

PENNRIDGE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018



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, 2018, 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, 2018, 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.

Emphasis of Matter

For the year ended June 30, 2018, the Pennridge School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 63 and 64, schedules of the school district's proportionate share of the PSERS net pension liability on page 65, schedules of the school district's PSERS pension contributions on page 66, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 67, schedule of the school district's PSERS other postemployment benefit plan contributions on page 68 and the schedule of changes in the total other postemployment benefit liability and related ratios on page 69 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 13, 2018, 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 13, 2018

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$91,090,646 (net position).

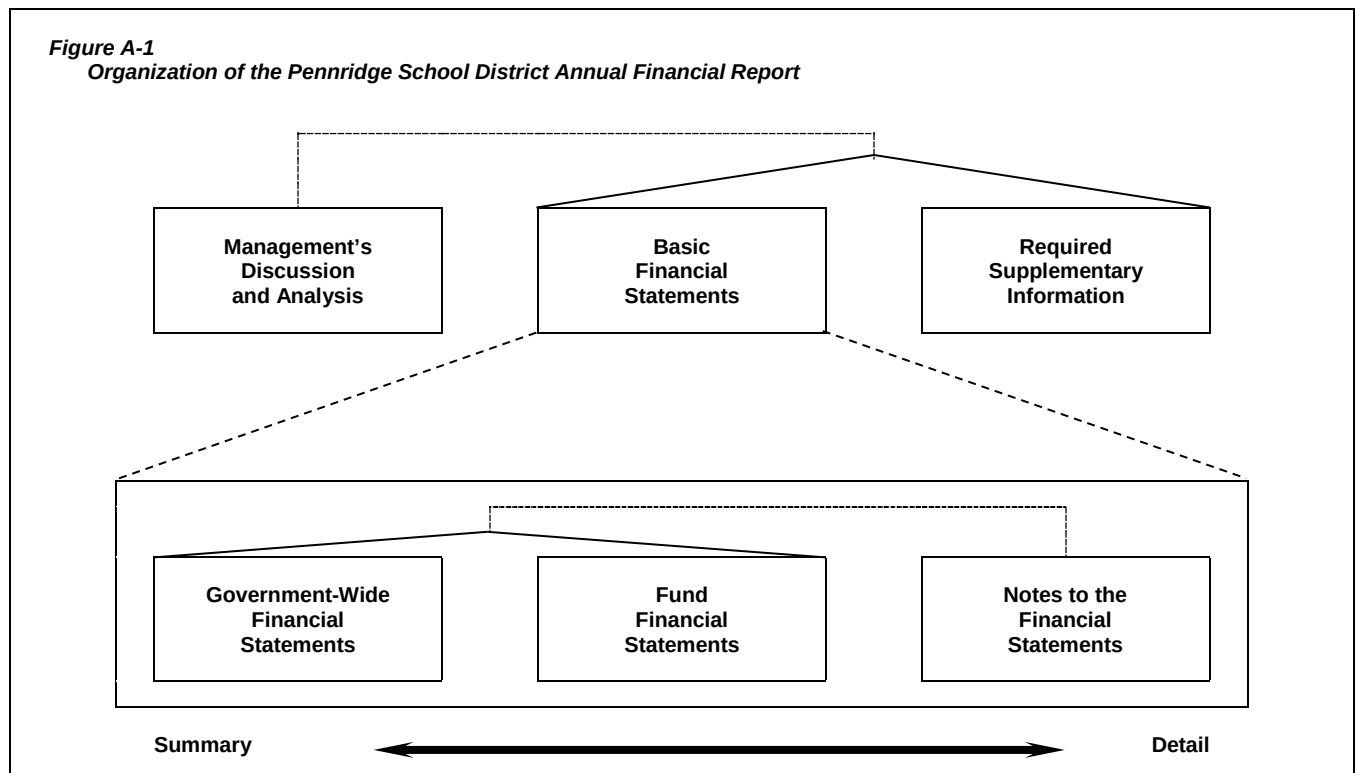
The School District's total net position increased by \$2,373,552.

As of the close of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$36,235,216, an increase of \$1,770,468 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 \$9,365,669 or 7.1% 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, 2018

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, 2018

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, 2018

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 \$91,090,646 at the close of the fiscal year.

Table A-1

Net Position

June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
ASSETS		
Current and other assets	\$ 62,858,449	\$ 60,245,671
Capital assets	<u>154,589,307</u>	<u>159,700,257</u>
TOTAL ASSETS	<u>217,447,756</u>	<u>219,945,928</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>50,087,966</u>	<u>48,812,691</u>
LIABILITIES		
Current and other liabilities	16,047,925	15,228,097
Long-term liabilities	<u>336,879,280</u>	<u>329,451,047</u>
TOTAL LIABILITIES	<u>352,927,205</u>	<u>344,679,144</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,966,000</u>	<u>4,551,000</u>
NET POSITION		
Net investment in capital assets	70,615,998	53,881,220
Unrestricted	<u>(159,973,481)</u>	<u>(134,352,745)</u>
TOTAL NET POSITION	<u>\$ (89,357,483)</u>	<u>\$ (80,471,525)</u>

Business-Type Activities		Totals	
2018	2017	2018	2017
\$ 1,376,283	\$ 1,315,546	\$ 64,234,732	\$ 61,561,217
292,159	322,938	154,881,466	160,023,195
<u>1,668,442</u>	<u>1,638,484</u>	<u>219,116,198</u>	<u>221,584,412</u>
 626,000	 598,000	 50,713,966	 49,410,691
 82,720	 85,663	 16,130,645	 15,313,760
3,879,885	3,492,449	340,759,165	332,943,496
<u>3,962,605</u>	<u>3,578,112</u>	<u>356,889,810</u>	<u>348,257,256</u>
 65,000	 75,000	 4,031,000	 4,626,000
 292,159	 322,938	 70,908,157	 54,204,158
<u>(2,025,322)</u>	<u>(1,739,566)</u>	<u>(161,998,803)</u>	<u>(136,092,311)</u>
\$ <u><u>(1,733,163)</u></u>	\$ <u><u>(1,416,628)</u></u>	\$ <u><u>(91,090,646)</u></u>	\$ <u><u>(81,888,153)</u></u>

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

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, 2018 and 2017

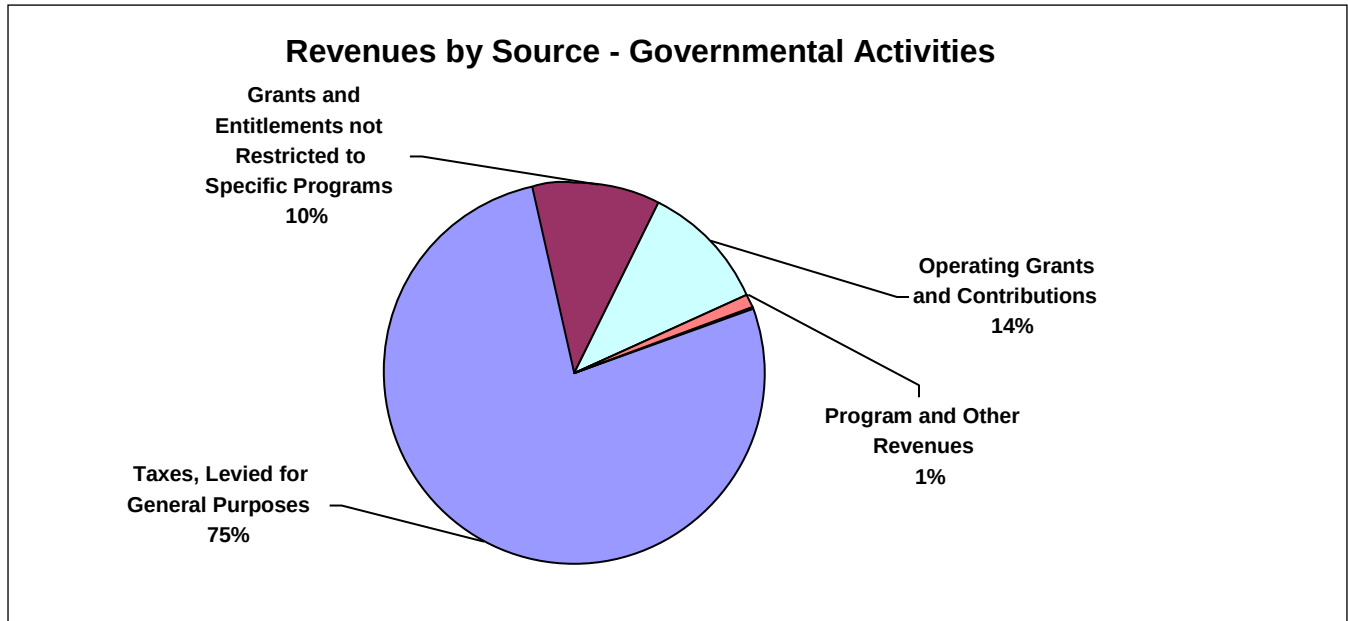
	Governmental Activities	
	2018	2017
REVENUES		
Program revenues		
Charges for services	\$ 455,840	\$ 391,006
Operating grants and contributions	19,042,902	18,795,323
Capital grants and contributions	263,735	1,736,787
General revenues		
Taxes, levied for general purposes	100,446,783	99,593,354
Grants and entitlements not restricted to specific programs	13,229,652	13,007,167
Miscellaneous	192,995	204,690
Investment earnings	897,240	333,903
TOTAL REVENUES	<u>134,529,147</u>	<u>134,062,230</u>
EXPENSES		
Instruction	80,514,351	79,394,212
Operation and maintenance of plant services	9,918,888	9,609,062
Pupil transportation	6,911,435	6,524,262
Other support services	23,063,391	22,035,772
Student activities	1,642,039	1,596,971
Community services	76,709	63,802
Depreciation expense, unallocated	7,878,986	7,685,335
Interest on long-term debt	2,107,061	2,233,885
Food services	-	-
TOTAL EXPENSES	<u>132,112,860</u>	<u>129,143,301</u>
CHANGE IN NET POSITION	<u>\$ 2,416,287</u>	<u>\$ 4,918,929</u>

Business-Type Activities		Totals	
2018	2017	2018	2017
\$ 1,542,415	\$ 1,522,474	\$ 1,998,255	\$ 1,913,480
1,032,583	1,030,986	20,075,485	19,826,309
-	-	263,735	1,736,787
-	-	100,446,783	99,593,354
-	-	13,229,652	13,007,167
-	-	192,995	204,690
10,718	4,639	907,958	338,542
<u>2,585,716</u>	<u>2,558,099</u>	<u>137,114,863</u>	<u>136,620,329</u>
-	-	80,514,351	79,394,212
-	-	9,918,888	9,609,062
-	-	6,911,435	6,524,262
-	-	23,063,391	22,035,772
-	-	1,642,039	1,596,971
-	-	76,709	63,802
-	-	7,878,986	7,685,335
-	-	2,107,061	2,233,885
2,628,451	2,650,128	2,628,451	2,650,128
<u>2,628,451</u>	<u>2,650,128</u>	<u>134,741,311</u>	<u>131,793,429</u>
\$ <u>(42,735)</u>	\$ <u>(92,029)</u>	\$ <u>2,373,552</u>	\$ <u>4,826,900</u>

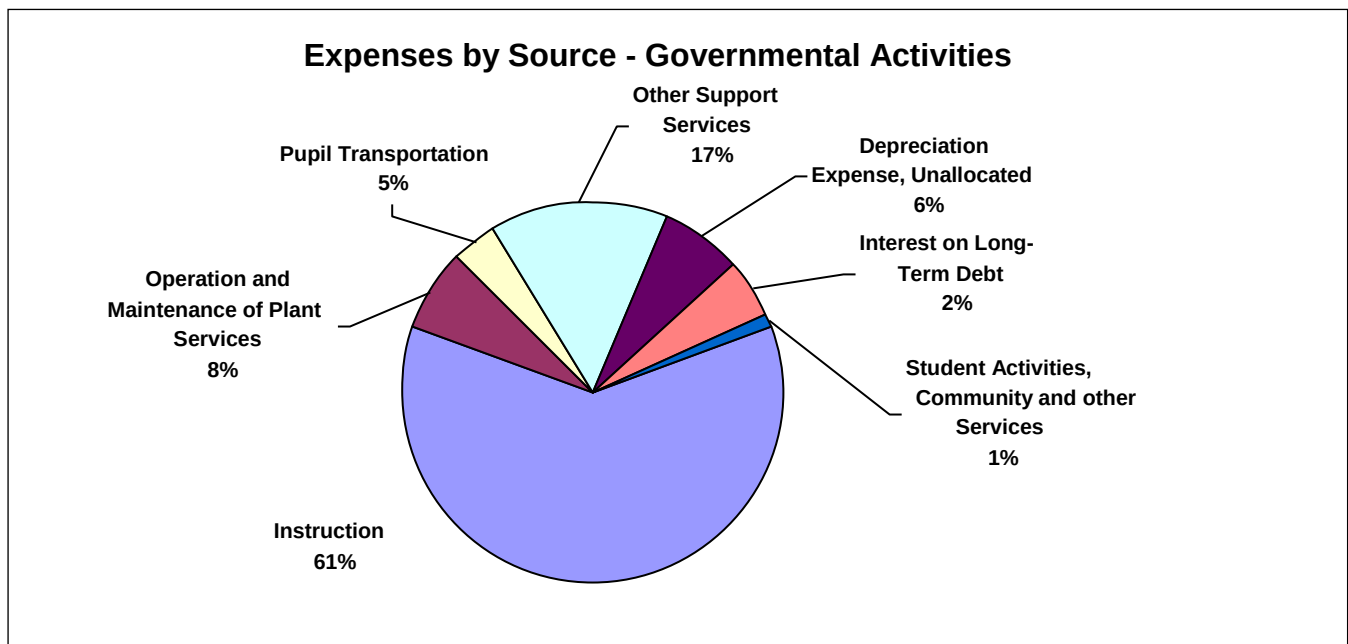
PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Governmental Activities

Governmental activities increased Penridge School District's net position by \$2,416,287. 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 75% of the total revenues, while operating grants and contributions are 14%. Investment earnings, miscellaneous revenues, capital grants and other unrestricted grants and subsidies account for 10%.



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, 2018

Business-Type Activities

Business-type activities decreased the Pennridge School District's net position by \$42,735. The department has had its net position increase (decrease) as follows:

	<u>Net Income</u>	<u>Ending Net Position</u>
2017 to 2018	\$ (42,735)	\$ (1,733,163)
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

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 \$36,235,216, an increase of \$1,770,468 in comparison with the prior year. A large portion of ending fund balance is in our Capital Projects Fund \$19,724,725. The fund balance in the Capital Projects Fund is 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, 2018

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 \$9,365,669, 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 balance represents 13% of General Fund expenditures.

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, 2018, was \$19,724,725.

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 \$1,733,163. Majority of the deficit balance is due to a portion of the net pension and other postemployment benefit plan liabilities 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 \$42,735 during the year ended June 30, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Pennridge School District's General Fund actual revenues exceeded the budget amounts by \$2,396,103. Actual revenues exceeded estimated revenues because real estate and earned income tax collection rates exceeded the 96.5% rate used to prepare 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>80,012,963</u>	\$ <u>81,041,993</u>	\$ <u>1,029,030</u>
Earned income taxes	\$ <u>15,324,000</u>	\$ <u>15,851,469</u>	\$ <u>527,469</u>
Interim real estate taxes	\$ <u>368,129</u>	\$ <u>768,168</u>	\$ <u>400,039</u>
Real estate transfer taxes	\$ <u>1,200,000</u>	\$ <u>1,558,022</u>	\$ <u>358,022</u>

The actual expenditures were less than the final budgeted expenditures by \$1,861,191. Reasons for this decrease are due to savings in debt service due to low interest rates on variable rate debt and lower salary and health insurance costs than anticipated.

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

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 \$154,881,466 (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 \$310,500 of construction in progress.
- The District completed \$1,716,646 in building improvements during the fiscal year, \$847,181 of which was construction in progress from prior years.
- The District acquired \$1,616,194 in additional equipment.

Long-Term Debt

At the end of the current fiscal year, the Pennridge School District had total bonded debt outstanding of \$81,305,000. Of this debt, \$17,570,000 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 \$329,933,000.

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 continued 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 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, 2018

- The contract with the Pennridge Education Support Professional Association runs through June 30, 2019. The district and Association will begin efforts to reach a new contract during the 2018-2019 fiscal year.
- The contract with the Pennridge Education Association runs through June 30, 2018. The district and Association negotiated for a new contract during the 2017-2018 fiscal year. The district and Association reached an agreement in August 2018 just prior to the start of the school year. The new agreement covers a period of five fiscal years from 2018-2019 to 2022-2023.

All of these factors have been considered in preparing the Pennridge School District's budget for the 2018-2019 fiscal year.

The District continues to look for opportunities to re-finance fixed rate outstanding bonds to a lower fixed rate. However, the recent change upward in interest rates has not been favorable for refinancing debt.

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, Perkasie, PA 18944-2295.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 59,666,173	\$ 950,227	\$ 60,616,400
Investments	-	211,967	211,967
Taxes receivable, net	718,825	-	718,825
Due from Fiduciary Funds	3,543	-	3,543
Due from other governments	1,280,643	159,102	1,439,745
Other receivables, net	267,605	18,622	286,227
Inventories	486,653	36,365	523,018
Prepaid expenses	66,004	-	66,004
Other assets	369,003	-	369,003
Capital assets			
Land and land improvements	950,176	-	950,176
Buildings and building improvements	234,375,403	-	234,375,403
Furniture, equipment and vehicles	36,586,664	2,546,069	39,132,733
Construction in progress	310,500	-	310,500
Accumulated depreciation	(117,633,436)	(2,253,910)	(119,887,346)
TOTAL ASSETS	217,447,756	1,668,442	219,116,198
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB activity	1,292,365	21,000	1,313,365
Deferred outflows of resources, pension activity	37,204,000	605,000	37,809,000
Deferred outflows for lease-rental obligations	11,053,089	-	11,053,089
Deferred charge on refunding	538,512	-	538,512
TOTAL DEFERRED OUTFLOWS OF RESOURCES	50,087,966	626,000	50,713,966
LIABILITIES			
Accounts payable	2,767,187	21,086	2,788,273
Accrued salaries and benefits	11,755,419	-	11,755,419
Accrued interest	726,197	-	726,197
Other current liabilities	799,122	-	799,122
Unearned revenue	-	61,634	61,634
Long-term liabilities			
Portion due or payable within one year			
Bonds/notes payable	9,695,000	-	9,695,000
Lease-rental obligations	343,774	-	343,774
Lease-purchase obligations	313,392	-	313,392
Portion due or payable after one year			
Unamortized bond premium	2,706,616	-	2,706,616
Bonds/notes payable	71,610,000	-	71,610,000
Lease-rental obligations	10,709,315	-	10,709,315
Lease-purchase obligations	186,813	-	186,813
Compensated absences	2,891,702	5,885	2,897,587
Net pension liability	220,879,000	3,591,000	224,470,000
Net OPEB obligation	17,543,668	283,000	17,826,668
TOTAL LIABILITIES	352,927,205	3,962,605	356,889,810
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB activity	442,000	7,000	449,000
Deferred inflows of resources, pension activity	3,524,000	58,000	3,582,000
TOTAL DEFERRED INTFLOWS OF RESOURCES	3,966,000	65,000	4,031,000
NET POSITION			
Net investment in capital assets	70,615,998	292,159	70,908,157
Unrestricted	(159,973,481)	(2,025,322)	(161,998,803)
TOTAL NET POSITION	\$ (89,357,483)	\$ (1,733,163)	\$ (91,090,646)

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 55,007,645	\$ 181,753	\$ 11,155,158	\$ -
Special programs	21,729,000	-	5,936,812	-
Vocational education	3,240,666	-	-	-
Other instructional programs	529,451	17,408	-	-
Adult education programs	7,589	13,868	-	-
Support services				
Pupil personnel services	5,475,462	-	-	-
Instructional staff services	3,649,923	-	-	-
Administration services	8,458,235	-	-	-
Pupil health services	1,255,545	-	365,492	-
Business services	843,398	-	-	-
Operation and maintenance of plant services	9,918,888	237,824	-	-
Student transportation services	6,911,435	4,987	1,585,440	-
Central services	3,033,838	-	-	-
Other services	346,990	-	-	-
Operation of non-instructional services				
Student activities	1,642,039	-	-	-
Community services	76,709	-	-	-
Depreciation expense, unallocated	7,878,986	-	-	-
Interest on long-term debt	2,107,061	-	-	263,735
TOTAL GOVERNMENTAL ACTIVITIES	132,112,860	455,840	19,042,902	263,735
BUSINESS-TYPE ACTIVITIES				
Food service	2,628,451	1,542,415	1,032,583	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,628,451	1,542,415	1,032,583	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 134,741,311	\$ 1,998,255	\$ 20,075,485	\$ 263,735

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, restated

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
\$ (43,670,734)	\$ -	\$ (43,670,734)
(15,792,188)	-	(15,792,188)
(3,240,666)	-	(3,240,666)
(512,043)	-	(512,043)
6,279	-	6,279
(5,475,462)	-	(5,475,462)
(3,649,923)	-	(3,649,923)
(8,458,235)	-	(8,458,235)
(890,053)	-	(890,053)
(843,398)	-	(843,398)
(9,681,064)	-	(9,681,064)
(5,321,008)	-	(5,321,008)
(3,033,838)	-	(3,033,838)
(346,990)	-	(346,990)
(1,642,039)	-	(1,642,039)
(76,709)	-	(76,709)
(7,878,986)	-	(7,878,986)
(1,843,326)	-	(1,843,326)
(112,350,383)	-	(112,350,383)
-	(53,453)	(53,453)
-	(53,453)	(53,453)
(112,350,383)	(53,453)	(112,403,836)
82,816,857	-	82,816,857
98,867	-	98,867
15,851,469	-	15,851,469
1,558,022	-	1,558,022
121,568	-	121,568
13,229,652	-	13,229,652
897,240	10,718	907,958
192,995	-	192,995
114,766,670	10,718	114,777,388
2,416,287	(42,735)	2,373,552
(91,773,770)	(1,690,428)	(93,464,198)
\$ (89,357,483)	\$ (1,733,163)	\$ (91,090,646)

PENNRIDGE SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 36,299,801	\$ 11,278,926	\$ 47,578,727
Taxes receivable, net	718,825	-	718,825
Due from other funds	3,543	8,823,945	8,827,488
Due from other governments	1,280,643	-	1,280,643
Other receivables	239,304	-	239,304
Inventories	486,653	-	486,653
Prepaid items	12,504	-	12,504
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>39,041,273</u>	\$ <u>20,102,871</u>	\$ <u>59,144,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 908,889	\$ 378,146	\$ 1,287,035
Due to other funds	8,823,945	-	8,823,945
Other current liabilities	799,122	-	799,122
Accrued salaries and benefits	11,755,419	-	11,755,419
TOTAL LIABILITIES	<u>22,287,375</u>	<u>378,146</u>	<u>22,665,521</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	<u>243,407</u>	<u>-</u>	<u>243,407</u>
FUND BALANCES			
Nonspendable			
Inventories	486,653	-	486,653
Prepaid items	12,504	-	12,504
Committed to			
Capital projects	-	19,724,725	19,724,725
Financial software	15,986	-	15,986
Future retirement rate increase	6,041,781	-	6,041,781
2018-2019 budget	587,898	-	587,898
Unassigned	9,365,669	-	9,365,669
TOTAL FUND BALANCES	<u>16,510,491</u>	<u>19,724,725</u>	<u>36,235,216</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ <u>39,041,273</u>	\$ <u>20,102,871</u>	\$ <u>59,144,144</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, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 36,235,216
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	234,375,403
Furniture, equipment and vehicles	36,586,664
Construction in progress	310,500
Accumulated depreciation	(117,633,436)
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	(450,579)
Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.	850,365
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	33,680,000
Deferred outflows of resources related to lease-rental obligations are not financial resources and therefore not reported in the governmental funds.	11,053,089
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.	11,058,098
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	(726,197)
Bonds/notes payable	(81,305,000)
Lease-purchase obligations	(500,205)
Lease-rental obligations	(11,053,089)
Unamortized bond premium	(2,706,616)
Compensated absences	(2,891,702)
Net pension liability	(220,879,000)
Net OPEB obligation	(17,543,668)
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.	243,407
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(89,357,483)</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, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 103,866,255	\$ 27,895	\$ 103,894,150
State sources	30,390,603	-	30,390,603
Federal sources	874,236	-	874,236
TOTAL REVENUES	<u>135,131,094</u>	<u>27,895</u>	<u>135,158,989</u>
EXPENDITURES			
Instruction	79,029,882	-	79,029,882
Support services	37,975,879	-	37,975,879
Operation of non-instructional services	1,654,291	-	1,654,291
Facilities acquisition, construction and improvement services	-	2,177,067	2,177,067
Debt service	12,170,628	-	12,170,628
Refund of prior year receipts	380,774	-	380,774
TOTAL EXPENDITURES	<u>131,211,454</u>	<u>2,177,067</u>	<u>133,388,521</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,919,640</u>	<u>(2,149,172)</u>	<u>1,770,468</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,919,640	3,919,640
Transfers out	<u>(3,919,640)</u>	<u>-</u>	<u>(3,919,640)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,919,640)</u>	<u>3,919,640</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	1,770,468	1,770,468
FUND BALANCES AT BEGINNING OF YEAR	<u>16,510,491</u>	<u>17,954,257</u>	<u>34,464,748</u>
FUND BALANCES AT END OF YEAR	<u>\$ 16,510,491</u>	<u>\$ 19,724,725</u>	<u>\$ 36,235,216</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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS FORWARD

\$ 1,770,468

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 (\$7,878,986) exceeds capital outlays (\$2,768,036) in the current period.

(5,110,950)

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.

(581,273)

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.

10,219,623

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

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

(102,460)

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

97,066

SUBTOTAL ADJUSTMENTS FORWARD

\$ 4,856,836

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 1,770,468
SUBTOTAL ADJUSTMENTS FORWARDED	4,856,836
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.	(93,538)
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.	506,689
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:	
OPEB plan expense	237,832
Pension plan expense	<u>(4,862,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,416,287</u></u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	Enterprise Fund Food Service Fund	Internal Service Fund Self- Insurance Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 950,227	\$ 12,087,446
Investments	211,967	-
Due from other governments	159,102	-
Other receivables	18,622	28,301
Inventories	36,365	-
Prepaid expenses	-	53,500
Other assets	-	369,003
TOTAL CURRENT ASSETS	1,376,283	12,538,250
CAPITAL ASSETS		
Machinery and equipment	2,546,069	-
Accumulated depreciation	(2,253,910)	-
TOTAL CAPITAL ASSETS	292,159	-
TOTAL ASSETS	1,668,442	12,538,250
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources, OPEB activity	21,000	-
Deferred outflows of resources, pension activity	605,000	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	626,000	-
CURRENT LIABILITIES		
Accounts payable	21,086	1,480,152
Unearned revenue	61,634	-
TOTAL CURRENT LIABILITIES	82,720	1,480,152
LONG-TERM LIABILITIES		
Compensated absences	5,885	-
Net OPEB liability	283,000	-
Net pension liability	3,591,000	-
TOTAL LONG-TERM LIABILITIES	3,879,885	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, OPEB activity	7,000	-
Deferred inflows of resources, pension activity	58,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	65,000	-
NET POSITION		
Net investment in capital assets	292,159	-
Unrestricted	(2,025,322)	11,058,098
TOTAL NET POSITION	\$ (1,733,163)	\$ 11,058,098

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, 2018

	Enterprise Fund Food Service Fund	Internal Service Fund Self- Insurance Fund
OPERATING REVENUES		
Premiums transferred from General Fund	\$ -	\$ 13,220,519
Charges for services	1,542,533	-
TOTAL OPERATING REVENUES	<u>1,542,533</u>	<u>13,220,519</u>
OPERATING EXPENSES		
Salaries	920,170	-
Employee benefits	480,388	12,717,623
Purchased professional and technical service	6,534	-
Purchased property service	41,275	-
Other purchased service	9,982	-
Supplies	1,107,912	-
Depreciation	58,902	-
Other operating expenses	3,406	-
TOTAL OPERATING EXPENSES	<u>2,628,569</u>	<u>12,717,623</u>
OPERATING INCOME (LOSS)	<u>(1,086,036)</u>	<u>502,896</u>
NONOPERATING REVENUES		
Earnings on investments	10,718	3,793
State sources	65,033	-
Federal sources	967,550	-
TOTAL NONOPERATING REVENUES	<u>1,043,301</u>	<u>3,793</u>
CHANGE IN NET POSITION	(42,735)	506,689
NET POSITION AT BEGINNING OF YEAR, restated	<u>(1,690,428)</u>	<u>10,551,409</u>
NET POSITION AT END OF YEAR	<u>\$ (1,733,163)</u>	<u>\$ 11,058,098</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,531,026	\$ -
Cash transferred from General Fund for insurance premiums	-	13,220,519
Cash received from other reimbursements	-	19,472
Payments to employees	(960,704)	-
Payments to suppliers	<u>(1,500,178)</u>	<u>(12,489,751)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(929,856)</u>	<u>750,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal sources	810,532	-
State sources	<u>63,902</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>874,434</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	<u>(28,123)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	10,718	3,793
Reinvested earnings	<u>(846)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,872</u>	<u>3,793</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,673)	754,033
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,023,900</u>	<u>11,333,413</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 950,227</u>	<u>\$ 12,087,446</u>

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund Self- Insurance Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,086,036)	\$ 502,896
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	58,902	-
OPEB expense	(4,800)	-
Pension expense	79,000	-
Donated foods	132,564	-
(Increase) decrease in		
Accounts receivable	(11,507)	-
Other receivables	-	19,472
Other assets	-	113
Inventories	17,583	-
Prepaid expenses	-	-
Increase (decrease) in		
Interfund balances	(116,170)	-
Accounts payable	(828)	227,759
Compensated absences	<u>1,436</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(929,856)</u>	\$ <u>750,240</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activities		
Donated foods	\$ 132,564	\$ -

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 205,792
Investments	<u>24,112</u>
TOTAL ASSETS	<u>\$ 229,904</u>
LIABILITIES	
Due to other funds	\$ 3,543
Due to students	24,220
Due to student organizations	<u>202,141</u>
TOTAL LIABILITIES	<u>\$ 229,904</u>

-

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018, 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, 2018

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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 four 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, the deferred outflow related to OPEB 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 difference between the School District's expected and actual experience, changes in assumptions, difference between projected and actual investment earnings, changes in proportion, differences between employer contributions and proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow related to OPEB activity is the difference between the School District's projected and actual investment earnings, changes in proportions, and 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 three 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 and third items, deferred inflows related to OPEB activity and 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 the difference between expected and actual experience, changes in proportion and the difference between employer contributions and the proportionate share of total contributions. The deferred inflow related to OPEB activity is the result of the difference between changes in assumptions and the difference in employer contributions and proportionate share of contributions. 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, budget 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, 2018

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, 2018, the carrying amount of the School District's deposits was \$60,822,192 and the bank balance was \$62,951,995. Of the bank balance, \$250,000 was covered by federal depository insurance and \$5,538,937 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 \$57,163,058 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, 2018, the School District held the following investments:

Investment Type	Total	Investment Maturities	
		Less Than One Year	One to Five Years
Certificates of deposit	\$ <u>236,079</u>	\$ <u>24,958</u>	\$ <u>211,121</u>

Certificates of deposit held by banks of \$236,079 are stated at cost plus interest earned.

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, 2018.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - CASH AND INVESTMENTS (Continued)

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, 2018, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District held a certificate of deposit in its food service fund for \$211,967, which represents more than 5% of the School District's total investments.

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, 2018, were as follows:

Real estate taxes	135.25550 mills
Real estate transfer taxes	0.5%
Earned income tax	1%

In addition to the above taxes, the School District levies a \$5 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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, 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	\$ 382,194	\$ -	\$ -
Earned income taxes	159,958	-	-
Real estate transfer taxes	175,909	-	-
Local service taxes	764	-	-
Due from other governments	1,280,643	159,102	-
Other receivables	<u>239,304</u>	<u>18,622</u>	<u>28,301</u>
	<u>\$ 2,238,772</u>	<u>\$ 177,724</u>	<u>\$ 28,301</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 8,823,945
General Fund	Agency Funds	<u>3,543</u>
		<u>\$ 8,827,488</u>

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>3,919,640</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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and land improvements	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction in progress	847,181	310,500	(847,181)	310,500
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,797,357	310,500	(847,181)	1,260,676
Capital assets being depreciated				
Buildings and building improvements	232,658,757	1,716,646	-	234,375,403
Furniture, equipment and vehicles	34,998,593	1,588,071	-	36,586,664
TOTAL CAPITAL ASSETS BEING DEPRECIATED	267,657,350	3,304,717	-	270,962,067
Accumulated depreciation				
Buildings and building improvements	(80,363,709)	(5,715,023)	-	(86,078,732)
Furniture, equipment and vehicles	(29,390,741)	(2,163,963)	-	(31,554,704)
TOTAL ACCUMULATED DEPRECIATION	(109,754,450)	(7,878,986)	-	(117,633,436)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	157,902,900	(4,574,269)	-	153,328,631
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	159,700,257	(4,263,769)	(847,181)	154,589,307
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,517,946	28,123	-	2,546,069
Accumulated depreciation	(2,195,008)	(58,902)	-	(2,253,910)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	322,938	(30,779)	-	292,159
CAPITAL ASSETS, net	\$ 160,023,195	\$ (4,294,548)	\$ (847,181)	\$ 154,881,466

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE G - LONG-TERM DEBT

General Obligation Bonds, Notes and Lease Rental Obligations

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 9,695,000	\$ 2,024,779
2020	10,070,000	1,730,845
2021	10,510,000	1,389,185
2022	10,715,000	1,267,962
2023	11,105,000	957,135
2024 to 2028	25,940,000	1,555,245
2029	3,270,000	45,450
	<u>\$ 81,305,000</u>	<u>\$ 8,970,601</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 \$11,053,089 and annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 343,774	\$ 424,955
2020	356,987	416,233
2021	364,850	404,890
2022	382,928	391,920
2023	392,856	378,446
2024 to 2028	1,886,431	1,680,348
2029 to 2033	1,801,197	1,338,837
2034 to 2038	2,202,795	937,571
2039 to 2043	2,706,291	427,140
2044	614,980	13,056
	<u>\$ 11,053,089</u>	<u>\$ 6,413,396</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, 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 liability (Note O)		
Unamortized bond premium		
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
Compensated absences (Note K)		
Net OPEB liability (Note O)		
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>
\$ 2,800,000	\$ -	\$ (2,200,000)	\$ 600,000	\$ 100,000
7,385,000	-	(150,000)	7,235,000	150,000
9,605,000	-	(120,000)	9,485,000	120,000
9,760,000	-	(5,000)	9,755,000	1,225,000
5,450,000	-	(1,450,000)	4,000,000	75,000
5,230,000	-	(575,000)	4,655,000	780,000
9,990,000	-	(5,000)	9,985,000	5,000
15,750,000	-	(1,395,000)	14,355,000	3,665,000
4,895,000	-	(630,000)	4,265,000	655,000
450,000	-	(450,000)	-	-
2,955,000	-	(685,000)	2,270,000	720,000
6,800,000	-	(2,100,000)	4,700,000	2,200,000
10,000,000	-	-	10,000,000	-
<u>91,070,000</u>	<u>-</u>	<u>(9,765,000)</u>	<u>81,305,000</u>	<u>9,695,000</u>
10,225,764	-	(221,178)	10,004,586	224,775
1,167,971	-	(119,468)	1,048,503	118,999
<u>11,393,735</u>	<u>-</u>	<u>(340,646)</u>	<u>11,053,089</u>	<u>343,774</u>
102,463,735	-	(10,105,646)	92,358,089	10,038,774
954,828	-	(454,623)	500,205	313,392
2,798,164	93,538	-	2,891,702	-
214,562,000	6,317,000	-	220,879,000	-
16,931,135	826,533	(214,000)	17,543,668	-
3,041,447	-	(334,831)	2,706,616	-
<u>\$ 340,751,309</u>	<u>\$ 7,237,071</u>	<u>\$ (11,109,100)</u>	<u>\$ 336,879,280</u>	<u>\$ 10,352,166</u>
\$ 4,449	\$ 1,436	\$ -	\$ 5,885	\$ -
273,800	13,200	(4,000)	283,000	-
3,488,000	103,000	-	3,591,000	-
<u>\$ 3,766,249</u>	<u>\$ 117,636</u>	<u>\$ (4,000)</u>	<u>\$ 3,879,885</u>	<u>\$ -</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - CHANGES IN LONG-TERM DEBT (Continued)

Compensated absences, other postemployment employee benefits, and net pension liability are generally liquidated by the General Fund.

NOTE I - UNEARNED REVENUE

Food Service Fund

At June 30, 2018, Food Service Fund unearned revenue consisted of prepaid student lunches of \$60,445 and \$1,189 from donated commodities held in inventory.

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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$16,914,000 for the year ended June 30, 2017.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the School District reported a liability of \$224,470,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The 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, 2018, the School District's proportion was 0.4545%, which was an increase of 0.0145% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$23,513,000. At June 30, 2018, 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	\$ 2,305,000	\$ 1,333,000
Changes in assumptions	6,000,000	-
Net difference between projected and actual investment earnings	5,118,000	-
Changes in proportions	5,185,000	1,793,000
Difference between employer contributions and proportionate share of total contributions	322,000	398,000
Contributions subsequent to the measurement date	<u>18,274,000</u>	<u>-</u>
	<u>\$ 37,204,000</u>	<u>\$ 3,524,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 37,000	\$ 23,000
Changes in assumptions	98,000	-
Net difference between projected and actual investment earnings	83,000	-
Changes in proportions	84,000	29,000
Difference between employer contributions and proportionate share of total contributions	5,000	6,000
Contributions subsequent to the measurement date	<u>298,000</u>	<u>-</u>
	<u>\$ 605,000</u>	<u>\$ 58,000</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - PENSION PLAN (Continued)

\$18,572,000 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 3,199,000	\$ 52,000
2019	6,500,000	106,000
2020	5,100,000	83,000
2021	<u>607,000</u>	<u>8,000</u>
	<u>\$ 15,406,000</u>	<u>\$ 249,000</u>

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

- Actuarial cost method - entry age normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - PENSION PLAN (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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, 2018

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>276,303,000</u>	\$ <u>224,470,000</u>	\$ <u>180,708,000</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 \$841,429 at June 30, 2018, 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 \$2,056,158 at June 30, 2018, is recorded in compensated absences on the statement of net position.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.

As of June 30, 2018, 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, 2018. 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, 2018

NOTE N - SELF-INSURANCE (Continued)

Change in Aggregate Claim Liabilities

	<u>2018</u>	<u>2017</u>
CLAIMS LIABILITIES AT BEGINNING OF YEAR	\$ 1,243,714	\$ 1,408,264
Current year claims and changes in estimates	11,792,818	10,613,387
Claim payments by School District	<u>(11,564,935)</u>	<u>(10,777,937)</u>
CLAIMS LIABILITIES AT END OF YEAR	<u>\$ 1,471,597</u>	<u>\$ 1,243,714</u>

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PSERS Plan

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

Pension Plan Description

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

Benefits Provided

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

Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$486,000 for the year ended June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$9,260,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.4545%, which was an increase of 0.0145% from its proportion measured as of June 30, 2017.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of (\$47,000). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	424,000
Net difference between projected and actual investment earnings	10,000	-
Changes in proportions	264,000	-
Difference between employer contributions and proportionate share of total contributions	-	18,000
Contributions subsequent to the measurement date	<u>478,000</u>	<u>-</u>
	<u><u>\$ 752,000</u></u>	<u><u>\$ 442,000</u></u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	7,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions	4,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>8,000</u>	<u>-</u>
	<u><u>\$ 12,000</u></u>	<u><u>\$ 7,000</u></u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

\$486,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (28,000)	\$ -
2020	(28,000)	-
2021	(28,000)	-
2022	(28,000)	-
2023	(28,000)	-
Thereafter	<u>(28,000)</u>	<u>(3,000)</u>
	\$ <u>(168,000)</u>	\$ <u>(3,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate.
- Eligible retirees will elect to participate Pre age 65 at 50%.
- Eligible retirees will elect to participate Post age 65 at 70%.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

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

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Current Trend Rate	1% Increase
	<u> </u>	<u> </u>	<u> </u>
System net OPEB liability	\$ 9,258,000	\$ 9,260,000	\$ 9,262,000

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSERS Plan (Continued)

Sensitivity of the District's Proportionate Share of Net OPEB Liability to Change in the Discount Rate

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
School District's proportionate share of the net OPEB liability	\$ <u>10,526,000</u>	\$ <u>9,260,000</u>	\$ <u>8,208,000</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at www.psers.pa.gov.

Single Employer Plan

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 and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	51
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>1,009</u>
	<u>1,060</u>

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Single Employer Plan (Continued)

Funding Policy and Funding Status

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.

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2018, benefit payments paid as they came due were \$261,951.

Benefits Provided

The plan provides the following benefits:

For administrators, benefits include medical, prescription drug, dental and vision. If the member retires with at least 6 consecutive years of service or 25 nonconsecutive years with the School District, the member and spouse may continue benefits by contributing 25% of the premiums for coverage. If the member does not qualify for the School District's subsidy but does reach Act 110/43 eligibility, the member and spouse may continue coverage by paying the full premiums. Coverage for both the member and spouse cease upon the member reaching Medicare age.

For miscellaneous directors and teachers who retire with at least 6 consecutive years of service, 25 nonconsecutive years with the School District, or have reached Act 110/43 eligibility, benefits include medical, prescription drug, dental and vision. The member and spouse may continue coverage by paying the full premiums. Coverage for both the member and spouse cease upon the member reaching Medicare age.

For all other employees who retire with at least 6 consecutive years of service between the ages of 50 and 64, 25 nonconsecutive years with the School District between the ages of 50 and 64, or have reached Act 110/43 eligibility, benefits include medical, prescription drug, dental and vision. The member and spouse may continue coverage by paying the full premiums. Coverage for both the member and spouse cease upon the member reaching Medicare age.

Employees are deemed to have met the Act 110/43 eligibility upon retirement with 30 years of PSERS service or upon superannuation retirement.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate – 3.13%, based on S&P Municipal Bond 20 Year High grade Rate Index at July 1, 2017.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Single Employer Plan (Continued)

Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

Health Care Cost Trend Rate - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability - No disability was assumed.

Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan – 100% of administrators, 75% of miscellaneous directors and teachers and 25% of the support staff are assumed to elect coverage.

Percent Married at Retirement - 70% of the administrators, 40% of the miscellaneous directors and teachers and 20% of the support staff are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age - Wives are assumed to be two years younger than their husbands.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Single Employer Plan (Continued)

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Changes in Assumptions - In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ <u>7,726,935</u>
Changes for the year	
Service cost	616,331
Interest cost	204,214
Changes for experience	-
Changes in assumptions	281,139
Benefit payments	<u>(261,951)</u>
Net changes	<u>839,733</u>
Balance at June 30, 2017	\$ <u><u>8,566,668</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	<u>1% Increase 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
Total OPEB liability	\$ <u>9,196,549</u>	\$ <u>8,566,668</u>	\$ <u>7,970,860</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Single Employer Plan (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>7,550,294</u>	\$ <u>8,566,668</u>	\$ <u>9,772,821</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the School recognized OPEB expense of \$290,368. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ 253,711	\$ -
Contributions subsequent to the measurement date	<u>286,654</u>	<u>-</u>
	\$ <u>540,365</u>	\$ <u>-</u>
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ 4,000	\$ -
Contributions subsequent to the measurement date	<u>5,000</u>	<u>-</u>
	\$ <u>9,000</u>	\$ <u>-</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Single Employer Plan (Continued)

\$291,654 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (23,428)	\$ -
2020	(23,428)	-
2021	(23,428)	-
2022	(23,428)	-
2023	(23,428)	-
Thereafter	<u>(136,571)</u>	<u>(4,000)</u>
	<u>\$ (253,711)</u>	<u>\$ (4,000)</u>

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 \$1,189 of the Proprietary Funds' inventory balance at June 30, 2018. 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.

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, 2018, whereby the School District pays a set cost per copy made. Total costs for such leases were approximately \$22,000 for the year ended June 30, 2018.

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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE Q - LEASES (Continued)

The assets acquired through capital leases are as follows:

Computer equipment	\$ 1,792,582
Accumulated depreciation	<u>774,533</u>
	<u>\$ 2,567,115</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	
2019	\$ 329,914
2020	<u>194,262</u>
	524,176
Amount representing interest	<u>(23,971)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 500,205</u>

NOTE R - PRIOR PERIOD RESTATEMENT

The School District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the School District must record their share of the Public School Employees' Retirement System (PSERS) unfunded liability. In addition, the School also must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities and business-type activities, and the Food Service Fund, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$9,478,000 and the adjustment to the beginning of year single employer OPEB plan liability of \$2,098,045 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from (\$80,471,525) to (\$91,773,770). The School District has adjusted beginning net position for the business-type activities and Food Service Fund from (\$1,416,628) to (\$1,690,428).

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 100,608,877	\$ 100,631,177	\$ 103,866,255	\$ 3,235,078
State sources	31,301,114	31,278,814	30,390,603	(888,211)
Federal sources	825,000	825,000	874,236	49,236
TOTAL REVENUES	<u>132,734,991</u>	<u>132,734,991</u>	<u>135,131,094</u>	<u>2,396,103</u>
EXPENDITURES				
Instruction	79,484,325	80,544,733	79,029,882	1,514,851
Support services	38,539,664	38,507,257	37,975,879	531,378
Operation of non-instructional services	1,656,941	1,653,818	1,654,291	(473)
Debt service	13,391,715	12,366,836	12,170,628	196,208
Refund of prior year receipts	-	-	380,774	(380,774)
TOTAL EXPENDITURES	<u>133,072,645</u>	<u>133,072,645</u>	<u>131,211,454</u>	<u>1,861,191</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,654)	(337,654)	3,919,640	4,257,294
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(3,919,640)</u>	<u>(3,919,640)</u>
NET CHANGE IN FUND BALANCE	(337,654)	(337,654)	-	337,654
FUND BALANCE AT BEGINNING OF YEAR	<u>16,510,491</u>	<u>16,510,491</u>	<u>16,510,491</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 16,172,837</u>	<u>\$ 16,172,837</u>	<u>\$ 16,510,491</u>	<u>\$ 337,654</u>

See accompanying notes to the budgetary comparison schedule.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018

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 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
SCHEDULES OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.4545%</u>	<u>0.4400%</u>	<u>0.4413%</u>	<u>0.4488%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ <u>224,470,000</u>	\$ <u>218,050,000</u>	\$ <u>191,150,000</u>	\$ <u>177,638,000</u>
SCHOOL DISTRICT'S COVERED- EMPLOYEE PAYROLL	\$ <u>58,966,620</u>	\$ <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>380.67%</u>	<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>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTES TO SCHEDULES

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNRIDGE SCHOOL DISTRICT**SCHEDULES OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 18,572,000	\$ 16,914,000	\$ 14,543,000	\$ 11,433,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>18,572,000</u>	<u>16,914,000</u>	<u>14,543,000</u>	<u>11,433,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>60,505,645</u>	\$ <u>58,966,620</u>	\$ <u>56,982,668</u>	\$ <u>56,783,151</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>30.69%</u>	<u>28.68%</u>	<u>25.52%</u>	<u>20.13%</u>

NOTE TO SCHEDULES

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNRIDGE SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FISCAL YEAR

SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.4545%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	\$ <u>9,260,000</u>
SCHOOL DISTRICT'S COVERED- EMPLOYEE PAYROLL	\$ <u>60,505,645</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.73%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNRIDGE SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST FISCAL YEAR**

CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 486,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>486,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED- EMPLOYEE PAYROLL	\$ <u><u>56,982,668</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>0.85%</u></u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNRIDGE SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

TOTAL OPEB LIABILITY	
Service cost	\$ 616,331
Interest	204,214
Changes of assumptions	281,139
Benefit payments	<u>(261,951)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	839,733
 TOTAL OPEB LIABILITY, BEGINNING	 <u>7,726,935</u>
 TOTAL OPEB LIABILITY, ENDING	 \$ <u>8,566,668</u>
 COVERED-EMPLOYEE PAYROLL	 \$ <u>60,499,337</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	 <u>14.16%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

SUPPLEMENTARY INFORMATION SECTION

PENNRIDGE SCHOOL DISTRICT

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Funds		
	Student Loan Fund	Student Activities Fund	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 108	\$ 205,684	\$ 205,792
Investments	24,112	-	24,112
TOTAL ASSETS	<u>\$ 24,220</u>	<u>\$ 205,684</u>	<u>\$ 229,904</u>
LIABILITIES			
Due to other funds	\$ -	\$ 3,543	\$ 3,543
Due to students	24,220	-	24,220
Due to student organizations	-	202,141	202,141
TOTAL LIABILITIES	<u>\$ 24,220</u>	<u>\$ 205,684</u>	<u>\$ 229,904</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, 2018, 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 13, 2018.

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 13, 2018

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance 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, 2018. 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, 2018.

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.

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.



Oaks, Pennsylvania
November 13, 2018

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2018

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	13-170328-A	July 1, 2016 to September 30, 2017
Title I Improving Basic Programs	I	84.010	13-180328-A	July 1, 2017 to September 30, 2018
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	20-170328-A	July 1, 2016 to September 30, 2017
Title II Improving Teach Quality	I	84.367	20-180328-A	July 1, 2017 to September 30, 2018
TOTAL TITLE II				
Title III Language Instruction LEP/ Immigrant Students	I	84.365	10-170328-A	July 1, 2016 to September 30, 2017
Title III Language Instruction LEP/ Immigrant Students	I	84.365	10-180328-A	July 1, 2017 to September 30, 2018
TOTAL TITLE III				
Title IV Student Support and Academic Enrichment	I	84.424	144-180328	July 1, 2017 to September 30, 2018
Passed through the Bucks County Schools Intermediate Unit No. 22				
IDEA-B SECTION 621	I	84.027	H027A160093 *	July 1, 2016 to June 30, 2017
IDEA-B SECTION 621	I	84.027	H027A170093 *	July 1, 2017 to June 30, 2018
TOTAL CFDA 84.027				
IDEA	I	84.173	N/A *	July 1, 2017 to June 30, 2018
TOTAL SPECIAL EDUCATION CLUSTER				
Passed through the Northwest Tri-County Intermediate Unit.				
Early Learning Challenge	I	84.412A	N/A	July 1, 2017 June 30, 2018
TOTAL U.S. DEPARTMENT OF EDUCATION				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Passed Through to Sub-Recipients</u>
\$ 509,560	\$ 124,855	\$ 28,952 ***	\$ 95,903	\$ 95,903	\$ -	\$ -
517,251	<u>517,251</u>	<u>-</u>	<u>507,358</u>	<u>507,358</u>	<u>(9,893)</u>	<u>-</u>
	<u>642,106</u>	<u>28,952</u>	<u>603,261</u>	<u>603,261</u>	<u>(9,893)</u>	<u>-</u>
158,668	-	(22,313) ***	22,313	22,313	-	-
144,394	<u>144,394</u>	<u>-</u>	<u>144,394</u>	<u>144,394</u>	<u>-</u>	<u>-</u>
	<u>144,394</u>	<u>(22,313)</u>	<u>166,707</u>	<u>166,707</u>	<u>-</u>	<u>-</u>
29,006	-	(5,570) ***	5,570	5,570	-	-
22,665	<u>18,132</u>	<u>-</u>	<u>18,108</u>	<u>18,108</u>	<u>(24)</u>	<u>-</u>
	<u>18,132</u>	<u>(5,570)</u>	<u>23,678</u>	<u>23,678</u>	<u>(24)</u>	<u>-</u>
11,711	<u>6,246</u>	<u>-</u>	<u>11,711</u>	<u>11,711</u>	<u>5,465</u>	<u>-</u>
1,218,856	384,940	384,940	-	-	-	-
1,282,709	<u>756,361</u>	<u>-</u>	<u>1,282,709</u>	<u>1,282,709</u>	<u>526,348</u>	<u>-</u>
	1,141,301	384,940	1,282,709	1,282,709	526,348	-
3,528	<u>-</u>	<u>-</u>	<u>3,528</u>	<u>3,528</u>	<u>3,528</u>	<u>-</u>
	<u>1,141,301</u>	<u>384,940</u>	<u>1,286,237</u>	<u>1,286,237</u>	<u>529,876</u>	<u>-</u>
6,000	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,958,179</u>	<u>\$ 386,009</u>	<u>\$ 2,097,594</u>	<u>\$ 2,097,594</u>	<u>\$ 525,424</u>	<u>\$ -</u>

PENNRIDGE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2018

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				
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, 2017 to June 30, 2018
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
School Breakfast Program	I	10.553	N/A	July 1, 2017 to June 30, 2018
National School Lunch Program	I	10.555	N/A	July 1, 2017 to June 30, 2018
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program - Donated Commodities	I	10.555 **	N/A	July 1, 2017 to June 30, 2018
TOTAL NATIONAL SCHOOL LUNCH				
TOTAL CHILD NUTRITION CLUSTER				
STATE MATCHING SHARE				
National School Lunch Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
School Breakfast Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
TOTAL STATE MATCHING SHARE				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Source Codes:

D = Direct Funding

I = Indirect Funding

S = State Funding

* = Major Program

** = Non-cash assistance received

*** = See Note E

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, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>1,958,179</u>	\$ <u>386,009</u>	\$ <u>2,097,594</u>	\$ <u>2,097,594</u>	\$ <u>525,424</u>	\$ <u>-</u>
N/A	<u>17,681</u>	<u>-</u>	<u>17,681</u>	<u>17,681</u>	<u>-</u>	<u>-</u>
N/A	<u>132,760</u>	<u>22,106</u>	<u>136,366</u>	<u>136,366</u>	<u>25,712</u>	<u>-</u>
N/A	<u>679,992</u>	<u>103,141</u>	<u>698,727</u>	<u>698,727</u>	<u>121,876</u>	<u>-</u>
N/A	<u>132,920</u> (a)	<u>(833)</u> (b)	<u>132,564</u>	<u>132,564</u>	<u>(1,189)</u> (d)	<u>-</u>
	<u>812,912</u>	<u>102,308</u>	<u>831,291</u>	<u>831,291</u>	<u>120,687</u>	<u>-</u>
	<u>945,672</u>	<u>124,414</u>	<u>967,657</u>	<u>967,657</u>	<u>146,399</u>	<u>-</u>
N/A	<u>54,141</u>	<u>8,698</u>	<u>55,058</u>	<u>55,058</u>	<u>9,615</u>	<u>-</u>
N/A	<u>9,791</u>	<u>1,687</u>	<u>10,006</u>	<u>10,006</u>	<u>1,902</u>	<u>-</u>
	<u>63,932</u>	<u>10,385</u>	<u>65,064</u>	<u>65,064</u>	<u>11,517</u>	<u>-</u>
	<u>1,009,604</u>	<u>134,799</u>	<u>1,032,721</u>	<u>1,032,721</u>	<u>157,916</u>	<u>-</u>
	<u>2,985,464</u>	<u>520,808</u>	<u>3,147,996</u>	<u>3,147,996</u>	<u>683,340</u>	<u>-</u>
	<u>(63,932)</u>	<u>(10,385)</u>	<u>(65,064)</u>	<u>(65,064)</u>	<u>(11,517)</u>	<u>-</u>
	\$ <u><u>2,921,532</u></u>	\$ <u><u>510,423</u></u>	\$ <u><u>3,082,932</u></u>	\$ <u><u>3,082,932</u></u>	\$ <u><u>671,823</u></u>	\$ <u><u>-</u></u>

Footnotes:

(a) Total amount of foods received from the Department of Agriculture.

(b) Beginning inventory at July 1, 2017.

(c) Total amount of foods used.

(d) Ending inventory at June 30, 2018.

PENNRIDGE SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2018

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 (governmental funds) and accrual (proprietary funds) bases 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 and accrual bases of accounting are 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.

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.

Title IV Student Support and Academic Enrichment – Improve students' academic achievement by increasing the capacity of schools to provide all students with access to a well-rounded education, improve school conditions for student learning, and improve the use of technology in order to improve the academic achievement and digital literacy of all students.

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, 2018****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.

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.

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, 2017 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, 2017	Adjustment	Accrued (Deferred) Revenue at July 1 2017
Title I, 13-162328-A	84.010	\$ 124,114	\$ (124,114)	\$ -
Title I, 13-170328-A	84.010	31,214	(2,262)	28,952
Title II, 20-170328-A	84.367	(2,217)	(20,096)	(22,313)
Title III, 10-160328-A	84.365	8,614	(8,614)	-
Title III, 10-170328-A	84.365	(1,190)	(4,380)	(5,570)
		<u>\$ 160,535</u>	<u>\$ (159,466)</u>	<u>\$ 1,069</u>

Reconciliation to the schedule of expenditures of federal awards totals:

TOTAL ACCRUED (DEFERRED) REVENUE	
June 30, 2017	\$ 669,889
July 1, 2017	<u>510,423</u>
TOTAL ADJUSTMENT TO ACCRUED (DEFERRED) REVENUE AT BEGINNING OF YEAR	<u>\$ (159,466)</u>

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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 or material weaknesses 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 or material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance 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. There were no audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA</u>
Special Education Cluster	84.027, 84.173

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. 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.