

PENNRIDGE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

PENNRIDGE SCHOOL DISTRICT

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PENNRIDGE SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Pennridge School District
Perkasie, 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 Pennridge School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pennridge 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.

Auditors' 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 auditors' 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.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

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 Pennridge School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 54 and 55, postemployment benefits other than pension funding progress on page 56, schedule of the school district's proportionate share of the net pension liability on page 57, and schedule of the school district's contributions on page 58 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 Pennridge School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements."

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the Pennridge 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 Pennridge School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 15, 2017

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

This section of the Pennridge School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

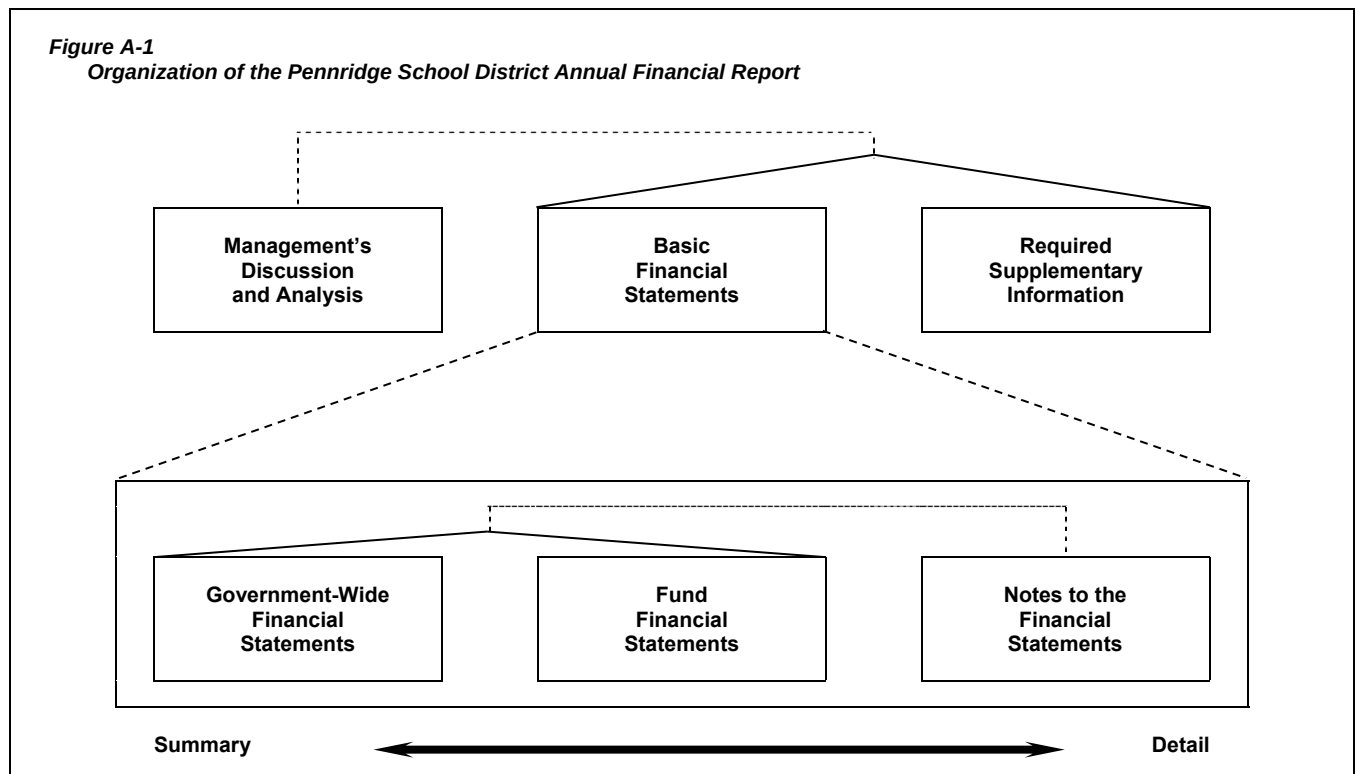
The assets and deferred outflows of resources of the Pennridge School District were lower than its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$81,888,153 (net position).

The School District's total net position increased by \$4,826,963.

- As of the close of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$34,464,748, an increase of \$1,494,446 in comparison with the prior year. Most of this fund balance is restricted or committed for specific capital projects and expenditures.
- The unassigned fund balance of the General Fund is \$9,581,141 or 7.4% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.



PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

This discussion and analysis is intended to serve as an introduction to the Pennridge School District's basic financial statements. The Pennridge School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Pennridge School District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Pennridge School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Pennridge School District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Pennridge School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Pennridge School District include Instruction, Support Services, Operation of Non-Instructional Services, Depreciation Expense, Unallocated and Interest on Long-Term Debt. The business-type activity of the Pennridge School District is Food Services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Pennridge School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Pennridge School District can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The Pennridge School District maintains two individual Governmental Funds. Information is presented separately on the Governmental Funds balance sheet and on the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds.

The Pennridge School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for your review.

Proprietary Funds - The Pennridge School District maintains two different types of Proprietary Funds. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the Enterprise Fund for student food services and uses the Internal Service Fund to account for health insurance, self-insurance activities. Because the self-insurance activities benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The information reported on the fund statements for the Proprietary Funds provides the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Pennridge School District's own programs. The accounting used for Fiduciary Funds is much like Proprietary Funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Pennridge School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$81,888,153 at the close of the fiscal year.

Table A-1

Net Position

June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
ASSETS		
Current and other assets	\$ 60,245,671	\$ 56,430,781
Capital assets	159,700,257	163,786,229
TOTAL ASSETS	<u>219,945,928</u>	<u>220,217,010</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>48,812,691</u>	<u>26,809,173</u>
LIABILITIES		
Current and other liabilities	15,228,097	15,261,649
Long-term liabilities	329,451,047	312,817,051
TOTAL LIABILITIES	<u>344,679,144</u>	<u>328,078,700</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,551,000</u>	<u>4,338,000</u>
NET POSITION		
Net investment in capital assets	53,881,220	47,178,536
Restricted	-	332,720
Unrestricted	<u>(134,352,745)</u>	<u>(132,901,773)</u>
TOTAL NET POSITION	<u>\$ (80,471,525)</u>	<u>\$ (85,390,517)</u>

Business-Type Activities		Totals	
2017	2016	2017	2016
\$ 1,315,546	\$ 1,302,369	\$ 61,561,217	\$ 57,733,150
322,938	338,419	160,023,195	164,124,648
<u>1,638,484</u>	<u>1,640,788</u>	<u>221,584,412</u>	<u>221,857,798</u>
598,000	233,000	49,410,691	27,042,173
85,663	60,849	15,313,760	15,322,498
3,492,449	3,066,538	332,943,496	315,883,589
<u>3,578,112</u>	<u>3,127,387</u>	<u>348,257,256</u>	<u>331,206,087</u>
75,000	71,000	4,626,000	4,409,000
322,938	338,419	54,204,158	47,516,955
-	-	-	332,720
<u>(1,739,566)</u>	<u>(1,663,018)</u>	<u>(136,092,311)</u>	<u>(134,564,791)</u>
\$ <u>(1,416,628)</u>	\$ <u>(1,324,599)</u>	\$ <u>(81,888,153)</u>	\$ <u>(86,715,116)</u>

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities on page 17. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

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

Table A-2

Changes in Net Position

June 30, 2017 and 2016

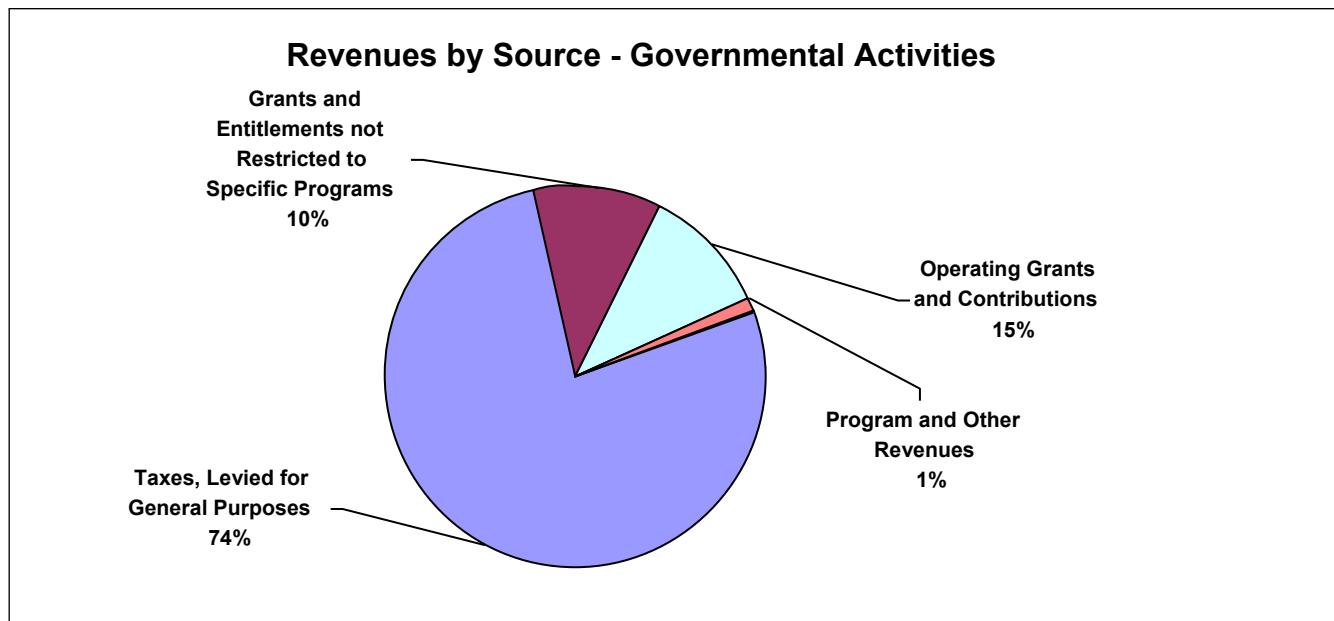
	Governmental Activities	
	2017	2016
REVENUES		
Program revenues		
Charges for services	\$ 391,066	\$ 433,364
Operating grants and contributions	18,795,323	16,951,352
Capital grants and contributions	1,736,787	144,659
General revenues		
Taxes, levied for general purposes	99,593,354	95,694,461
Grants and entitlements not restricted to specific programs	13,007,167	12,480,926
Miscellaneous	204,690	1,461,274
Investment earnings	333,903	162,302
TOTAL REVENUES	134,062,290	127,328,338
EXPENSES		
Instruction	79,394,212	74,061,586
Operation and maintenance of plant services	9,609,062	8,976,093
Pupil transportation	6,524,262	6,549,493
Other support services	22,035,772	18,881,699
Student activities	1,596,971	1,390,740
Community services	63,802	54,452
Depreciation expense, unallocated	7,685,332	7,656,120
Interest on long-term debt	2,233,885	2,928,892
Food services	-	1,037
TOTAL EXPENSES	129,143,298	120,500,112
CHANGE IN NET POSITION	\$ 4,918,992	\$ 6,828,226

Business-Type Activities		Totals	
2017	2016	2017	2016
\$ 1,522,474	\$ 1,567,156	\$ 1,913,540	\$ 2,000,520
1,030,986	1,018,414	19,826,309	17,969,766
-	-	1,736,787	144,659
-	-	99,593,354	95,694,461
-	-	13,007,167	12,480,926
-	-	204,690	1,461,274
4,639	3,950	338,542	166,252
<u>2,558,099</u>	<u>2,589,520</u>	<u>136,620,389</u>	<u>129,917,858</u>
-	-	79,394,212	74,061,586
-	-	9,609,062	8,976,093
-	-	6,524,262	6,549,493
-	-	22,035,772	18,881,699
-	-	1,596,971	1,390,740
-	-	63,802	54,452
-	-	7,685,332	7,656,120
-	-	2,233,885	2,928,892
2,650,128	2,583,312	2,650,128	2,584,349
<u>2,650,128</u>	<u>2,583,312</u>	<u>131,793,426</u>	<u>123,083,424</u>
\$ <u>(92,029)</u>	\$ <u>6,208</u>	\$ <u>4,826,963</u>	\$ <u>6,834,434</u>

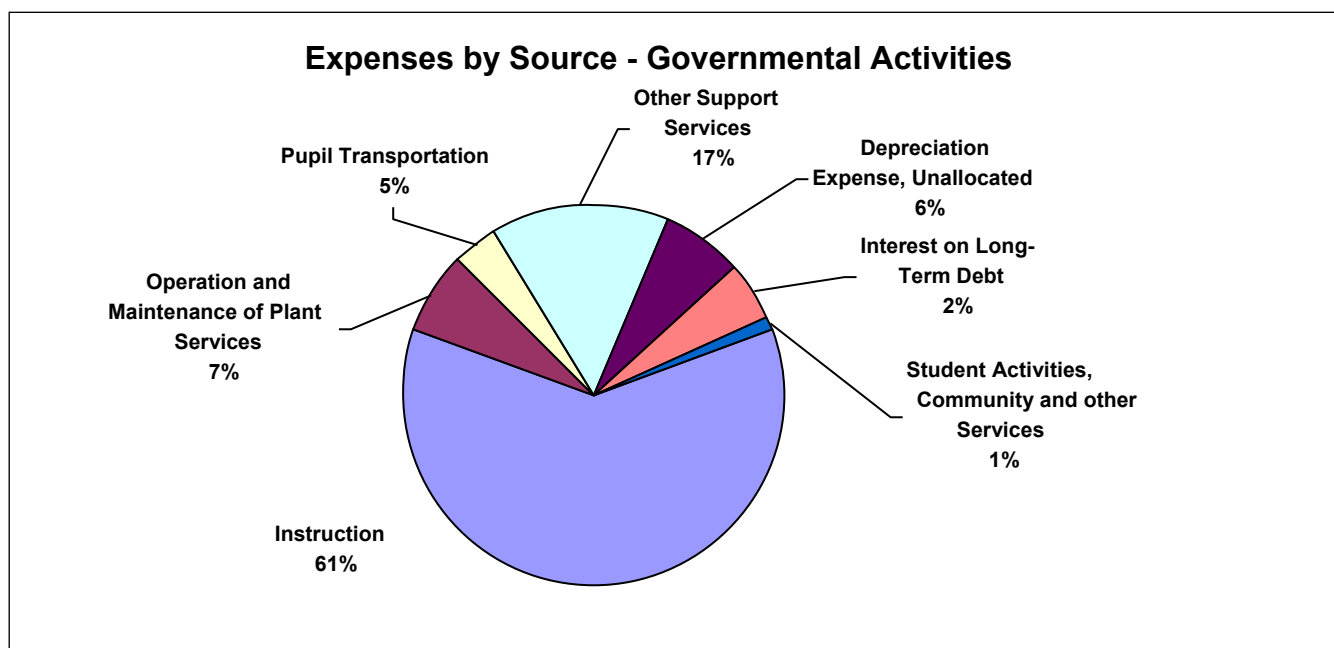
PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Governmental Activities

Governmental activities increased Penridge School District's net position by \$4,918,992. Table A-2 identifies the key revenues and expenses of the governmental activities. The following graph illustrates the key revenues of the District. As you will notice, local taxes support 74% of the total revenues, while operating grants and contributions are 15%. Investment earnings, miscellaneous revenues, capital grants and other unrestricted grants and subsidies account for 11%.



The following graph illustrates the functional distribution of the District's governmental activities expenses. The largest category of District expenses is the Instructional area that accounts for 61% of all governmental activities.



PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Business-Type Activities

Business-type activities decreased the Pennridge School District's net position by \$92,029. The District food service operation shows a net decrease for the first time in ten years. The department has had its net position increase (decrease) as follows:

	<u>Net Income</u>	<u>Ending Net Position</u>
2016 to 2017	\$ (92,029)	\$ (1,416,628)
2015 to 2016	6,208	(1,324,599)
2014 to 2015	16,152	(1,330,807)
2013 to 2014	112,959	1,467,041
2012 to 2013	176,190	1,354,082
2011 to 2012	92,542	1,177,892
2010 to 2011	200,295	1,085,350
2009 to 2010	182,141	885,055
2008 to 2009	78,129	702,914
2007 to 2008	15,783	624,785

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Pennridge School District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Pennridge School District's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Pennridge School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$34,464,748, an increase of \$1,494,446 in comparison with the prior year. A large portion of ending fund balance is in our Capital Projects Fund \$17,954,257. The fund balance in the Capital Projects Fund is restricted and committed funding for building renovations and equipment purchases identified in the District's Five-Year Capital Plan.

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The General Fund is the chief operating fund of the Pennridge School District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,581,141, while the total fund balance was \$16,510,491. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. The General Fund's unassigned fund balance represents 7% of General Fund expenditures, while total General Fund fund balance represents 13% of General Fund expenditures. The fund balance of the Pennridge School District's General Fund did not change during the current fiscal year.

The District uses the Capital Projects Fund to account for the inflow and outflow of financial resources relating to the issuance of long-term debt and transfers from the General Fund used to fund large capital projects and equipment purchases. The ending fund balance in the Capital Projects Fund for the fiscal year ended June 30, 2017, was \$17,954,257.

Proprietary Funds

The Pennridge School District's Proprietary Funds provide the same type of information found in the government-wide financial statements but in more detail.

Total net position of the Food Service Fund at the end of the year amounted to a deficit balance of \$1,416,628. Majority of the deficit balance is due to a portion of the net pension liability being allocated to this fund. The District has been proactive in evaluating the operation of the nutritional services offered to the students. The Food Service Fund's expenditures exceeded its revenues by \$92,029 during the year ended June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Pennridge School District's actual revenues exceeded the budget amounts by \$3,886,652. Actual revenues exceeded estimated revenues because real estate and earned income tax collection rates exceeded the 96.5% rate used to prepare the budget. In addition, state funding received for rental and sinking fund reimbursements exceeded the budget. The following table identifies the specific revenue sources that reflect this situation:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Current real estate taxes	\$ <u>79,295,778</u>	\$ <u>79,826,732</u>	\$ <u>530,954</u>
Earned income taxes	\$ <u>14,795,000</u>	\$ <u>15,779,874</u>	\$ <u>984,874</u>
Rental and sinking fund payments	\$ <u>700,886</u>	\$ <u>1,736,787</u>	\$ <u>1,035,901</u>

The actual expenditures were less than the final budgeted expenditures by \$1,914,045. Reasons for this decrease are due to savings in debt service due to low interest rates on variable rate debt and lower health insurance costs than anticipated.

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Pennridge School District's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$160,023,195 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, construction in progress and furniture, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- Currently, there is \$847,181 of construction in progress.
- The District completed \$1,713,572 in building improvements during the fiscal year, \$904,513 of which was construction in progress from prior years.
- The District acquired \$1,998,618 in additional equipment.

Long-Term Debt

At the end of the current fiscal year, the Pennridge School District had total bonded debt outstanding of \$102,463,735. Of this debt, \$23,005,000 is variable rate; the remaining debt includes a fixed interest rate. All of the debt is general obligation debt and is backed by the full faith and credit of the School District.

State law prohibits the School District from issuing general obligation bonds in excess of 250% of the annual arithmetic average of total revenues for the three fiscal years ended preceding the date of incurring the debt. The current borrowing limit is \$319,650,192.

Additional analysis of the District's debt is included in the accompanying notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The District continued to receive and monitor assessment appeals by property owners that resulted in the reduction of real estate assessed values. The rate of decline has slowed and the District has begun to experience growth in assessed value due to new construction.
- Short-term interest rates are increasing from historically low levels. This is having a positive effect on the District's investment earnings.
- Healthcare costs have increased over the past five fiscal years. We expect this to continue into the next fiscal year.
- The District's contribution to the Pennsylvania Schools Employee Retirement System is projected to increase at a very high rate over the next several years. The current economic condition suggests that the contribution rate will continue to increase for the foreseeable future.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

- The contract with the Pennridge Education Support Professional Association runs through June 30, 2019.
- The contract with the Pennridge Education Association runs through June 30, 2018. The district and Association will begin efforts to reach a new contract during the 2017-2018 fiscal year.

All of these factors have been considered in preparing the Pennridge School District's budget for the 2017-2018 fiscal year.

The District, concerned with the decline in interest rates because of our high value of fixed rate debt, continues to look for opportunities to re-finance fixed rate outstanding bonds to a lower fixed rate.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Pennridge School District's finances for all those with interest in the District's finances. Questions concerning any of the information provided in this report should be addressed to the Business Administrator, Pennridge School District, Pennridge District Education Center, 1200 North Fifth Street, Perkasio, PA 18944-2295.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 50,939,887	\$ 1,023,900	\$ 51,963,787
Investments	5,505,200	211,121	5,716,321
Taxes receivable, net	1,190,658	-	1,190,658
Internal balances	116,170	(116,170)	-
Due from Fiduciary Funds	48	-	48
Due from other governments	1,468,810	135,632	1,604,442
Other receivables, net	68,353	7,115	75,468
Inventories	468,149	53,948	522,097
Prepaid expenses	119,280	-	119,280
Other assets	369,116	-	369,116
Capital assets			
Land and land improvements	950,176	-	950,176
Buildings and building improvements	232,658,757	-	232,658,757
Furniture, equipment and vehicles	34,998,593	2,517,946	37,516,539
Construction in progress	847,181	-	847,181
Accumulated depreciation	(109,754,450)	(2,195,008)	(111,949,458)
TOTAL ASSETS	<u>219,945,928</u>	<u>1,638,484</u>	<u>221,584,412</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	36,776,000	598,000	37,374,000
Deferred outflows for lease-rental obligations	11,393,735	-	11,393,735
Deferred charge on refunding	642,956	-	642,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>48,812,691</u>	<u>598,000</u>	<u>49,410,691</u>
LIABILITIES			
Accounts payable	2,435,075	21,914	2,456,989
Accrued salaries and benefits	11,287,501	-	11,287,501
Accrued interest	823,263	-	823,263
Other current liabilities	682,258	-	682,258
Unearned revenue	-	63,749	63,749
Long-term liabilities			
Portion due or payable within one year			
Bonds/notes payable	9,765,000	-	9,765,000
Lease-rental obligations	341,246	-	341,246
Lease-purchase obligations	454,623	-	454,623
Portion due or payable after one year			
Unamortized bond premium	3,043,430	-	3,043,430
Bonds/notes payable	81,305,000	-	81,305,000
Lease-rental obligations	11,052,489	-	11,052,489
Lease-purchase obligations	500,205	-	500,205
Compensated absences	2,798,164	4,449	2,802,613
Net pension liability	214,562,000	3,488,000	218,050,000
Net OPEB obligation	5,628,890	-	5,628,890
TOTAL LIABILITIES	<u>344,679,144</u>	<u>3,578,112</u>	<u>348,257,256</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	4,551,000	75,000	4,626,000
NET POSITION			
Net investment in capital assets	53,881,220	322,938	54,204,158
Unrestricted	(134,352,745)	(1,739,566)	(136,092,311)
TOTAL NET POSITION	<u>\$ (80,471,525)</u>	<u>\$ (1,416,628)</u>	<u>\$ (81,888,153)</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction					
Regular programs	\$ 54,183,521	\$ 84,147	\$ 10,314,349	\$ -	
Special programs	21,509,649	-	6,307,916	-	
Vocational education	3,216,396	-	-	-	
Other instructional programs	474,070	20,810	-	-	
Adult education programs	10,576	13,648	-	-	
Support services					
Pupil personnel services	4,895,727	-	-	-	
Instructional staff services	3,595,496	-	-	-	
Administration services	8,192,233	-	-	-	
Pupil health services	1,347,713	-	562,082	-	
Business services	839,305	-	-	-	
Operation and maintenance of plant services	9,609,062	264,981	-	-	
Student transportation services	6,524,262	7,480	1,610,976	-	
Central services	2,794,045	-	-	-	
Other services	371,253	-	-	-	
Operation of non-instructional services					
Food services	-	-	-	-	
Student activities	1,596,971	-	-	-	
Community services	63,802	-	-	-	
Depreciation expense, unallocated	7,685,332	-	-	-	
Interest on long-term debt	2,233,885	-	-	1,736,787	
TOTAL GOVERNMENTAL ACTIVITIES	129,143,298	391,066	18,795,323	1,736,787	
BUSINESS-TYPE ACTIVITIES					
Food service	2,650,128	1,522,474	1,030,986	-	
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 131,793,426	\$ 1,913,540	\$ 19,826,309	\$ 1,736,787	

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Real estate transfer taxes

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (43,785,025)	\$ -	\$ (43,785,025)
(15,201,733)	-	(15,201,733)
(3,216,396)	-	(3,216,396)
(453,260)	-	(453,260)
3,072	-	3,072
(4,895,727)	-	(4,895,727)
(3,595,496)	-	(3,595,496)
(8,192,233)	-	(8,192,233)
(785,631)	-	(785,631)
(839,305)	-	(839,305)
(9,344,081)	-	(9,344,081)
(4,905,806)	-	(4,905,806)
(2,794,045)	-	(2,794,045)
(371,253)	-	(371,253)
-	-	-
(1,596,971)	-	(1,596,971)
(63,802)	-	(63,802)
(7,685,332)	-	(7,685,332)
(497,098)	-	(497,098)
(108,220,122)	-	(108,220,122)
-	(96,668)	(96,668)
(108,220,122)	(96,668)	(108,316,790)
82,013,654	-	82,013,654
104,852	-	104,852
15,779,874	-	15,779,874
1,592,766	-	1,592,766
102,208	-	102,208
13,007,167	-	13,007,167
333,903	4,639	338,542
204,690	-	204,690
113,139,114	4,639	113,143,753
4,918,992	(92,029)	4,826,963
(85,390,517)	(1,324,599)	(86,715,116)
\$ (80,471,525)	\$ (1,416,628)	\$ (81,888,153)

PENNRIDGE SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 26,252,533	\$ 13,353,941	\$ 39,606,474
Investments	5,505,200	-	5,505,200
Taxes receivable, net	1,190,658	-	1,190,658
Due from other funds	116,218	4,904,305	5,020,523
Due from other governments	1,468,810	-	1,468,810
Other receivables	20,580	-	20,580
Inventories	468,149	-	468,149
Prepaid items	65,780	-	65,780
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>35,087,928</u>	\$ <u>18,258,246</u>	\$ <u>53,346,174</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 878,693	\$ 303,989	\$ 1,182,682
Due to other funds	4,904,305	-	4,904,305
Other current liabilities	682,258	-	682,258
Accrued salaries and benefits	11,287,501	-	11,287,501
TOTAL LIABILITIES	<u>17,752,757</u>	<u>303,989</u>	<u>18,056,746</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	<u>824,680</u>	<u>-</u>	<u>824,680</u>
FUND BALANCES			
Nonspendable			
Inventories	468,149	-	468,149
Prepaid items	65,780	-	65,780
Committed to			
Capital projects	-	17,954,257	17,954,257
Financial software	15,986	-	15,986
Future retirement rate increase	6,041,781	-	6,041,781
2017-2018 budget	337,654	-	337,654
Unassigned	9,581,141	-	9,581,141
TOTAL FUND BALANCES	<u>16,510,491</u>	<u>17,954,257</u>	<u>34,464,748</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ <u>35,087,928</u>	\$ <u>18,258,246</u>	\$ <u>53,346,174</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 34,464,748
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and land improvements	950,176
Buildings and building improvements	232,658,757
Furniture, equipment and vehicles	34,998,593
Construction in progress	847,181
Accumulated depreciation	(109,754,450)
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred charges	989,091
Accumulated amortization on deferred charges	(346,135)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	32,225,000
Deferred outflows of resources related to lease-rental obligations are not financial resources and therefore not reported in the governmental funds.	11,393,735
The assets and liabilities of the Internal Service Fund are not included in the fund financial statements but are included in the governmental activities on the statement of net position.	10,551,409
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(823,263)
Bonds/notes payable	(91,070,000)
Lease-purchase obligations	(954,828)
Lease-rental obligations	(11,393,735)
Unamortized bond premium	(3,043,430)
Compensated absences	(2,798,164)
Net pension liability	(214,562,000)
Net OPEB obligation	(5,628,890)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	824,680
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(80,471,525)</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 101,776,279	\$ 2,527	\$ 101,778,806
State sources	31,004,440	-	31,004,440
Federal sources	<u>1,351,330</u>	<u>-</u>	<u>1,351,330</u>
TOTAL REVENUES	<u>134,132,049</u>	<u>2,527</u>	<u>134,134,576</u>
EXPENDITURES			
Instruction	78,348,269	-	78,348,269
Support services	36,224,849	-	36,224,849
Operation of non-instructional services	1,602,002	-	1,602,002
Facilities acquisition, construction and improvement services	-	3,180,393	3,180,393
Debt service	11,959,235	331,628	12,290,863
Refund of prior year receipts	<u>993,754</u>	<u>-</u>	<u>993,754</u>
TOTAL EXPENDITURES	<u>129,128,109</u>	<u>3,512,021</u>	<u>132,640,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,003,940</u>	<u>(3,509,494)</u>	<u>1,494,446</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,904,305	4,904,305
Transfers out	<u>(4,904,305)</u>	<u>-</u>	<u>(4,904,305)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,904,305)</u>	<u>4,904,305</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	99,635	1,394,811	1,494,446
FUND BALANCES AT BEGINNING OF YEAR	<u>16,410,856</u>	<u>16,559,446</u>	<u>32,970,302</u>
FUND BALANCES AT END OF YEAR	<u>\$ 16,510,491</u>	<u>\$ 17,954,257</u>	<u>\$ 34,464,748</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS FORWARD

\$ 1,494,446

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$7,685,332) exceeds capital outlays (\$3,599,360) in the current period.

(4,085,972)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unearned tax revenues decreased by this amount this year.

(24,694)

Repayment of long-term debt principal, including capital leases, is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

10,616,077

New borrowings increase Governmental Funds balances; however, this is an increase to liabilities in the statement of net position.

(716,582)

Bond premiums are reported in Governmental Funds as revenues; however, in the statement of activities, the revenues from bond premiums are allocated over the term lives of debt instruments as an offset to interest expense.

334,830

Bond discounts are reported in Governmental Funds as expenses; however, in the statement of activities, the expenses from bond discounts are allocated over the term lives of debt instruments as an increase to interest expense.

(106,427)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:

Accrued interest not reflected in Governmental Funds

53,832

SUBTOTAL ADJUSTMENTS FORWARD

\$ 6,071,064

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 1,494,446
SUBTOTAL ADJUSTMENTS FORWARDED	6,071,064
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used.	(57,384)
The Internal Service Fund is used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities.	2,324,858
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds: Pension plan expense	(4,247,000)
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(666,992)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>4,918,992</u></u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2017

	Enterprise Fund Food Service Fund	Internal Service Fund Self- Insurance Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,023,900	\$ 11,333,413
Investments	211,121	-
Due from other governments	135,632	-
Other receivables	7,115	47,773
Inventories	53,948	-
Prepaid expenses	-	53,500
Other assets	-	369,116
TOTAL CURRENT ASSETS	<u>1,431,716</u>	<u>11,803,802</u>
CAPITAL ASSETS		
Machinery and equipment	2,517,946	-
Accumulated depreciation	<u>(2,195,008)</u>	<u>-</u>
TOTAL CAPITAL ASSETS	<u>322,938</u>	<u>-</u>
TOTAL ASSETS	<u>1,754,654</u>	<u>11,803,802</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources, pension activity	<u>598,000</u>	<u>-</u>
CURRENT LIABILITIES		
Due to other funds	116,170	-
Accounts payable	21,914	1,252,393
Unearned revenue	<u>63,749</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>201,833</u>	<u>1,252,393</u>
LONG-TERM LIABILITIES		
Compensated absences	4,449	-
Net pension liability	<u>3,488,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>3,492,449</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, pension activity	<u>75,000</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	322,938	-
Unrestricted	<u>(1,739,566)</u>	<u>10,551,409</u>
TOTAL NET POSITION	<u>\$ (1,416,628)</u>	<u>\$ 10,551,409</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
OPERATING REVENUES		
Premiums transferred from General Fund	\$ -	\$ 13,737,082
Charges for services	<u>1,524,930</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>1,524,930</u>	<u>13,737,082</u>
OPERATING EXPENSES		
Salaries	928,194	-
Employee benefits	441,005	11,413,493
Purchased property service	58,046	-
Other purchased service	8,365	-
Supplies	1,141,800	-
Depreciation	70,979	-
Other operating expenses	<u>4,195</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>2,652,584</u>	<u>11,413,493</u>
OPERATING INCOME (LOSS)	<u>(1,127,654)</u>	<u>2,323,589</u>
NONOPERATING REVENUES		
Earnings on investments	4,639	1,269
State sources	67,026	-
Federal sources	<u>963,960</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>1,035,625</u>	<u>1,269</u>
CHANGE IN NET POSITION	(92,029)	2,324,858
NET POSITION AT BEGINNING OF YEAR	<u>(1,324,599)</u>	<u>8,226,551</u>
NET POSITION AT END OF YEAR	\$ <u><u>(1,416,628)</u></u>	\$ <u><u>10,551,409</u></u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	Enterprise Fund Food Service Fund	Internal Service Fund Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,528,272	\$ -
Cash transferred from General Fund for insurance premiums	-	13,737,082
Cash received from other reimbursements	-	11,236
Payments to employees	(866,759)	-
Payments to suppliers	(1,452,572)	(11,567,243)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(791,059)	2,181,075
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal sources	799,992	-
State sources	67,801	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	867,793	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	(55,498)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(841)	-
Earnings on investments	4,639	1,269
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,798	1,269
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,034	2,182,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	998,866	9,151,069
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,023,900	\$ 11,333,413

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,127,654)	\$ 2,323,589
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	70,979	-
Pension expense	69,000	-
Donated foods	169,168	
Decrease in		
Accounts receivable	3,342	-
Other receivables	-	11,236
Other assets	-	1,917
Inventories	10,285	
Prepaid expenses	-	500
Increase (decrease) in		
Interfund balances	(3,476)	-
Accounts payable	21,386	(156,167)
Compensated absences	<u>(4,089)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(791,059)</u>	\$ <u>2,181,075</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activities		
Donated foods	\$ 169,168	\$ -

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 161,119
Investments	<u>24,658</u>
TOTAL ASSETS	<u>\$ 185,777</u>
LIABILITIES	
Due to other funds	\$ 48
Due to students	28,034
Due to student organizations	<u>157,695</u>
TOTAL LIABILITIES	<u>\$ 185,777</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennridge School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Pennridge School District (the "School District"). The School District encompasses an area of approximately 94 square miles in Upper Bucks County and operates under and pursuant to the Pennsylvania School Code and is classified as a School District of the Second Class under the Code. The School District receives funding from local, state and federal government sources and must comply with the requirements of these funding sources.

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

Reporting Entity

The School District, for financial reporting purposes, includes all of the funds and account groups relevant to operations of the seven elementary schools, three middle schools and one high school comprising the School District. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No. 39*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Pennridge School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary. All funds reported in the current fiscal year are major funds.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

Self-Insurance Fund - The Self-Insurance Fund is used to account for all financial transactions related to the administration of the School District's self-insured health plans.

Fiduciary Funds

Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Agency Funds include the Student Activities Fund and the Student Loan Fund.

Cash and Cash Equivalents

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

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2017, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 79, *Certain External Investment Pools and Pool Participants*. Under GASB Statement No. 31, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Under GASB Statement No. 79, investments in qualifying external investment pools are reported at amortized cost basis.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the Governmental Funds and as nonoperating revenues/expenses in the Proprietary Funds.

On the fund financial statements, short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered "available spendable resources."

Inventories and Prepaid Items

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported on both statement types.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	50
Furniture, equipment and vehicles	5-20

Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case when revenue arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Types statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts 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.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the Government-Wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws and is in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position, the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position and the deferred outflow from lease rental obligations reported in the government-wide statement of net position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

The deferred outflow from lease rental obligations is the result of the debt obligations issued by the School District for capital improvements to the Upper Bucks County Technical School. This amount is deferred and amortized in accordance with the debt payment schedules.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance and GASB Statement No. 54

The School District classifies its fund balance under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the General Fund, the School District has committed funds for the purchase of software, capital projects and future retirement rate increases. The details of the fund balances are included in the Governmental Funds balance sheet (page 18).

Use of Estimates

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2017, the carrying amount of the School District's deposits was \$52,120,288 and the bank balance was \$53,160,739. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,119,729 was uninsured; however, the deposits exceeding the FDIC insurance coverage were properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. The remaining cash deposits totaling \$48,791,010 of the School District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds 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

As of June 30, 2017, the School District held the following investments:

Investment Type	Amortized Cost	Fair Value	Investment Maturities	
			Less Than One Year	One to Five Years
State investment pools	\$ 5,505,200	\$ -	\$ 5,505,200	\$ -
Certificates of deposit	235,779	-	235,779	-
	<u>\$ 5,740,979</u>	<u>\$ -</u>	<u>\$ 5,740,979</u>	<u>\$ -</u>

A portion of the School District's investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2017, is \$5,505,200. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. \$1,505,200 is invested in PLGIT I-Class, which limits redemptions to two per calendar month. \$4,000,000 is invested in United States Treasury strips, which cannot be withdrawn without penalty until the end of the three year maturity period.

Certificates of deposit held by banks of \$235,779 are stated at cost plus interest earned.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2017.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk, Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investments subject to custodial credit risk.

Credit Risk

The School District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2017, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The following investments represent greater than 5% of the School District's total investments:

US Treasury strips with Pennsylvania PSDLAF	\$ <u>4,000,000</u>
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NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District, as determined by Bucks County.

Tax rates for the School District for the year ended June 30, 2017, were as follows:

Real estate taxes	135.25550 mills
Real estate transfer taxes	1%
Earned income tax	1%

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE C - TAXES - REAL ESTATE AND OTHER (Continued)

In addition to the above taxes, the School District levies a \$52 local services tax.

Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to August 30 - 2% of gross levy
 Face period August 31 to October 31
 Penalty period November 1 to December 31 - 10% of gross levy
 Lien date January 1

School District taxes are billed and collected by the local elected tax collectors. Property taxes attach as an enforceable lien on property as of July 1.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted of taxes, other receivables and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund	Food Service Fund	Self- Insurance Fund
Real estate taxes	\$ 824,004	\$ -	\$ -
Earned income taxes	191,168	-	-
Real estate transfer taxes	174,841	-	-
Local service taxes	645	-	-
Due from other governments	1,468,810	135,632	-
Other receivables	20,580	7,115	47,773
	<u>\$ 2,680,048</u>	<u>\$ 142,747</u>	<u>\$ 47,773</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of June 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	\$ 4,904,305
General Fund	Food Service Fund	116,170
General Fund	Agency Funds	48
		<u>\$ 5,020,523</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The amounts between the General Fund and Food Service Fund are for payroll reimbursements. The amounts between the Capital Projects Fund and General Fund are for current and future capital improvement needs of the School District.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ <u>4,904,305</u>

The Board approves transfers from the General Fund to the Capital Projects Fund to provide funding for current and future capital improvement needs of the School District.

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and land improvements	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction in progress	904,513	847,181	(904,513)	847,181
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,854,689</u>	<u>847,181</u>	<u>(904,513)</u>	<u>1,797,357</u>
Capital assets being depreciated				
Buildings and building improvements	230,945,185	1,713,572	-	232,658,757
Furniture, equipment and vehicles	33,055,473	1,943,120	-	34,998,593
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>264,000,658</u>	<u>3,656,692</u>	<u>-</u>	<u>267,657,350</u>
Accumulated depreciation				
Buildings and building improvements	(74,682,988)	(5,680,721)	-	(80,363,709)
Furniture, equipment and vehicles	(27,386,130)	(2,004,611)	-	(29,390,741)
TOTAL ACCUMULATED DEPRECIATION	<u>(102,069,118)</u>	<u>(7,685,332)</u>	<u>-</u>	<u>(109,754,450)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>161,931,540</u>	<u>(4,028,640)</u>	<u>-</u>	<u>157,902,900</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>163,786,229</u>	<u>(3,181,459)</u>	<u>(904,513)</u>	<u>159,700,257</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,462,448	55,498	-	2,517,946
Accumulated depreciation	(2,124,029)	(70,979)	-	(2,195,008)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>338,419</u>	<u>(15,481)</u>	<u>-</u>	<u>322,938</u>
CAPITAL ASSETS, net	<u>\$ 164,124,648</u>	<u>\$ (3,196,940)</u>	<u>\$ (904,513)</u>	<u>\$ 160,023,195</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE G - LONG-TERM DEBT

General Obligation Bonds, Notes and Lease Rental Obligations

Annual debt service requirements to maturity for general obligation bonds, notes and lease rental obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 10,106,246	\$ 2,477,706
2019	10,038,774	2,309,129
2020	10,426,982	2,035,108
2021	10,874,850	1,711,325
2022	11,097,928	1,605,191
2023 to 2027	35,816,605	4,114,470
2028 to 2032	8,189,269	1,574,695
2033 to 2037	2,115,882	1,025,320
2038 to 2042	2,595,402	539,174
2043 to 2044	<u>1,201,797</u>	<u>51,650</u>
	<u>\$ 102,463,735</u>	<u>\$ 17,443,768</u>

The School District is a participating member of the Upper Bucks County Technical School (the "Technical School"). The Technical School has issued bonds for capital improvements to the facilities owned and operated by the Technical School. The School District's obligations on these bonds total \$11,393,735 and are included in the debt service requirements above.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>
GOVERNMENTAL ACTIVITIES		
General obligation bonds		
Series A of 2003	February 15, 2027	Variable, currently 0.8%
Series of 2012	February 15, 2026	2.00% to 2.50%
Series A of 2012	February 15, 2029	1.00% to 2.50%
Series AA of 2012	March 15, 2027	1.75% to 2.00%
Series of 2013	February 15, 2029	2.00% to 3.00%
Series A of 2013	April 15, 2026	2.00% to 2.25%
Series A of 2014	February 15, 2025	1.60% to 5.00%
Series B of 2014	February 15, 2023	1.00% to 5.00%
Series of 2015	March 15, 2024	0.45% to 4.00%
General obligation notes		
Series of 1999	February 1, 2018	Variable, currently 1.1%
Series of 2000	February 1, 2021	Variable, currently 0.8%
Series A of 2004	August 1, 2020	Variable, currently 0.7%
Series C of 2004	August 1, 2023	Variable, currently 0.6%
TOTAL GENERAL OBLIGATION BONDS AND NOTES		
Lease rental obligations		
Series of 2014	May 15, 2044	2.00% to 4.25%
Series of 2015	March 1, 2026	2.45%
TOTAL LEASE RENTAL OBLIGATIONS		
TOTAL GENERAL OBLIGATION BONDS AND NOTES, AND LEASE RENTAL OBLIGATIONS		
Lease-purchase obligations		
Compensated absences (Note K)		
Net pension liability (Note J)		
Net OPEB obligation (Note O)		
Unamortized bond premium		
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
Compensated absences (Note K)		
Net pension liability (Note J)		
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES		

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 7,700,000	\$ -	\$ (4,900,000)	\$ 2,800,000	\$ 2,200,000
7,530,000	-	(145,000)	7,385,000	150,000
9,720,000	-	(115,000)	9,605,000	120,000
9,765,000	-	(5,000)	9,760,000	5,000
5,855,000	-	(405,000)	5,450,000	1,450,000
5,775,000	-	(545,000)	5,230,000	575,000
9,995,000	-	(5,000)	9,990,000	5,000
15,755,000	-	(5,000)	15,750,000	1,395,000
5,515,000		(620,000)	4,895,000	630,000
885,000	-	(435,000)	450,000	450,000
3,605,000	-	(650,000)	2,955,000	685,000
8,800,000	-	(2,000,000)	6,800,000	2,100,000
<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>
<u>100,900,000</u>	<u>-</u>	<u>(9,830,000)</u>	<u>91,070,000</u>	<u>9,765,000</u>
10,438,551	-	(212,787)	10,225,764	221,778
<u>1,283,222</u>	<u>-</u>	<u>(115,251)</u>	<u>1,167,971</u>	<u>119,468</u>
<u>11,721,773</u>	<u>-</u>	<u>(328,038)</u>	<u>11,393,735</u>	<u>341,246</u>
112,621,773	-	(10,158,038)	102,463,735	10,106,246
1,024,323	716,582	(786,077)	954,828	454,623
2,740,780	57,384	-	2,798,164	-
188,092,000	26,470,000	-	214,562,000	-
4,961,898	666,992	-	5,628,890	-
<u>3,376,277</u>	<u>-</u>	<u>(334,830)</u>	<u>3,041,447</u>	<u>-</u>
<u>\$ 312,817,051</u>	<u>\$ 27,910,958</u>	<u>\$ (11,278,945)</u>	<u>\$ 329,449,064</u>	<u>\$ 10,560,869</u>
\$ 8,538	\$ -	\$ (4,089)	\$ 4,449	\$ -
<u>3,058,000</u>	<u>430,000</u>	<u>-</u>	<u>3,488,000</u>	<u>-</u>
<u>\$ 3,066,538</u>	<u>\$ 430,000</u>	<u>\$ (4,089)</u>	<u>\$ 3,492,449</u>	<u>\$ -</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE I - UNEARNED REVENUE

Food Service Fund

At June 30, 2017, Food Service Fund unearned revenue consisted of prepaid student lunches of \$62,916 and \$833 of other unearned revenue.

NOTE J - PENSION PLAN

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 that can be obtained at www.psers.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on 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.

NOTE J - PENSION PLAN (Continued)

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

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

Contributions

Members 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 services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the 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 plan from the School District were \$16,914,219 for the year ended June 30, 2017.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

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

At June 30, 2017, the School District reported a liability of \$218,050,000 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 School 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 School District's proportion was 0.4400%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$21,230,000. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 1,786,000
Net difference between projected and actual investment earnings	11,959,000	-
Changes in proportions	7,745,000	2,711,000
Difference between employer contributions and proportionate share of total contributions	429,000	54,000
Contributions subsequent to the measurement date	<u>16,643,000</u>	<u>-</u>
	<u>\$ 36,776,000</u>	<u>\$ 4,551,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 30,000
Net difference between projected and actual investment earnings	194,000	-
Changes in proportions	126,000	44,000
Difference between employer contributions and proportionate share of total contributions	7,000	1,000
Contributions subsequent to the measurement date	<u>271,000</u>	<u>-</u>
	<u>\$ 598,000</u>	<u>\$ 75,000</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

\$16,914,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 2,594,000	\$ 42,000
2019	2,595,000	42,000
2020	5,896,000	96,000
2021	<u>4,497,000</u>	<u>72,000</u>
	<u>\$ 15,582,000</u>	<u>\$ 252,000</u>

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

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>266,734,000</u>	\$ <u>218,050,000</u>	\$ <u>177,141,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE K - COMPENSATED ABSENCES

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Vacation compensation payable in future years, which was \$791,833 at June 30, 2017, is recorded in compensated absences on the statement of net position.

Most School District employees are credited with a minimum of ten days of sick leave annually to an unlimited maximum and two personal leave days annually to a limit up to five days. Upon retirement or termination and after ten years of service to the School District, such employees are compensated for each day of accumulated sick leave. Rates of compensation and limits on accumulations are dependent on job classification. Sick leave compensation payable in future years, which was \$2,010,780 at June 30, 2017, is recorded in compensated absences on the statement of net position.

NOTE L - COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Bucks County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2017, several suits and claims were in progress dealing with various subject matters. In these actions, indicated amounts are either not material or management is of the opinion that insurance coverage is adequate to cover the applicable claim. Management believes no adverse financial decisions of a material amount against the School District would result from these legal proceedings.

The School District receives federal, state and local funding under a number of programs. Payments made by those sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. The School District officials do not expect any significant adjustment as a result of these examinations. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

NOTE M - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The School District is currently using the system of reimbursement financing to pay Pennsylvania unemployment compensation claims. Under this method, a liability occurs only when a former employee collects unemployment benefits. The School District must then reimburse the Commonwealth for these claims paid.

NOTE N - SELF-INSURANCE

The School District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in April for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator. The School District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2017. The claims liability has historically been satisfied within 120 days after June 30, and is classified as a portion of accounts payable.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE N - SELF-INSURANCE (Continued)

Change in Aggregate Claim Liabilities

	<u>2017</u>	<u>2016</u>
CLAIMS LIABILITIES AT BEGINNING OF YEAR	\$ 1,408,264	\$ 2,154,797
Current year claims and changes in estimates	10,063,710	12,904,013
Claim payments by School District	<u>(10,228,260)</u>	<u>(13,650,546)</u>
 CLAIMS LIABILITIES AT END OF YEAR	 \$ <u>1,243,714</u>	 \$ <u>1,408,264</u>

NOTE O - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District board members and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Funding Policy

The School District negotiates the contribution percentage between the School District and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 450,672
Amortization of unfunded actuarial accrued liability	917,336
Interest	20,280
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>1,388,288</u>
Interest on net OPEB obligation	223,285
Adjustment to ARC	<u>(682,630)</u>
ANNUAL OPEB EXPENSE	928,943
Net OPEB contributions during the year	<u>(261,951)</u>
INCREASE IN NET OPEB OBLIGATION	666,992
Net OPEB obligation at beginning of year	<u>4,961,898</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 5,628,890</u></u>

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,025,166	42%	\$ 4,449,687
2016	962,057	47%	4,961,898
2017	928,943	28%	5,628,890

Funded Status and Funding Progress

As of July 1, 2016, the actuarial accrued liability for benefits was \$6,667,931 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$60,499,338, and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 11.02%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The schedule of funding progress on page 56, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.0% initially, reduced by decrements of .5% per year to an ultimate rate of 5.5% in 2018. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was 30 years.

NOTE P - DONATED FOODS

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated foods represent \$833 of the Proprietary Funds' inventory balance at June 30, 2017. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE Q - LEASES

The School District leased various photocopy machines and accessories under a lease that operated on a month-to-month basis through June 30, 2017, whereby the School District pays a set cost per copy made. Total costs for such leases were \$22,682 for the year ended June 30, 2017.

The School District has entered into lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$ 3,108,578
Accumulated depreciation	<u>(1,552,414)</u>
	<u>\$ 1,556,164</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30,</u>	
2018	\$ 485,492
2019	329,914
2020	<u>194,262</u>
	1,009,668
Amount representing interest	<u>(54,840)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 \$ <u>954,828</u>

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 99,238,435	\$ 99,238,435	\$ 101,776,279	\$ 2,537,844
State sources	29,881,963	29,881,962	31,004,440	1,122,478
Federal sources	1,125,000	1,125,000	1,351,330	226,330
TOTAL REVENUES	130,245,398	130,245,397	134,132,049	3,886,652
EXPENDITURES				
Instruction	78,882,566	78,658,677	78,348,269	310,408
Support services	36,917,585	37,170,277	36,224,849	945,428
Operation of non-instructional services	1,527,801	1,535,214	1,602,002	(66,788)
Debt service	13,714,202	13,677,986	11,959,235	1,718,751
Refund of prior year receipts	-	-	993,754	(993,754)
TOTAL EXPENDITURES	131,042,154	131,042,154	129,128,109	1,914,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(796,756)	(796,757)	5,003,940	5,800,697
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(4,904,305)	(4,904,305)
NET CHANGE IN FUND BALANCE	(796,756)	(796,757)	99,635	896,392
FUND BALANCE AT BEGINNING OF YEAR	16,410,856	16,410,856	16,410,856	-
FUND BALANCE AT END OF YEAR	\$ 15,614,100	\$ 15,614,099	\$ 16,510,491	\$ 896,392

See accompanying note to the budgetary comparison schedule.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund. All transactions of this fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

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

1. Prior to March 1, the Business Administrator submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School Districts. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School Districts.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures of \$66,788 for operation of non-instructional services and \$993,754 for refund of prior year receipts were funded by various functions that were under budget in the General Fund, any excess of revenues over budget and fund balance carried over from the prior year.

PENNRIDGE SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
YEAR ENDED JUNE 30, 2017

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (c)/(e)
2012	\$ -	\$ 6,179,002	\$ 6,179,002	0.00%	\$ 52,821,696	11.70%
2014	-	6,653,247	6,653,247	0.00%	53,568,326	12.42%
2016	-	6,667,931	6,667,931	0.00%	60,499,338	11.02%

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.4400%</u>	<u>0.4413%</u>	<u>0.4488%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ <u>218,050,000</u>	\$ <u>191,150,000</u>	\$ <u>177,638,000</u>
SCHOOL DISTRICT'S COVERED- EMPLOYEE PAYROLL	\$ <u>56,982,668</u>	\$ <u>56,783,151</u>	\$ <u>57,268,932</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>382.66%</u>	<u>336.63%</u>	<u>310.18%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 16,914,000	\$ 14,543,000	\$ 11,433,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>16,914,000</u>	<u>14,543,000</u>	<u>11,433,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>58,966,620</u>	\$ <u>56,982,668</u>	\$ <u>56,783,151</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>28.68%</u>	<u>25.52%</u>	<u>20.13%</u>

SUPPLEMENTARY INFORMATION SECTION

PENNRIDGE SCHOOL DISTRICT

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	Agency Funds		
	Student Loan Fund	Student Activities Fund	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 3,376	\$ 157,743	\$ 161,119
Investments	<u>24,658</u>	<u>-</u>	<u>24,658</u>
TOTAL ASSETS	<u>\$ 28,034</u>	<u>\$ 157,743</u>	<u>\$ 185,777</u>
LIABILITIES			
Due to other funds	\$ -	\$ 48	\$ 48
Due to students	28,034	-	28,034
Due to student organizations	<u>-</u>	<u>157,695</u>	<u>157,695</u>
TOTAL LIABILITIES	<u>\$ 28,034</u>	<u>\$ 157,743</u>	<u>\$ 185,777</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which comprise the Pennridge School District's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennridge 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 Pennridge School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pennridge 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennridge 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 black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 15, 2017

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal Awards in Accordance With the Uniform Guidance***

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Pennridge 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennridge 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 Pennridge School District's compliance.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Pennridge 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 Pennridge 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 Pennridge 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 as a basis for designing 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 Pennridge 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.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pennridge School District's basic financial statements. We issued our report thereon dated November 15, 2017, which contained an unmodified opinion on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Purpose of this Report

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

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 15, 2017

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

PENNRIDGE SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS****YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	13-132328-A	July 1, 2012 to September 30, 2013
Title I Improving Basic Programs	I	84.010	13-150328-A	July 1, 2014 to September 30, 2015
Title I Improving Basic Programs	I	84.010	13-160328-A	July 1, 2015 to September 30, 2016
Title I Improving Basic Programs	I	84.010	13-170328-A	July 1, 2016 to September 30, 2017
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	20-150328-A	July 1, 2014 to September 30, 2015
Title II Improving Teacher Quality	I	84.367	20-160328-A	July 1, 2015 to September 30, 2016
Title II Improving Teach Quality	I	84.367	20-160328-A	July 1, 2016 to September 30, 2017
TOTAL TITLE II				
Title III Language Instruction LEP/ Immigrant Students	I	84.365	10-160328-A	July 1, 2015 to September 30, 2016
Title III Language Instruction LEP/ Immigrant Students	I	84.365	10-160328-A	July 1, 2015 to September 30, 2016
Title III Language Instruction LEP/ Immigrant Students	I	84.365	10-160328-A	July 1, 2016 to September 30, 2017
TOTAL TITLE III				
Passed through the Bucks County Schools Intermediate Unit No. 22				
IDEA	I	84.027	H027A150093	July 1, 2015 to September 30, 2016
IDEA-B SECTION 620	I	84.027	H173A160090	July 1, 2016 to June 30, 2017
TOTAL CFDA 84.027				
IDEA-B SECTION 619	I	84.173	H173A150090	July 1, 2015 to June 30, 2016
IDEA-B SECTION 621	I	84.173	H173A160093	July 1, 2016 to June 30, 2017
TOTAL CFDA 84.173				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL FORWARD				

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ 540,099	\$ -	\$ - ***	\$ -	\$ -	\$ -	\$ -
464,219	(3,424)	(3,424) ***	-	-	-	-
520,352	173,858	30,056	267,916	267,916	124,114	-
509,560	<u>385,105</u>	<u>-</u>	<u>416,319</u>	<u>416,319</u>	<u>31,214</u>	<u>-</u>
	<u>555,539</u>	<u>26,632</u>	<u>684,235</u>	<u>684,235</u>	<u>155,328</u>	<u>-</u>
162,281	12,480	12,480 ***	-	-	-	-
162,224	54,203	54,203 ***	-	-	-	-
158,668	<u>159,507</u>	<u>-</u>	<u>157,290</u>	<u>157,290</u>	<u>(2,217)</u>	<u>-</u>
	<u>226,190</u>	<u>66,683</u>	<u>157,290</u>	<u>157,290</u>	<u>(2,217)</u>	<u>-</u>
22,928	-	6,604	-	-	6,604	-
5,067	3,057	5,067	-	-	2,010	-
29,006	<u>29,006</u>	<u>-</u>	<u>27,816</u>	<u>27,816</u>	<u>(1,190)</u>	<u>-</u>
	<u>32,063</u>	<u>11,671</u>	<u>27,816</u>	<u>27,816</u>	<u>7,424</u>	<u>-</u>
1,173,905	502,821	502,821	-	-	-	-
4,271	<u>4,271</u>	<u>-</u>	<u>4,271</u>	<u>4,271</u>	<u>-</u>	<u>-</u>
	507,092	502,821	4,271	4,271	-	-
2,880	2,880	2,880	-	-	-	-
1,218,856	<u>833,917</u>	<u>-</u>	<u>1,218,857</u>	<u>1,218,857</u>	<u>384,940</u>	<u>-</u>
	<u>836,797</u>	<u>2,880</u>	<u>1,218,857</u>	<u>1,218,857</u>	<u>384,940</u>	<u>-</u>
	<u>1,343,889</u>	<u>505,701</u>	<u>1,223,128</u>	<u>1,223,128</u>	<u>384,940</u>	<u>-</u>
	<u>\$ 2,157,681</u>	<u>\$ 610,687</u>	<u>\$ 2,092,469</u>	<u>\$ 2,092,469</u>	<u>\$ 545,475</u>	<u>\$ -</u>

PENNRIDGE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
Passed through the Northwest Tri-County Intermediate Unit.				
Early Learning Challenge	I	84.412A	N/A	July 1, 2016 June 30, 2017
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Health & Human Services				
ACCESS - Admin. Claiming Program	I	93.778	N/A	July 1, 2016 to June 30, 2017
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555*	N/A	July 1, 2016 to June 30, 2017
School Breakfast Program	I	10.553*	N/A	July 1, 2016 to June 30, 2017
National School Lunch Program	S	N/A	N/A	July 1, 2016 to June 30, 2017
School Breakfast Program	S	N/A	N/A	July 1, 2016 to June 30, 2017
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program - Donated Commodities	I	10.555* **	N/A	July 1, 2016 to June 30, 2017
TOTAL CHILD NUTRITION CLUSTER				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL EXPENDITURES OF FEDERAL AWARDS				

Source Codes:

D = Direct Funding

I = Indirect Funding

S = State Funding

* = Major Program

** = Non-cash assistance received

*** = See Note E

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>2,157,681</u>	\$ <u>610,687</u>	\$ <u>2,092,469</u>	\$ <u>2,092,469</u>	\$ <u>545,475</u>	\$ <u>-</u>
4,000	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
	<u>2,161,681</u>	<u>610,687</u>	<u>2,096,469</u>	<u>2,096,469</u>	<u>545,475</u>	<u>-</u>
N/A	<u>43,382</u>	<u>-</u>	<u>43,382</u>	<u>43,382</u>	<u>-</u>	<u>-</u>
N/A	665,052	104,041	664,821	664,821	103,810	-
N/A	131,512	22,978	129,971	129,971	21,437	-
N/A	57,647	9,181	57,053	57,053	8,587	-
N/A	10,153	1,977	9,973	9,973	1,797	-
N/A	<u>168,904</u> (a)	<u>(1,097)</u> (b)	<u>169,168</u>	<u>169,168</u> (c)	<u>(833)</u> (d)	<u>-</u>
	<u>1,033,268</u>	<u>137,080</u>	<u>1,030,986</u>	<u>1,030,986</u>	<u>134,798</u>	<u>-</u>
	3,238,331	747,767	3,170,837	3,170,837	- 680,273	-
	<u>(67,800)</u>	<u>(11,158)</u>	<u>(67,026)</u>	<u>(67,026)</u>	<u>(10,384)</u>	<u>-</u>
	\$ <u><u>3,170,531</u></u>	\$ <u><u>736,609</u></u>	\$ <u><u>3,103,811</u></u>	\$ <u><u>3,103,811</u></u>	\$ <u><u>669,889</u></u>	\$ <u><u>-</u></u>

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
(b) Beginning inventory at July 1, 2016.
(c) Total amount of foods used.
(d) Ending inventory at June 30, 2017.

PENNRIDGE SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2017

NOTE A - ORGANIZATION AND SCOPE

The schedule of expenditures of federal and certain state awards is a listing of the total federal financial assistance received, both directly and/or indirectly, from the U.S. Departments of Education, Health and Human Services and Agriculture.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District uses the modified accrual basis of accounting to report federal, state and other grants. Revenues designated for payment of specified School District expenditures are recognized when the related expenditures are incurred. Any excess of receipts or expenditures at the fiscal year-end are recorded as deferred revenue or a receivable, respectively. The modified accrual basis of accounting is described in Note A to the financial statements.

Total assistance is valued at the sum of cash received and the value of U.S.D.A. donated foods based upon the federal price list accompanying each shipment.

NOTE C - PROGRAM OBJECTIVES

Title I Grants to Improve Basic Programs - To improve the teaching and learning of children who are at risk of not meeting challenging and academic standards and who reside in areas with high concentrations of children from low-income families.

National School Lunch Program - To (1) assist states through cash grants and donations in making lunch available to school children and (2) encourage the domestic consumption of agricultural commodities and other foods. To improve the diets of school children in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Title II Improving Teacher Quality - To upgrade the expertise of teachers and other school staff to enable them to teach all children to meet state content standards and to sustain high quality professional development focused on core academic subjects.

Title III Language Instruction LEP/Immigrant Students - Improve education of limited English proficient students and provide enhanced instructional opportunities for immigrant children and youths.

Individuals with Disabilities Education (IDEA) Programs - To (1) ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist states, localities, educational service agencies and federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure that effectiveness of efforts to educate children with disabilities.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2017

NOTE C - PROGRAM OBJECTIVES (continued)

Early Learning Challenge - To improve early learning and development programs for young children ages one to five years through high-quality early learning education programs.

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

NOTE E - ADJUSTMENTS TO BEGINNING BALANCES

As a result of information obtained during the year, adjustments to accrued (deferred) revenue at July 1, 2016 were necessary for the programs listed below. A schedule of adjustments is as follows:

Grant Program/Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2016	Adjustment	Accrued (Deferred) Revenue at July 1 2016
Title I, 13-132328-A	84.010	\$ 6,152	\$ (6,152)	\$ -
Title I, 13-150328-A	84.010	-	(3,424)	(3,424)
Title II, 20-140328-A	84.367	-	12,480	12,480
Title II, 20-140328-A	84.367	1,263	52,940	54,203
		<u>\$ 7,415</u>	<u>\$ 55,844</u>	<u>\$ 63,259</u>

Reconciliation to the schedule of expenditures of federal awards totals:

TOTAL ACCRUED (DEFERRED) REVENUE	
June 30, 2016	\$ 680,765
July 1, 2016	<u>736,609</u>
TOTAL ADJUSTMENT TO ACCRUED (DEFERRED)	
REVENUE AT BEGINNING OF YEAR	<u>\$ 55,844</u>

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Pennridge School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pennridge School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Pennridge School District expresses an unmodified opinion.
6. The programs tested as major programs include:

<u>Program</u>	<u>CFDA</u>
Child Nutrition Cluster	10.555, 10.553

7. The threshold used for distinguishing Types A and B programs was \$750,000.
8. Pennridge School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

None.