,502,925)</u>
<b>Principal Outstanding</b>	<b>\$ <u>6,200,000</u></b>	<b>\$ <u>3,590,441</u></b>	<b>\$ <u>9,790,441</u></b>

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5 - RISK MANAGEMENT AND LITIGATION:**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. The District maintains coverage from commercial insurance companies to cover these risks of loss.

**NOTE 6 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT:**

On July 1, 1991, the Saint Clair Area School District and the Pottsville Area School District entered into an agreement which provides for the education of grades 9 through 12 of the Saint Clair Area School District at the Pottsville Area High School. The agreement had been officially ratified by both School Boards.

Significant agreement provisions were:

- (1) Agreement duration - Unless terminated early, as set forth below, the agreement is in force for a period of (5) five years, commencing on July 1, 1991 and ending June 30, 1997. The agreement will automatically renew subject to limitations thereafter.
- (2) Termination provisions - The agreement will remain in effect for a minimum period of five (5) years and is not subject to termination during this period except by written consent of both parties. After this period, either party may terminate the agreement by giving written notice to the other at least one (1) year prior to the beginning of the school year of intended termination.
- (3) Tuition payments - The Saint Clair Area School District will pay to Pottsville Area for those students who attend school in Pottsville Area tuition payments which will be calculated in accordance with Section 2561 of the Public School Code (as amended). Payment terms provide for estimated monthly payments based on the annual joint program budget with a final reconciliation being done in May with the final payment being due on or before June 30.
- (4) Transportation - The Saint Clair Area School District shall arrange and pay for transportation to and from Pottsville Area.
- (5) Joint School Committee - The program shall be directed by a joint school committee appointed by both School Boards. The committee shall consist of four (4) members elected from the Pottsville Area Board of Directors and one (1) member elected from the Saint Clair Board of Directors.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT - continued**

On October 20, 1993, the Saint Clair Area School District and the Pottsville Area School District entered into an extension agreement which will extend the original agreement for an additional five (5) year term extending through and including the 2000-2001 school year. The agreement shall remain in effect for such extended five (5) year period and shall not be subject to termination during such five (5) year extension period, except by the formal action and written consent of **both** parties. After this period, the agreement shall be automatically renewed unless one party indicates its desire to terminate such agreement at least one (1) year prior to the start of the last year as indicated under this extension agreement. The agreement shall continue to be automatically renewable thereafter for a period of one (1) year or as otherwise agreed to by both parties unless **either** party cancels by giving the other party written notice at least one (1) year prior to the termination of any such renewal period.

On October 7, 2015 the District's entered into an updated agreement for the education of St Clair's 9<sup>th</sup> thru 12<sup>th</sup> grade students at Pottsville for a 10 year period starting with the 2015/2015 school year. St Clair agrees to pay Pottsville an annual tuition payment of \$1,600,000 in 10 equal monthly payments. The agreement provides for several potential adjustments to this amount including a provision for any changes in regard to the formula used by the Commonwealth of Pennsylvania for the Basic Education Subsidy and/or the Special Education Subsidy, and a provision for payment by St Clair for special education costs that exceed \$25,000 for any St Clair student. If a merger between both Districts is not reached prior to the end of this agreement, and if notification of this fact is given by either district two years prior to the end of the agreement, both parties agree to negotiate in good faith to extend this agreement. If such notification is not given by either district at least two years prior to the end of the agreement, the agreement will continue until a two-year notification is given by either district.

Total tuition paid to the District for the year ended June 30, 2017 was \$1,600,000.

**NOTE 7 - BUDGETARY INFORMATION:**

No budget versus actual comparison for the Capital Projects Fund has been displayed in the accompanying financial statements as no budget is required nor was adopted for the fund.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - INTERFUND ACTIVITY:**

A summary of interfund accounts receivable (payable), all which are considered current and relate to state subsidy transfers, at June 30, 2017 is as follows:

<u>Fund</u>	<u>Receivable (Payable)</u>
General Fund	\$ (38,985)
Cafeteria Fund	\$ 38,985

A summary of interfund operating transfers in (out) for the year ended June 30, 2017 follows:

<u>Fund</u>	<u>Transfer In (Out)</u>
General Fund	\$ (65,000)
Cafeteria Fund	\$ 65,000

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

PLAN DESCRIPTION

The Pottsville Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. At July 1, 2014, 75 retired employees were eligible to participate. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts. Plan members are not required to contribute; however, for the member and the spouse, coverage ceases upon the later of the exhaustion of accumulated sick days at retirement used to obtain health coverage, the exhaustion of an HCA based on accumulated sick days at retirement, or Medicare eligibility. If a retiree runs out of unused sick days prior to reaching Medicare eligibility, they may continue on the District plan by paying 100% of premiums.

The District may contribute the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2017, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$411,042. for 2017. These costs are recognized as an expense when claims or premiums are paid.



**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

For 2017, the components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan were as follows:

Annual Required Contribution	\$ 512,104
Interest on Net OPEB Obligation	21,868
Adjustment to Annual Required Contribution	<u>(29,833)</u>
Annual OPEB Cost	504,139
Contributions or Payment Made	<u>(411,042)</u>
Increase in Net OPEB Obligation	93,097
Net OPEB Obligation, Beginning of Year	<u>485,947</u>
<b>Net OPEB Obligation, End of Year</b>	<b><u>\$ 579,044</u></b>
Percentage of Annual OPEB Cost Contributed	<u>81.53%</u>

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the Plan as of July 1, 2014, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 7,959,751
Actuarial Value of Assets	<u>0</u>
Unfunded AAL (UAAL)	<u>7,959,751</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll	<u>\$ 17,456,761</u>
UAAL as Percentage of Covered Payroll	<u>45.60%</u>

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 8.5% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 10 - GASB STATEMENT NO. 54:**

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

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

**Nonexpendable** – Amounts that cannot be spend because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

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

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

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

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

The District assigned fund balance is fund balance reporting occurring by the School Board Administration Authority, under the direction of the Business Manager.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 10 - GASB STATEMENT NO. 54 – continued**

**ORDER OF FUND BALANCE SPENDING POLICY**

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

First, nonspendable fund balances are determined. Then, restricted fund balances for the nongeneral funds are classified as restricted fund balance.

It is possible for the nongeneral funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the nongeneral fund.

**BALANCE SHEET - GOVERNMENTAL FUNDS**

	<b>JUNE 30, 2017</b>		
	<u>General</u>	<u>Capital Projects/ Reserve</u>	<u>Total Governmental Funds</u>
<b>EQUITY (DEFICIT)</b>			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	609,810	609,810
Assigned	0	0	0
Committed	0	0	0
Unassigned (Deficit)	(1,215,066)	0	(1,215,066)
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<u>\$ (1,215,066)</u>	<u>\$ 609,810</u>	<u>\$ (605,256)</u>

**NOTE 11 - RELATED ORGANIZATIONS:**

On August 19, 2015 the District revised its' policy in regard to Booster Clubs. Effective with this revision, the District High School Athletic Office will administer all financial deposits and disbursements for all Booster clubs in a manner similar to the procedures utilized for District student activity accounts. Each booster club was required to close their individual bank accounts and submit the funds to the District no later than September 30, 2015. An individual "account" was established for each Booster Club in order to segregate each Club's activity and available funds. The Booster Club accounts are reflected in the Districts' financial statement as part of the Fiduciary Activity Funds.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 - CONTINGENCY – SHAMOKIN AREA SCHOOL DISTRICT:**

Occasionally, there are students attributable to the District that are attending Northwestern Academy (NWA), which is located in the Shamokin Area School District (SASD). The District is responsible for paying tuition invoiced by SASD for students who attended NWA during the current year. SASD has invoiced for both tuition and rental payments for the NWA. However, the District believes that the assessing of amounts for rental payments is not an appropriate expense. This position has been taken by the majority of the School Districts' that have students at NWA. NWA and SASD have been involved in dialogue with the PA Department of Education (PDE) in an effort to determine the allowability of this rental charge, but have not come to an agreement. The District has estimated that its potential exposure for this rental liability if upheld is approximately \$66,011. This has not been accrued as the ultimate outcome of PDE's decision is unknown and presently payment is uncertain.

**NOTE 13 – OTHER DISCLOSURE – SCHUYLKILL TECHNOLOGY CENTER  
OVERPAYMENT REFUND AGREEMENT**

During the year ended June 30, 2014 an agreement was reached between the District and the Schuylkill Technology Center whereby the Center will refund to the District \$387,464. which arose as a result of incorrect enrollment figures reported by the District as of October 1, 2011, 2012, and 2013. On or before November 15, 2014 the Center will pay to Pottsville the entire amount of excess funds from the 2013-2014 school year, on or before November 15, 2015 the Center will pay to Pottsville the entire amount of excess funds from the 2014-2015 school year, and beginning on November 15, 2016 the Center will pay to Pottsville annually, over a five year period, 1/5 of any remaining balance due after the 2 payments made as noted above. During the current year a payment of \$22,174.95 was received for the 2014/2015 fiscal year. At June 30, 2017 the total remaining receivable is \$193,234.94.

**NOTE 14 – OTHER CONTINGENCY – ERRORS ON YEAR END TRANSPORTATION  
REPORTS:**

During the preparation of the 2015/2016 year end transportation report it was discovered that the District had in previous years over reported the number of reimbursable students transported. The District has notified the PA Department of Education (PDE) and is working with them to determine the extent of any potential subsidy overpayment. The District has computed an estimate of \$376,428.77. No accrual of liability has been made until the District and PDE review the issue and come to an agreement on any potential subsidy repayment. As of the audit date no communication has been received from PDE on this issue.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15– PENSION:**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**PENSIONS**

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

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

**PLAN DESCRIPTION**

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION – continued**

**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-3) 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.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION – continued**

**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 contributed 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 elected Class T-F membership, contribute at 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

**Employer Contributions:**

The school district's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,537,927. for the year ended June 30, 2017.



**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS***

At June 30, 2017, the District reported a liability of \$73,542,000. for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District proportion was .0503%, which was an increase of .0010 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$5,537,927. At June 30, 2017, the District reported net deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Net Deferred Outflows (Inflows) of Resources</u>
Difference between employer contributions and proportionate share of total contributions	\$ <u>8,751,000</u>

\$8,751,000. reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an addition of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ 2,039,000
2018	2,039,000
2019	2,737,000
2020	1,936,000
2021	0
<b>Total Deferred Outflows of Resources</b>	<b>\$ <u>8,751,000</u></b>

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS  
OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED  
TO PENSIONS - continued***

**ACTUARIAL ASSUMPTIONS**

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actual assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS  
OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED  
TO PENSIONS – continued***

**ACTUARIAL ASSUMPTIONS - continued**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100%	

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

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 15 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued***

**DISCOUNT RATE**

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

**SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	Decrease 6.25%	Rate 7.25%	Increase 8.25%
District's proportionate share of the net pension liability	\$ 89,962,000	\$ 73,542,000	\$ 59,745,000

**PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about PSER's fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 16 – OTHER DISCLOSURE – GILLINGHAM CHARTER SCHOOL CHARTER RENEWAL**

Pursuant to the Charter School Law (CSL), 24 Pa. C.S.A. 17-1701-A, et seq., the Board of Education of the School District of Pottsville (“School District”) granted a charter to Gillingham Charter School (“Gillingham” or “Charter School”) to operate a charter school from July 1, 2011 until June 30, 2016.

In 2015, the Charter School applied for renewal of the Charter for an additional five-year term and by Resolution dated December 2, 2015, the School District Board of School Directors notified Gillingham Charter School that the Charter School’s Charter not be renewed.

In compliance with Section 1729-A of the Charter School Law, the Board of Directors of the Pottsville Area School District issued a notice of non-renewal by Resolution dated December 2, 2015 setting forth the reasons why the Charter School’s Charter should not be renewed, scheduling a hearing in this matter and authorizing the appointment of a hearing officer to conduct a hearing.

A hearing officer was appointed and held public hearings on April 18, 19, 20, 21, 25, 26, 2016 and May 3, 4, 12, 19, 23, 2016, during which testimony and exhibits were received regarding the recommended non-renewal. A 30-day public comment period was provided following the conclusion of the hearings. Pursuant to the Charter School Law, the Charter School was permitted to remain in operation beyond July 6, 2016, pending the outcome of those proceedings.

On June 28, 2016 the hearing officer submitted a report to the School District’s administration, including Findings of Fact, Conclusions of Law and a proposed adjudication recommending revocation and non-renewal of the Charter. The School District reviewed the Charter School’s request for a renewal, all of the testimony and exhibits admitted during the hearing, the hearing officer’s report, including its findings of fact and conclusions of law, the submissions by all interested counsel, and all public comments received.

The Board of Directors of the Pottsville Area School District denied the Charter School’s request on July 6, 2016 and adopted the hearing officer’s report, its Findings of Fact and Conclusions of Law, as the reasons for this decision.

The Charter School appealed this decision to the State Charter School Appeal Board (“Appeal Board”), pursuant to the requirement contained in Section 1729-A (f) of the Charter School Law, the Charter shall remain in effect and the Charter School was permitted to remain open pending the conclusion of its appeal before the Appeal Board.

**POTTSVILLE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - continued**

**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 16 – OTHER DISCLOSURE – GILLINGHAM CHARTER SCHOOL CHARTER RENEWAL – continued**

The hearing before the Charter Appeals Board (CAB) took place on July 25, 2017. On September 19, 2017 CAB voted 5-0 to grant Gillingham Charter School's appeal to award the school another 5 year charter.

On October 25, 2017, the District School Board of Directors was directed to grant the renewal of and sign a Charter for the Gillingham Charter School. On the advise of legal counsel on November 16, 2017 the District indicated it would not be issuing the charter for Gillingham as requested that the CAB issue a standard charter. On December 21, 2017 the District received a letter from the CAB stating that the PA Department of Education Secretary Pedro A. Riveria signed the charter effective July 1, 2017.

**NOTE 17 – DEFICIT EQUITY:**

At June 30, 2017 the District's General fund has an unrestricted deficit in the amount of \$1,215,066

**NOTE 18 – PRIOR PERIOD ADJUSTMENT:**

**ACCRUED SUMMER HEALTH INSURANCE:**

In prior years the District accrued health insurance benefits at June 30 which were paid during July and August for its' professional staff. During the current year this accrual was researched and found to be in error. These costs are period costs and are to be expensed when paid. Consequently the District removed (with which we concur) this accrual. The effect was to decrease liabilities and increase fund balance by \$ 586,720..

**POTTSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 19 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT  
NO. 56 (GASB 56) – GOING CONCERN CONSIDERATION:**

For the fiscal years ended June 30, 2015, 2016 and 2017 the District's General Fund recognized significant operating losses. Consequently, at June 30, 2017 the District's General Fund equity position has decreased significantly because of these losses and is in a deficit position of (\$1,215,066). As a result GASB 56 requires that a determination be made as to whether the District will continue as a "going concern" thru the assessment date (June 30, 2018) and the look forward period (February 2019). Management believes these factors are significant in relation to the District's ability to meet its obligations. Consequently, the District formulated plans to mitigate the going concern consideration.

The District assembled various information that we consider to be relevant to the Districts' plans to mitigate the adverse effects of conditions and events that may indicate that there is a substantial doubt about the Districts' ability to continue as a going concern for a reasonable period of time including management's plans.

The District has developed a plan to mitigate the conditions indicated above. Increased revenue plans include (1) Increasing current real estate tax millage to the allowable "index" plus requesting additional millage for allowable "exceptions" provided in applicable regulations (2) Increasing the Occupation Assessment Tax rate and (3) Pursuing increased collection of delinquent real estate and personal taxes. In addition the District has initiated developed the following cost reduction measures (1) Curtailing all except essential expenditures, (2) Potential program eliminations and (3) Potential staffing reductions and other personnel savings. The District has also secured a \$1,000,000. Line of Credit from the Gratz National Bank thru June 30, 2019 at an interest rate of 5.00% to provide cash flow support.

Based on the District plans discussed in the paragraph above it is determined that the District has developed plans that alleviate the going concern determination. Consequently, the audit opinion is not modified in regard to a going concern consideration.

# **SUPPLEMENTAL INFORMATION**



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

**A. SUMMARY OF AUDIT RESULTS**

1. Auditor's report expresses an unqualified opinion on the financial statements of Pottsville Area School District.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pottsville Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit. However, one (1) immaterial instance of noncompliance was noted and is reported as we believe it warrants attention of those charged with governance.
4. No significant deficiencies conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Pottsville Area School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Pottsville Area School District that are to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

Program	CFDA #
National School Lunch	10.555
Regular/Severe Need Breakfast	10.553
Commodities	10.555
After School Snacks	10.555

8. The threshold for distinguishing types A and B Programs was \$750,000.
9. Pottsville Area School District was determined not to be a low-risk auditee.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

VIOLATIONS OF LAWS AND REGULATIONS

**2017-1: Preparation of the Financial Statements**

**Condition:** During our current year audit, we noted that employees or management lack the qualifications and training to apply generally accepted accounting principles (GAAP) in recording transactions or preparing financial statements.

**Criteria:** Internal controls should be in place that provide assurance that financial statements are prepared in accordance with GAAP.

**Effect:** Accounting transactions and required notes to the financial statements may not comply with GAAP.

**Recommendation:** This significant control deficiency could be resolved by employing an individual with the qualifications to apply GAAP in recording transactions and preparing financial statements, however, this may be impractical based on the size and structure of the District. Statement on Auditing Standards No. 112 requires significant deficiencies in internal control reported in prior years that still exist to be reported in subsequent years.

**Management Response:** The District recognizes the recommendation but believes that existing experience of current employees coupled with ongoing financial controls and procedures mitigate the likelihood that material misstatements would occur without detection. It should be noted that subsequent to June 30, 2017 the District hired a professionally educated accountant as their business manager with the necessary skills to prepare the financial statements. Therefore, this finding will be cleared during the 2017/2018 audit.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**POTTSVILLE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

**2016-01 General Ledger Maintenance and Financial Reporting**

Condition: Required procedures necessary to properly maintain the Districts' general ledger were not followed resulting in inaccurate financial reporting being made to the Board of School Directors.

Criteria: #1 - Proper "close-out" of the Districts' General Fund general ledger was not accomplished at the end of June 30, 2015. Consequently the opening Balance Sheet account balances were not reflected in the general ledger accounts as of July 1, 2015. The effect of this was that all the balance sheet accounts balances reported throughout the 2015/2016 fiscal year were incorrect. Consequently, proper reconciliation from detail information (for example bank account reconciliations) to the general ledger was not possible. If the required reconciliations were done this error would have been identified and could have been corrected. However these reconciliations were not done during the 2015/2016 year and as such the general ledger balance differences were not identified nor were they corrected.

Criteria: #2 - Proper general ledger maintenance was not performed in several months during the audit period. The Districts' accounting computer system requires that a "double entry procedure" be run at least monthly. This procedure posts all open accounting transactions. The result of not performing these maintenance procedures was that the general ledger balance were not correct and reported misleading information.

Cause: Required procedures were not followed required during the 2015/2016 fiscal year.

Effect: Because of the failure to accomplish required procedures, inaccurate financial information was provided during the 2015/2016 fiscal year.

Recommendation: We immediately recommended that the District establish procedures to ensure that proper reconciliations be accomplished between detail information and the general ledger and that all required year-end closeout procedures and monthly procedures be adhered to.

Views of Responsible Officials and Planned Corrective Actions: Upon notification the District instituted procedures to ensure the required procedures are being accomplished with proper checks and balances being established.

Current Status: During the current year audit, we noted the District properly closed its accounting system and institutes policies to reconcile general ledger accounts. Therefore, this finding is cleared.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED**

**VIOLATION OF LAWS AND REGULATIONS**

**2016-02 Failure to Receive Required Tax Collector Reports**

Condition: Tax collector monthly reports were not submitted to and received by the District as required.

Criteria: The Tax Collection Manual as prepared by the PA Governors Center for Local Government Services (Department of Community & Economic Development) Revised April 2007 requires that a tax collector is require to submit (unless required more frequently by the taxing jurisdiction) a monthly report to the District by the 10<sup>th</sup> of each month. The report must contain (among other items) a listing of all taxes collected in the prior month and a reconciliation of the tax duplicates.

Cause: We noted that required reports were not received from one District tax collector for Occupation and Per Capita taxes for the 2015/2016 tax duplicates.

Effect: While the tax collector did submit payments, without the required reports the District was unable to verify the payments made and the tax duplicates. It should be noted that the District did make repeated requests for these reports but did not receive them.

Recommendation: We recommend that the District require that all tax collectors submit the required reports on a timely basis as required by the manual. If they are not received, we recommend that the District the levy the penalties for late filing as provided for in the manual.

Views of Responsible Officials and Planned Corrective Actions: The Pottsville Area School District agrees with the finding and will ensure that all tax collectors submit the required reports.

Current Status: During the current year audit, we noted the District received all required reports from all its' tax collectors. Therefore, this finding is cleared.

**POTTSVILLE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED**

**VIOLATION OF LAWS AND REGULATIONS – CONTINUED**

**2016-03 Violation of Bidding Requirements**

Condition: Bidding requirements were not followed during the 2015/2016 fiscal year.

Criteria: Bidding requirements for Pennsylvania Governments are established annually by the PA Department of Labor and Industry under the authority of Act 97 of 2011. For both the 2015 and 2016 calendar years the level of purchase that requires formal competitive bidding is for any purchases and contracts exceeding \$19,400. In addition, 3 telephone/email quotations are to be obtained for purchases/contracts between \$10,500 and \$19,400.

Cause: During our 2015/2016 expenditure testing we noted several transactions where we could not locate evidence that the bidding requirements as outlined in the Criteria paragraph above were followed.

Effect: As the required bidding requirements were not followed during the 2015/2016 fiscal year it is possible that acquired goods/services were not acquired at the lowest cost.

Recommendation: We recommend that the District ensure that all individuals involved in procurement of goods and services become familiar with these requirements and that they follow them when acquiring goods and/or services.

Views of Responsible Officials and Planned Corrective Actions: The Pottsville Area School District agrees with the finding and will ensure that all individuals involved in procurement of goods and services become familiar with these requirements and that they follow them when acquiring goods and/or services.

Current Status: During the current year audit, we noted the District, with the exception of one instance, complied with the required bidding requirements. In the case of the one exception, it occurred prior to the District being notified of the violations in the 2015/2016 audit. In addition it did have two written quotes, but the regulation requires three. All tested transaction after this notification was transmitted complied with all applicable regulations. Therefore, this finding is cleared.

POTTSVILLE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2017
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed Through State Department of Education:										
E.S.E.A. Title I - 2015-2016	(I)	84.010	013-160349	\$ 672,521	7-1-15 / 9-30-16	\$ 0	\$ (1,786)	\$ 1,786	\$ 1,786	\$ 0
E.S.E.A. Title I - 2016-2017	(I)	84.010	013-170349	\$ 704,947	7-1-16 / 9-30-17	\$ 526,559	\$ 0	\$ 686,039	\$ 686,039	\$ 159,480
E.S.E.A. Title IIA Improving Teacher Quality - 2016-2017	(I)	84.367	020-170349	155,814	7-1-16 / 9-30-17	155,814	0	155,814	155,814	0
Passed Through Schuykill IU #29:										
IDEA Part B - 2016-2017	(I)	84.027	N/A	454,163	7-1-16 / 6-30-17	454,163	0	454,163	454,163	0
IDEA Section 619 - 2016-2017	(I)	84.173	N/A	6,681	7-1-16 / 9-30-17	6,681	0	6,681	6,681	0
21st Century Community Learning Center - 2016-2017	(I)	84.287	N/A	35,486	7-1-16 / 9-30-17	22,295	0	27,577	27,577	5,282
21st Century Community Learning Center - 2015-2016	(I)	84.287	N/A	43,785	7-1-15 / 9-30-16	12,534	4,721	7,813	7,813	0
<b>TOTAL DEPARTMENT OF EDUCATION</b>				<b>2,073,397</b>		<b>1,178,046</b>	<b>2,935</b>	<b>1,339,873</b>	<b>1,339,873</b>	<b>164,762</b>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>										
Passed Through State Department of General Services:										
Donation of Federal Surplus Property	(I)	39.003	231026	763	7-1-16 / 6-30-17	763	0	763	763	0
<b>TOTAL GENERAL SERVICES ADMINISTRATION</b>				<b>763</b>		<b>763</b>	<b>0</b>	<b>763</b>	<b>763</b>	<b>0</b>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>										
Passed Through State Emergency Management Agency										
Public Assistance Grants	(I)	97.036	FEMA-4267-DR-PA-107-02FB3-00	4,806	7-1-16 / 6-30-17	4,806	0	4,806	4,806	0
<b>TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				<b>4,806</b>		<b>4,806</b>	<b>0</b>	<b>4,806</b>	<b>4,806</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
Passed Through State Department of Welfare:										
Medical Assistance - Access Administration - 2016/2017	(I)	93.778	NONE	25,303	7-1-16 / 9-30-17	12,522	0	25,303	25,303	12,781
Medical Assistance - Access Administration - 2015/2016	(I)	93.778	NONE	45,982	7-1-15 / 9-30-16	13,821	13,821	0	0	0
<b>TOTAL DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>				<b>71,285</b>		<b>26,343</b>	<b>13,821</b>	<b>25,303</b>	<b>25,303</b>	<b>12,781</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Passed Through State Department of Education:										
National School Lunch - 2015-2016	(I)	10.555	129-54-610-03	791,194	7-1-15 / 6-30-16	96,320	98,320	0	0	0
National School Lunch - 2015-2016	(S)	N/A	129-54-610-03	46,905	7-1-15 / 6-30-16	5,812	5,812	0	0	0
National School Lunch - 2016-2017	(I)	10.555	129-54-610-03	793,850	7-1-16 / 6-30-17	779,639	0	793,850	793,850	14,211
National School Lunch - 2016-2017	(S)	N/A	129-54-610-03	46,842	7-1-16 / 6-30-17	46,032	0	46,842	46,842	810
Regular/Severe Need Breakfast - 2016-2017	(I)	10.553	129-54-610-03	197,645	7-1-16 / 6-30-17	194,719	0	197,645	197,645	2,926
Regular/Severe Need Breakfast - 2016-2017	(S)	N/A	129-54-610-03	10,211	7-1-16 / 6-30-17	10,062	0	10,211	10,211	149
Regular/Severe Need Breakfast - 2015-2016	(I)	10.553	129-54-610-03	183,174	7-1-15 / 6-30-16	24,174	24,174	0	0	0
Regular/Severe Need Breakfast - 2015-2016	(S)	N/A	129-54-610-03	9,674	7-1-15 / 6-30-16	1,277	1,277	0	0	0
After School Snacks 2016-2017	(I)	10.555	129-54-610-03	2,261	7-1-16 / 6-30-17	2,261	0	2,261	2,261	0
<b>Passed Through State Department of Agriculture:</b>				<b>118,797</b>	<b>7-1-16 / 6-30-17 (A)</b>	<b>117,513 (B)</b>	<b>(17,583)</b>	<b>113,562 (C)</b>	<b>113,562 (D)</b>	<b>(21,534)</b>
<b>Value of USDA Commodities</b>				<b>2,200,555</b>		<b>1,279,809</b>	<b>112,000</b>	<b>1,164,371</b>	<b>1,164,371</b>	<b>(9,438)</b>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>				<b>4,350,804</b>		<b>2,489,767</b>	<b>128,756</b>	<b>2,535,116</b>	<b>2,535,116</b>	<b>174,105</b>
<b>SUB-TOTAL</b>				<b>113,632</b>		<b>63,183</b>	<b>7,089</b>	<b>57,053</b>	<b>57,053</b>	<b>959</b>
<b>STATE AWARD EXPENDITURES</b>				<b>\$ 4,237,172</b>		<b>\$ 2,426,584</b>	<b>\$ 121,667</b>	<b>\$ 2,478,063</b>	<b>\$ 2,478,063</b>	<b>\$ 173,146</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>										

Source Code Legend:

- (D) Indicates direct federal financial assistance funding.
- (I) Indicates indirect federal financial assistance funding.
- (S) Indicates State matching funding.

Other Code Legend:

- (A) Indicates value of USDA commodities received in current year.
- (B) Indicates beginning inventory value of USDA commodities.
- (C) Indicates value of USDA commodities used in current year.
- (D) Indicates ending inventory value of USDA commodities. See notes to financial statements which are an integral part of this statement.

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**NOTE 2 - COMMODITIES:**

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered.

**POTTSVILLE AREA SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)</b>	14.8400%	0.1439%	0.1433%	0.1381%
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)</b>	\$ 73,542,000	\$ 62,330,000	\$ 56,719,000	\$ 56,533,000
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 19,215,689	\$ 18,520,530	\$ 18,285,304	\$ 17,727,914
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	382.72%	336.55%	310.19%	318.89%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	50.14%	54.40%	52.24%	54.49%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.



**POTTSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2016	June 30, 2015	June 30, 2014
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ 4,721,000	\$ 3,716,000	\$ 3,683,433
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>(4,721,000)</u>	<u>(3,716,000)</u>	<u>(3,683,433)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 19,215,689	\$ 18,520,530	\$ 18,285,304
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	24.57%	20.06%	20.14%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.