PENNSBURY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

Maillie®
Expertise Beyond The Numbers ®
Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

FINANCIAL SECTION

Maillie®
Expertise Beyond The Numbers®

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Independent Auditors' Report

To the Board of Directors
Pennsbury School District
Bucks County, 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 Pennsbury School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pennsbury 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.

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 Pennsbury 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.

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Emphasis of Matter

For the year ended June 30, 2018, the Pennsbury School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits 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 5 through 12, budgetary comparison information on pages 59 and 60, schedules of the school district's proportionate share of the net pension liability on page 61, schedules of the school district's contributions on page 62, schedule of the school district's proportionate share of the PSERS net other postemployment benefit liability on page 63 schedule of the school district's PSERS other postemployment benefit plan contributions on page 64 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 65 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 Pennsbury 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Pennsbury 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 Pennsbury School District's internal control over financial reporting and compliance.

Maillie LLP
Oaks, Pennsylvania
December 10, 2018

PURPOSE

This section of the Pennsbury School District's (the "District") basic financial statements is intended to provide an overview and an objective analysis of the Pennsbury School District's financial activities for the year ended June 30, 2018. This analysis is based on currently known facts, decisions and conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis introduces the District's basic financial statements. The basic financial statements include three kinds of reports. The first part contains District-wide financial statements. The second part contains fund financial statements. The third contains notes to the basic financial statements. The District also includes additional information to supplement the basic financial statements, such as this discussion and analysis.

The title and a brief description of each of the basic financial statements follow. Page number references for respective statements are also shown.

The Statement of Net Position reports assets, liabilities and net position for the District, including governmental activities and business-type activities (page 13).

The Statement of Activities reports the District's expenses, revenues, depreciation and other changes in net position during the year. This report focuses on the net cost of individual functions with reconciliation between the beginning net position and the ending net position (page 14).

The Balance Sheet, Governmental Funds, reports assets, liabilities and fund balance for the General Fund and Capital Projects Fund (page 15).

The Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities explains the differences in Governmental Funds balances reported on the Balance Sheet, Governmental Funds, and the total net position reported on the Statement of Net Position and Statement of Activities (page 16).

The Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds, reports the revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund (page 17).

The Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities provides a reconciliation of the changes in fund balances reported on the Statement of Revenues, Expenditures and Changes in Fund Balances to the changes in net position as reported on the Statement of Activities (pages 17 and 18).

The Statement of Net Position, Proprietary Funds, reports assets, liabilities and net position for Proprietary Funds (page 20).

The Statement of Revenues, Expenses and Changes in Net Position, Proprietary Funds, reports the revenues, expenditures and changes in net position for the Food Service Fund, Community Service Fund and the Aquatics Fund (page 21).

CONDENSED FINANCIAL INFORMATION

A few financial statistics are addressed below to provide a snapshot overview of the District's finances for the year ended June 30, 2017. Prior year data and changes are included in order to provide some perspective on the current year data.

Assets

Assets are items of value owned by the District. Examples of these would include cash, investments, equipment and real property.

	June 30, 2018	June 30, 2017	Difference
ASSETS			
Capital	$ 125,727,691	$ 119,295,351	$ 6,432,340
Other	66,939,354	77,059,950	(10,120,596)
TOTAL ASSETS	$ 192,667,045	$ 196,355,301	$ (3,688,256)

Capital assets are reported at acquisition cost less accumulated depreciation in the District-wide financial statements. The accumulated depreciation and resulting asset value do not, in most cases, reflect the current market economic value of capital assets. Asset values are often higher, especially in the case of real property like school buildings and major equipment like school buses.

The slight increase in capital assets is attributed primarily to current year capital purchases exceeding current year depreciation.

The increase in other assets is attributed primarily to an increase in cash and cash equivalents and payments due from other governments for grants and other funding.

Deferred Outflows of Resources

	June 30, 2018	June 30, 2017	Difference
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	$ 3,780,860	$ 4,284,099	$ (503,239)
Deferred outflows of resources, pension activity	66,857,000	64,588,000	2,269,000
Deferred outflows of resources, OPEB activity	1,878,497	-	1,878,497
	$ 72,516,357	$ 68,872,099	$ 3,644,258

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.

Liabilities

Liabilities are the financial obligations of the District. Examples of liabilities are accounts payable, accrued salaries and benefits, long-term debt and accrued compensated absences.

	June 30, 2018	June 30, 2017	Difference
LIABILITIES			
Long-term	$ 569,297,573	$ 529,001,263	$ 40,296,310
Other	36,871,203	50,707,994	(13,836,791)
TOTAL LIABILITIES	$ 606,168,776	$ 579,709,257	$ 26,459,519

The increase in long-term debt is attributed primarily to the issuance of new debt and increase in net pension liability required by GASB 68.

The increase in other liabilities is primarily due to increased accounts payable and accrued salaries and benefits at year-end.

Deferred Inflows of Resources

	June 30, 2018	June 30, 2017	Difference
DEFERRED INFLOWS OF RESOURCES			
Pension activity	$ 6,811,000	$ 9,219,000	$ (2,408,000)
OPEB activity	1,408,486	-	1,408,486
	$ 8,219,486	$ 9,219,000	$ (999,514)

Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The difference between total assets and total liabilities results in a number which is the total net position in the District-wide statement of net position.

	June 30, 2018	June 30, 2017	Difference
NET POSITION	$ (349,204,860)	$ (323,700,857)	$ (25,504,003)

A few points should be kept in mind when considering the value of net position.

First, the accumulated depreciation of fixed assets, mostly school buildings, amounts to $170,027,532, up from $169,939,688 in the previous year. This number reflects the fact that some of the District's older school buildings are fully depreciated. While all Pennsbury schools are serviceable and safe, capital investment is necessary to extend the useful lives of some schools. The School Board has embarked upon a program to do just that. Renovations have been completed at Quarry Hill Elementary School, Penn Valley Elementary School, Manor Elementary School, Walt Disney Elementary School, Oxford Valley Elementary School, Makefield Elementary School, Eleanor Roosevelt Elementary School and Pennsbury High School West and are underway at Pennwood Middle School. Also, renovations are being considered for Pennsbury High School and Charles Boehm Middle School.

Second, almost all capital assets are funded by the proceeds of a bond issue or a short-term note. Bond issues are normally amortized over a 20-year period. Short-term notes are generally amortized over a five- to ten-year period. When capital assets are acquired, they are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The years of depreciation vary depending on the classification of the asset. Land improvements, buildings and building improvements are depreciated over 20 years.

Furniture, fixtures and equipment are depreciated between 5 and 20 years, depending on the estimated useful life of the assets. Vehicles are depreciated over eight years using a salvage value of zero. The depreciation time period of capital assets typically matches the amortization period of the borrowed capital used for their purchase. This is done to prevent the obligation of paying for assets after they have been fully depreciated. In some cases, however, our fixed assets are depreciating quicker than the repayment of principal. This is occurring for most of the fixed assets purchased with the proceeds from the 2012 Bond Issue and the 2004A Emmaus Variable Rate Issue. The bulk of the principal payments on these two issues is scheduled to be paid in future years, beginning in 2022. This debt structure was implemented in order to maintain overall level debt service for the District. We anticipate that assets purchased with these proceeds will continue to depreciate quicker than the repayment of debt principal until after the large principal payments are made.

Third, assets in the form of cash and cash equivalents amount to $60,671,159. This must be viewed in light of intended uses of this cash, such as payment of salaries, contracted services and construction. This cash should not be confused with unassigned fund balance.

Fourth, although net position is reported as a deficit of $(323,305,587), Pennsbury remains in good financial condition. The year-end General Fund unassigned fund balance of $7,416,133 is considered ample to guard against revenue shortfalls and the need for emergency expenditures. The District has also committed an additional $10,174,451 for contingencies for PSERS, Capital Projects and Self Insurance. Another indication of the District's financial health is this year's Moody's rating of Aa2. This rating reflects the District's very strong wealth and income indicators, good well-embedded management policies and moderate debt levels.

Total Program Revenue

General Fund revenue is categorized as being from three major sources. Specifically, these categories are local, state, federal and other. A summary of these revenue sources follows.

	June 30, 2018	June 30, 2017	Difference
Local	$ 151,148,659	$ 146,265,925	$ 4,882,734
State	50,246,019	47,143,125	3,102,894
Federal	1,169,755	1,674,668	(504,913)

The primary source of revenue for the year ended June 30, 2017, remains local, which was 75.0% of the total revenue budget. The largest single source of revenue is Real Estate Taxes, which is about 92.8% of the total local revenue budget.

The state share of revenue amounted to 24.2% of the revenue budget for the year ended June 30, 2017, and the federal share of revenue was 0.9%.

The District's capital projects and capital equipment needs are supported primarily by debt capital and interest on invested cash.

Proprietary Fund revenue is generated primarily from the sale of meals and services.

Program Expenditures

General Fund expenditures can be categorized in terms of major programs, that is, the general purposes of the expenditures. The two major examples are instruction and support services. A summary of General Fund major program expenditures follows.

	June 30, 2018	June 30, 2017	Difference
Instruction	$ 130,325,231	$ 125,442,335	$ 4,882,896
Support services	53,356,861	52,470,565	886,296
Non-instructional services	1,386,130	1,378,458	7,672
Facilities acquisition and improvement	-	-	-
Debt service	15,240,632	15,004,928	235,704
Debt issuance cost	408,558	143,029	265,529
Other	156,816	400,172	(243,356)

The primary purpose of expenditures was for instruction at 64.4%. Most of the instructional expenditures were for the salary and benefits of instructional staff, about 53.5% of total expenditures

Expenditures for capital projects were provided almost entirely from the Capital Projects Fund, primarily the 2016 and 2015B bond issues.

Fund Balance

Fund balance in the balance sheet (Governmental Funds) is the difference between revenue and expenditures at the end of the year, combined with the fund balance from the beginning of the year. In other words, fund balance is the accumulated savings in a fund. Nonspendable fund balance reflects funds that are legally earmarked for a specific future use and are not available for appropriation. Restricted fund balance reflects funds that are earmarked for a specific purpose because of state or federal laws or externally imposed conditions by a grantor or creditor and are not available for appropriation. Committed fund balance reflects funds that the Board has taken formal action to earmark for a specific purpose and are not available for appropriation. Assigned fund balance reflects amounts that the Board or Administration has informally earmarked for a specific purpose. Although committed fund balance and assigned fund balance represent planned needs or actions, they are not legally or contractually required and can be changed by the Board if the need arises. Unassigned fund balance represents funds that have not been included in Nonspendable, Restricted, Committed, or Assigned Fund Balance and is available for appropriation. A more detailed reporting of the General Fund - Fund Balance is noted below.

	June 30, 2018	June 30, 2017
Nonspendable	$ 71,096	$ 18,517
Committed	10,259,451	10,174,451
Unassigned	8,891,786	7,416,133
TOTAL FUND BALANCE	$ 19,222,333	$ 17,609,101

For the year ended June 30, 2017, the fund balance increased $394,051 compared to the prior year. Expressed as a percentage of the 2016-2017 budget, total fund balance was 9.0%, and unassigned fund balance was 3.8%. The District has developed a financial strategy for fund balance and attempts to maintain a reasonable fund balance to protect against revenue receipt shortfalls and/or emergency expenditure needs.

Significant Events and Risks

During the upcoming fiscal years, there are several events and risks, which may have a significant financial impact on the District.

The Taxpayer Relief Act (Act 1) enacted in June 2006 is still in effect. In accordance with Act 1, property tax increases are limited to an inflationary index that is determined and reported by the Pennsylvania Department of Education (PDE) in September of each year. The District cannot increase the tax rate beyond the index unless either the increase is approved by the voters in the school district at a public referendum or allowable exceptions outlined in the Act are approved by the PDE or Court of Common Pleas. The District does not currently levy an earned or personal income tax, but under the law, may consider placing a referendum question on the general election ballot in November of each odd-numbered year seeking approval to levy such tax for the purpose of funding homestead and farmstead exclusions as allowable under the law. For the last several years of Act 1, the District's tax rate increase has been below the index even though approved exceptions under the Act would have allowed tax rate increases above the index. Last year the District did apply for exceptions and increased real estate taxes approximately 2.2%.

The real estate tax installment payments required under Act 1 have had virtually no effect on the District's cash flow. This is due primarily to the low participation in installment payments, low interest rates and the forfeit of the 2% discount if the installment plan is selected.

The District insures employee health care on a self-funded basis. Costs associated with this arrangement have been significantly lower than a premium-based plan, and the District has had good claims experience the past few years. There still is, however, an increased expenditure risk associated with high cost cases as seen in 2016-2017. In other words, if there is an unusually high number of such cases, the District will have unusually high medical benefits costs as was the case this year and in 2013-2014. While stop loss insurance provides some protection, the risk still remains.

Energy costs have been very volatile over the past few years and have been a budgetary challenge. In addition, deregulation of electricity began January 1, 2011, in Pennsylvania. In an attempt to manage future energy costs, the District has contracted with an energy consultant to advise and assist the District with locking-in future energy prices. This action, coupled with energy conservation and joint purchasing of diesel fuel, gasoline and heating oil through the Bucks County Intermediate Unit enable the District to better manage this expenditure.

The Public School Employees Retirement System (PSERS) is a defined benefit pension plan for Pennsylvania school employees. The employers' share of retirement contributions has traditionally been funded half by the Commonwealth and half by the District. PSERS projections indicate that if the established process for funding retirement contributions continues, significant increases in the employers' contribution rates will be needed in the future.

The following table shows recent year employer's contribution rates and amounts and the projection for the upcoming year.

Fiscal Year	Rate*	Amount
2013-2014	16.93%	15,188,624 (actual)
2014-2015	21.40%	19,556,055 (actual)
2015-2016	25.84%	23,782,701 (actual)
2016-2017	30.03%	27,245,000 (actual)
2017-2018	32.57%	32,135,000 (actual)
2018-2019	33.43% (budgeted)	32,320,000 (budgeted)

*Percent of PSERS qualified salaries and wages.

Interest rate risk remains a consideration because the District depends on interest earnings on invested cash. Interest rates over the last few years have made the projection of this revenue riskier than in years past. Due to the fact that interest rates have remained at a low level for an extended period of time, we have again been very conservative in the upcoming budget for this revenue item. It is our hope that the investment rates will continue to improve and investment earnings will increase in the future.

The Keystone Opportunity Improvement Zone (KOIZ) that was established at the former U.S. Steel Fairless Works site, now known as the Keystone Industrial Port Complex (KIPC), was designated as an eco-industrial park by the Environmental Protection Agency. This designation brought together a wide variety of manufacturing and service-oriented businesses, all of which are looking to enhance their environmental and economic performances by collaborating with each other and KIPC on the management of waste, energy, water and raw materials. We anticipate a strong, vital tax base when these properties become taxable in the 2019-2020 school year.

We are beginning to see development of the MATRIX property in Lower Makefield Township. A bank and a pharmacy have been constructed and both opened in 2010. The first phase of an age restricted development consisting of approximately 300 homes has been completed and additional phases are in progress.

There is a significant risk of increased expenditures to support unfunded federal and state mandates. Such mandates have created requirements for remedial instruction, new instructional programs and increased assessments of students. These programs and their costs are likely to increase. Additionally, the Individuals with Disabilities Education Improvement Act has created increased demands on the District's Special Education expenditure budget.

The District is typically faced with the challenge of complying with mandated cost increases and generating adequate revenue to cover those costs. This challenge has become increasingly more difficult in light of all the uncertainties in today's economy. Nevertheless, the District is committed to improving the efficiency of school operations where they are administratively feasible and educationally prudent.

Finally, the District's School Board, administration and staff remain strongly committed to the District's long traditions of high quality education and sound financial management.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 50,620,170	$ 402,446	$ 51,022,616
Taxes receivable	2,994,742	-	2,994,742
Internal balances	640,734	-	640,734
Due from other governments	11,208,163	270,570	11,478,733
Other receivables	542,488	53,006	595,494
Inventories	18,406	63,115	81,521
Other assets	914,651	359,907	1,274,558
Capital assets			
Land and site improvements	10,570,965	-	10,570,965
Buildings and building improvements	243,589,777	-	243,589,777
Furniture and equipment	49,148,102	2,338,105	51,486,207
Accumulated depreciation	(177,581,153)	(1,891,952)	(179,473,105)
TOTAL ASSETS	192,667,045	1,595,197	194,262,242
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	3,780,860	-	3,780,860
Deferred outflows of resources, pension activity	66,501,000	-	66,501,000
Deferred outflows of resources, OPEB activity	1,878,497	-	1,878,497
TOTAL DEFERRED OUTFLOWS OF RESOURCES	72,160,357	-	72,160,357
LIABILITIES			
Accounts payable	3,407,723	90,541	3,498,264
Due to other funds	-	640,734	640,734
Accrued salaries and benefits	25,960,079	-	25,960,079
Unearned revenue	2,148,455	28,045	2,176,500
Other current liabilities	2,721,998	-	2,721,998
Accrued interest	2,713,191	-	2,713,191
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	8,885,000	-	8,885,000
Compensated absences	227,922	-	227,922
Lease purchase obligations	513,675	-	513,675
Portion due or payable after one year			
Bonds payable	165,255,000	-	165,255,000
Bond premiums and discounts, net	10,982,537	-	10,982,537
Compensated absences	2,285,878	-	2,285,878
Lease purchase obligations	159,890	-	159,890
Net pension liability	357,276,000	-	357,276,000
Net OPEB obligation	23,711,671	-	23,711,671
TOTAL LIABILITIES	606,249,019	759,320	607,008,339
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	6,725,000	-	6,725,000
Deferred inflows of resources, OPEB activity	1,408,486	-	1,408,486
TOTAL DEFERRED INFLOWS OF RESOURCES	8,133,486	-	8,133,486
NET POSITION			
Net investment in capital assets	(45,376,387)	446,153	(44,930,234)
Restricted	(146,398)	-	(146,398)
Unrestricted	(304,032,318)	389,724	(303,642,594)
TOTAL NET POSITION	$ (349,555,103)	$ 835,877	$ (348,719,226)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	$ 85,625,434	$ 128,525	$ 12,921,152	$ -
Special programs	38,799,553	-	11,069,062	-
Vocational education	8,046,696	-	270,926	-
Other instructional programs	1,664,361	-	141,784	-
Support services				
Pupil personnel services	7,839,628	-	921,324	-
Instructional staff services	4,733,588	-	79,598	-
Administration services	10,127,626	-	1,093,333	-
Pupil health services	3,175,512	-	509,825	-
Business services	2,365,182	-	234,240	-
Operation and maintenance of plant services	15,290,128	552,744	1,277,093	-
Student transportation services	8,928,833	-	2,638,449	-
Central services	3,399,840	-	286,305	-
Other services	120,913	-	-	-
Operation of non-instructional services				
Student activities	1,186,310	101,209	120,524	-
Community services	182,558	-	-	-
Facilities acquisition, construction and improvement services	9,286,818	-	-	-
Debt service	5,220,948	-	-	1,294,868
TOTAL GOVERNMENTAL ACTIVITIES	205,993,928	782,478	31,563,615	1,294,868
BUSINESS-TYPE ACTIVITIES				
Food service	3,484,272	2,070,793	1,493,974	-
Community services	102,125	131,729	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,586,397	2,202,522	1,493,974	-
TOTAL DISTRICT ACTIVITIES	$ 209,580,325	$ 2,985,000	$ 33,057,589	$ 1,294,868

GENERAL REVENUES
Taxes
Property taxes, levied for general purposes
Public utility taxes
Grants and contributions not restricted to specific programs
Investment earnings
Loss on disposal of capital assets
Miscellaneous
TRANSFERS
TOTAL GENERAL REVENUES AND TRANSFERS

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
$ (72,575,757)	$ -	$ (72,575,757)
(27,730,491)	-	(27,730,491)
(7,775,770)	-	(7,775,770)
(1,522,577)	-	(1,522,577)
(6,918,304)	-	(6,918,304)
(4,653,990)	-	(4,653,990)
(9,034,293)	-	(9,034,293)
(2,665,687)	-	(2,665,687)
(2,130,942)	-	(2,130,942)
(13,460,291)	-	(13,460,291)
(6,290,384)	-	(6,290,384)
(3,113,535)	-	(3,113,535)
(120,913)	-	(120,913)
(964,577)	-	(964,577)
(182,558)	-	(182,558)
(9,286,818)	-	(9,286,818)
(3,926,080)	-	(3,926,080)
(172,352,967)	-	(172,352,967)
-	80,495	80,495
-	29,604	29,604
-	110,099	110,099
$ (172,352,967)	$ 110,099	$ (172,242,868)
146,933,576	-	146,933,576
142,679	-	142,679
20,611,400	-	20,611,400
1,119,346	9	1,119,355
(62,702)	-	(62,702)
816,546	-	816,546
(488,365)	(27,211)	(515,576)
169,072,480	(27,202)	169,045,278
(3,280,487)	82,897	(3,197,590)
(346,274,616)	752,980	(345,521,636)
$ (349,555,103)	$ 835,877	$ (348,719,226)

PENNSBURY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 38,765,075	$ 11,855,095	$ 50,620,170
Taxes receivable	2,994,742	-	2,994,742
Due from other funds	640,734	-	640,734
Due from other governments	11,208,163	-	11,208,163
Other receivables	540,522	1,966	542,488
Inventories	18,406	-	18,406
Other assets	914,651	-	914,651
TOTAL ASSETS	$ 55,082,293	$ 11,857,061	$ 66,939,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 2,608,224	$ 799,499	$ 3,407,723
Due to other funds	-	-	-
Unearned revenue	2,148,455	-	2,148,455
Accrued salaries and benefits	25,960,079	-	25,960,079
Other payables	2,721,998	-	2,721,998
TOTAL LIABILITIES	33,438,756	799,499	34,238,255
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	2,421,204	-	2,421,204
FUND BALANCES			
Nonspendable			
Inventories	18,406	-	18,406
Prepaid expenses	914,651	-	914,651
Restricted			
Capital projects	-	11,057,562	11,057,562
Committed to			
PSERS contingency	3,474,451	-	3,474,451
Self-insurance contingency	2,500,000	-	2,500,000
Capital projects	2,500,000	-	2,500,000
Fund balance appropriation	1,785,000	-	1,785,000
Unassigned	8,029,825	-	8,029,825
TOTAL FUND BALANCES	19,222,333	11,057,562	30,279,895
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 55,082,293	$ 11,857,061	$ 66,939,354

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	$ 30,279,895
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 site improvements	10,570,965
Buildings and building improvements	243,589,777
Furniture and equipment	49,148,102
Accumulated depreciation	(177,581,153)
Deferred amount on refunding	3,780,860
Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.	60,246,011
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	(2,713,191)
Bonds payable	(174,140,000)
Bond premiums and discounts	(10,982,537)
Compensated absences	(2,513,800)
Lease purchase obligations	(673,565)
Net pension liability	(357,276,000)
Net OPEB obligation	(23,711,671)
Some of the 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 deferred in the funds.	2,421,204
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (349,555,103)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Local sources	$ 151,148,659	$ 177,380	$ 151,326,039
State sources	48,958,082	-	48,958,082
Federal sources	2,457,692	-	2,457,692
TOTAL REVENUES	202,564,433	177,380	202,741,813
EXPENDITURES			
Current			
Instruction	130,325,231	-	130,325,231
Support services	53,356,861	395,210	53,752,071
Operation of non-instructional services	1,386,130	-	1,386,130
Capital			
Facilities acquisition, construction and improvement services	-	17,230,833	17,230,833
Debt service			
Principal	9,138,716	-	9,138,716
Interest	6,101,916	-	6,101,916
Debt issuance cost	408,558	158,701	567,259
Refund of prior year revenues	156,816	-	156,816
TOTAL EXPENDITURES	200,874,228	17,784,744	218,658,972
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,690,205	(17,607,364)	(15,917,159)
OTHER FINANCING SOURCES (USES)			
Proceeds from bonds issued	-	9,555,000	9,555,000
Premium on bonds issued	-	120,542	120,542
Proceeds from refunding bonds issued	27,940,000	-	27,940,000
Premium on refunding bonds issued	944,969	-	944,969
Discount on refunding bonds issued	(100,123)	-	(100,123)
Payment to refunded bond escrow agent	(28,328,911)	-	(28,328,911)
Payment to sinking fund	(47,377)	-	(47,377)
Transfers in	37,500	525,000	562,500
Transfers out	(525,000)	(10,289)	(535,289)
Proceeds from sale of fixed assets	1,969	-	1,969
TOTAL OTHER FINANCING SOURCES (USES)	(76,973)	10,190,253	10,113,280
NET CHANGE IN FUND BALANCES	1,613,232	(7,417,111)	(5,803,879)
FUND BALANCES AT BEGINNING OF YEAR	17,609,101	18,474,673	36,083,774
FUND BALANCES AT END OF YEAR	$ 19,222,333	$ 11,057,562	$ 30,279,895

See accompanying notes to the basic financial statements.

PENNSBURY 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	$ (5,803,879)
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 capital outlays ($18,095,972) exceeded depreciation expense ($11,104,958) in the current period.	6,991,014
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	152,542
Repayment of bond and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	9,447,890
Bond and capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. This is the amount of bond and capital lease proceeds received in the current period, net of refundings.	(9,330,000)
Bond premiums provide current financial resources to Governmental Funds, while discounts and costs of issuance are uses of current financial resources in Governmental Funds. In the statement of net position, bond premiums and costs of issuance are deferred and amortized.	98,835
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), special termination benefits (early retirement) and other postemployment benefits--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 (essentially, the amounts paid).	126,097
Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	127,417
SUBTOTAL ADJUSTMENTS FORWARD	$ 7,613,795

PENNSBURY 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	$	(5,803,879)
SUBTOTAL ADJUSTMENTS FORWARDED		7,613,795
The net effect of various transactions involving capital assets (i.e., sales, gains on dispositions) is to decrease net position.		(62,702)
Pension plan expense is reported in the government-wide statements but not in the Governmental Funds statements.		(6,120,000)
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.		1,092,299
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(3,280,487)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 357,047	$ 45,399	$ 402,446
Due from other governments	270,570	-	270,570
Other receivables	53,006	-	53,006
Inventories	63,115	-	63,115
Prepaid expenses	359,497	410	359,907
TOTAL CURRENT ASSETS	1,103,235	45,809	1,149,044
CAPITAL ASSETS			
Furniture and equipment	2,338,105	-	2,338,105
Accumulated depreciation	(1,891,952)	-	(1,891,952)
TOTAL CAPITAL ASSETS	446,153	-	446,153
TOTAL ASSETS	$ 1,549,388	$ 45,809	$ 1,595,197
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Due to other funds	$ 630,761	$ 9,973	$ 640,734
Accounts payable	740	-	740
Unearned revenue	23,310	4,735	28,045
Other current liabilities	89,801	-	89,801
TOTAL CURRENT LIABILITIES	744,612	14,708	759,320
NET POSITION			
Net investment in capital assets	446,153	-	446,153
Unrestricted	358,623	31,101	389,724
TOTAL NET POSITION	804,776	31,101	835,877
TOTAL LIABILITIES AND NET POSITION	$ 1,549,388	$ 45,809	$ 1,595,197

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 2,070,793	$ 131,400	$ 2,202,193
OPERATING EXPENSES			
Salaries	1,246,932	69,572	1,316,504
Employee benefits	264,491	6,719	271,210
Purchased professional and technical service	6,603	11,048	17,651
Purchased property service	74,367	-	74,367
Other purchased service	234,002	7,471	241,473
Supplies	1,588,090	15,323	1,603,413
Depreciation	60,789	-	60,789
Other operating expenses	990	-	990
TOTAL OPERATING EXPENSES	3,476,264	110,133	3,586,397
OPERATING INCOME (LOSS)	(1,405,471)	21,267	(1,384,204)
NONOPERATING REVENUES			
Interest and investment revenue	-	338	338
Federal sources	1,403,257	-	1,403,257
State sources	90,717	-	90,717
TOTAL NONOPERATING REVENUES	1,493,974	338	1,494,312
INCOME BEFORE TRANSFERS	88,503	21,605	110,108
TRANSFERS IN (OUT)	10,289	(37,500)	(27,211)
CHANGE IN NET POSITION	98,792	(15,895)	82,897
NET POSITION AT BEGINNING OF YEAR	705,984	46,996	752,980
NET POSITION AT END OF YEAR	$ 804,776	$ 31,101	$ 835,877

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 2,051,338	$ 131,400	$ 2,182,738
Payments to employees	(1,511,423)	(76,291)	(1,587,714)
Payments to suppliers	(1,630,246)	(27,045)	(1,657,291)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,090,331)	28,064	(1,062,267)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	10,289	-	10,289
Federal sources	1,173,248	-	1,173,248
State sources	90,717	-	90,717
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,274,254	(37,500)	1,236,754
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(10,971)	-	(10,971)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	-	338	338
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	172,952	(9,098)	163,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	184,095	54,497	238,592
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 357,047	$ 45,399	$ 402,446

PENNSBURY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (1,405,471)	$ 21,267	$ (1,384,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	60,789	-	60,789
Donated commodities used	163,753	-	163,753
(Increase) decrease in			
Accounts receivable	-	-	-
Other receivables	(19,455)	-	(19,455)
Inventories	(7,260)	-	(7,260)
Prepaid expenses	(11,062)	(410)	(11,472)
Due from other funds	-	-	-
Increase (decrease) in			
Due to other funds	127,041	1,217	128,258
Accounts payable	740	1,255	1,995
Unearned revenue	-	4,735	4,735
Other current liabilities	594	-	594
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (1,090,331)	$ 28,064	$ (1,062,267)
NONCASH NONCAPITAL FINANCING ACTIVITIES			
Donated commodities used	$ 163,753	$ -	$ 163,753

See accompanying notes to the basic financial statements.

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

	Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 23,770	$ 1,130,197
LIABILITIES		
Due to student groups	-	$ 1,130,197
NET POSITION		
Held in trust for benefits and other purposes	$ 23,770	

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	Trust Fund
ADDITIONS	
Contributions	$ 11,200
Investment earnings	320
TOTAL ADDITIONS	11,520
DEDUCTIONS	
Scholarships awarded	14,000
CHANGE IN NET POSITION	(2,480)
NET POSITION AT BEGINNING OF YEAR	26,250
NET POSITION AT END OF YEAR	$ 23,770

See accompanying notes to the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the 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 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 District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Pennsbury School District. The District is not a component unit of another reporting entity nor does it have any component units.

Bucks County Technical School (the "Technical School") is a joint venture of the District. The Technical School is a separate legal entity that unites six school districts located in Bucks County, Pennsylvania, and is not reported as part of the District's reporting entity. The purpose of the joint venture is to provide technical training to students located in the Bucks County area and to share the costs associated with providing such training. Through a contractual arrangement with other participants, the District pays the Technical School for training given to District students. The financial report of the Technical School may be obtained by contacting the Technical School.

Basis of Presentation and Accounting

Government-Wide Financial Statements **-** The statement of net position and the statement of activities display information about the 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 District that are governmental and those that are considered business-type activities.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District and for each function or program of the 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 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 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 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 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.

The 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 District finances and meets the cash flow needs of its proprietary activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 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 District's Enterprise Funds are charges to customers for sales and services. Operating expenses of the Enterprise Funds 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.

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The 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 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 District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund. This fund is reported as a major fund.

Capital Projects Fund - This fund accounts for financial resources used to acquire or construct major capital projects. The revenue in this fund comes from the sale of bonds/notes or from capital appropriations from the General Fund under the Capital Reserve Fund provisions of the Pennsylvania School Code. This fund is reported as a major fund.

Proprietary Funds

Food Service Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases and costs and expenses for the food service program. This fund is reported as a major fund.

Community Service Fund and Aquatics Fund - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds account for all revenues and costs and expenses of the community service program and the aquatics program.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

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

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." 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.

Inventories and Prepaid Items

Inventories of the General Fund, which consist primarily of supplies, are valued at cost on the first-in, first-out basis. Inventories of the Food Service Fund are valued at the lower of cost, determined by the first-in, first-out method, or market except for donated inventories, which are valued at average fair market value.

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventory and prepaid expenses are similarly reported in 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 District defines a capital asset as an asset with an initial, individual cost equal to or greater than $2,500 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Years
Land improvements, building and building improvements	20
Furniture, fixtures and equipment	5-20
Vehicles	8

Long-Term Obligations

In the government-wide financial statements and the 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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences

District employees accumulate sick time in accordance with their applicable contracts. Compensated absences are reported as accrued in the government-wide, Proprietary Funds and Fiduciary Fund financial statements. Governmental Funds report only matured compensated absences payable to currently terminated employees and are included in accrued salaries and benefits.

The District has a contractual agreement whereby unused vacation of administrative staff up to a maximum of seven days is placed into a tax-sheltered annuity account for each employee at the end of each fiscal year. Deposits are calculated by multiplying unused vacation days by the employee's per diem rate.

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 District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in assumptions, the difference between projected and actual investment earnings, changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and the actual contributions subsequent to the measurement date.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience, changes in the School District's proportionate share of total plan from year to year, and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GASB Statement No. 54

The District previously adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors. This includes the budget reserve account.

- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist 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 when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

NOTE B - CASH

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The carrying value is $52,176,583. As of June 30, 2018, $53,809,325 of the District's bank balance of $54,118,120 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name; however, these funds are collateralized in accordance with Act 72.	$ 2,720,574
Uninsured funds with 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 their objective is to maintain a stable net asset value of $1 per share, they are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit.	$ 51,089,070

Interest Rate Risk - The District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C - TAXES - REAL ESTATE AND OTHER

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

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

Discount period .... July 1 to September 1 - 2% of gross levy
Face period ....September 1 to November 1
Penalty period ....November 2 to collection - 10% of gross levy
Lien date .... January 15

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

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All taxes 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	Capital Projects Fund	Food Service Fund
Real estate taxes	$ 2,994,742	$ -	$ -
Due from other governments	11,208,163	-	270,570
Other receivables	540,522	1,966	53,006
	$ 14,743,427	$ 1,966	$ 323,576

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

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

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	$ 630,761
General Fund	Other Enterprise Funds	9,973
		$ 640,734

The amounts between the Food Service Fund and the General Fund are General Fund monies used to pay the expenditures of the Food Service Fund.

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 site improvements	$ 10,570,965	$ -	$ -	$ 10,570,965
Capital assets being depreciated				
Buildings and building improvements	226,625,931	16,963,846	-	243,589,777
Furniture and equipment	49,798,853	1,132,126	(1,782,877)	49,148,102
TOTAL CAPITAL ASSETS BEING DEPRECIATED	276,424,784	18,095,972	(1,782,877)	292,737,879
Accumulated depreciation				
Buildings and building improvements	(123,717,554)	(8,621,463)	-	(132,339,017)
Furniture and equipment	(44,478,816)	(2,483,495)	1,720,175	(45,242,136)
TOTAL ACCUMULATED DEPRECIATION	(168,196,370)	(11,104,958)	1,720,175	(177,581,153)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	108,228,414	6,991,014	(62,702)	115,156,726
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	118,799,379	6,991,014	(62,702)	125,727,691
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,327,133	10,972	-	2,338,105
Accumulated depreciation	(1,831,163)	(60,789)	-	(1,891,952)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	495,970	(49,817)	-	446,153
CAPITAL ASSETS, net	$ 119,295,349	$ 6,941,197	$ (62,702)	$ 126,173,844

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	$ 144,816
Special programs	5,747
Vocational education	1,622
Other instructional programs	761
SUPPORT SERVICES	
Pupil personnel services	1,269
Instructional staff services	839,568
Library services	-
Administration services	30,441
Pupil health services	278
Business services	13,897
Operation and maintenance of plant services	681,730
Student transportation services	731,025
Central services	14,372
NON-INSTRUCTIONAL SERVICES	
Athletics	17,969
Site acquisitions	127
Existing site improvements	179,695
Building acquisitions, new	12,003
Building acquisitions, replacement	8,429,638
	$ 11,104,958
FOOD SERVICE FUND	$ 60,789

NOTE G - LEASES

Capital Leases

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

NOTE G - LEASES (Continued)

The assets acquired through capital leases are as follows:

Computer equipment	$ 2,327,125
Accumulated depreciation	(1,423,321)
	$ 903,804

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

Year Ending June 30,	
2019	$ 528,478
2020	82,791
2021	82,791
Amount representing interest	(20,495)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	$ 673,565

Operating Leases

The District leases several laptop computers under operating leases expiring through July 2020. The future lease obligations under these leases are as follows:

Year Ending June 30,	Principal
2019	$ 716,521
2020	716,521
2021	261,235
	$ 1,694,277

Total expenditures under these leases amounted to $455,286 for the year ended June 30, 2018.

NOTE H - LONG-TERM DEBT

General Obligation Bonds and Notes

The District has issued various general obligation serial bonds and notes to finance capital projects and for advance refundings of bonds.

The District has $174,140,000 of bonds payable at June 30, 2018. During the year, the District made principal payments of $8,945,000 and interest payments of $5,905,502 related to the bond issues outstanding.

Series of 2017 A - General Obligation Bonds - The District issued a general obligation bond to provide funds for construction of major capital facilities. The original amount of General Obligation Bond Series 2017A issued in December 2017 was $9,555,000.

Series of 2018 - Current Refunding – May 4, 2018 - The District issued $8,555,000 of general obligation bonds to currently refund a portion of the District's outstanding General Obligation Bonds, Series of 2013, fund the costs of an arbitrage rebate or yield reduction payment relating to the project financed with the proceeds of the 2013 Bond and pay the costs of issuing the bonds. The refunding resulted in an economic gain of $418,699 and a cash flow savings of $441,925.

Series of 2018 A - Current Refunding – June 1, 2018 - The District issued $19,385,000 of general obligation bonds to currently refund a portion of the District's outstanding General Obligation Notes, Series of 2004A (Emmaus), fund the costs of an arbitrage rebate or yield reduction payment relating to the project financed with the proceeds of the 2004 Note and pay the costs of issuing the bonds. The refunding resulted in an economic gain of $402,644 and a cash flow savings of $432,085.

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

Year Ending June 30,	Face Value	Principal	Interest
2019	$ 8,885,000	$ 8,885,000	$ 6,005,614
2020	9,290,000	9,290,000	6,567,585
2021	11,090,000	11,090,000	6,272,576
2022	16,790,000	16,790,000	5,971,362
2023	10,980,000	10,980,000	5,635,712
2024 to 2028	47,155,000	47,155,000	20,480,462
2029 to 2033	50,135,000	50,135,000	9,502,494
Thereafter	19,815,000	19,815,000	1,591,475
	$ 174,140,000	$ 174,140,000	$ 62,027,280

NOTE I - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Interest Rate	Maturity Date
GENERAL OBLIGATION BONDS AND NOTES		
Bonds		
Series of 2012	.400% to 5.000%	08/01/2025
Series of 2013	.300% to 4.000%	8/1/2033
Series of 2013A	1.000% to 3.100%	08/01/2025
Series of 2014	.300% to 4.000%	08/01/2034
Series A of 2014	.250% to 3.250%	08/01/2029
Series of 2015	.500% to 3.000%	08/01/2029
Series A of 2015	.500% to 3.250%	08/01/2029
Series B of 2015	1.000% to 4.000%	02/01/2031
Series of 2016	.750% to 5.000%	01/15/2022
Series A of 2016	.630% to 2.540%	10/1/2036
Series of 2017	.925% to 3.500%	7/15/2031
Series of 2017A	.950% to 3.000%	10/1/2036
Series of 2018	1.70% to 3.250%	8/1/2033
Series of 2018A	1.90% to 2.375%	8/1/2023
TOTAL GENERAL OBLIGATION BONDS		
Notes, Series of 2004	Variable	8/1/2023
Deferred amount, bond premium and discounts, net		
TOTAL GENERAL OBLIGATION BONDS AND NOTES		
COMPENSATED ABSENCES		
CAPITAL LEASES		
NET PENSION LIABILITY		
NET OPEB OBLIGATION		
TOTAL LONG-TERM LIABILITIES		

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
$ 28,495,000	$ -	$ (2,235,000)	$ 26,260,000	$ 2,305,000
8,260,000	-	(8,260,000)	-	-
5,805,000	-	(585,000)	5,220,000	600,000
9,315,000	-	(140,000)	9,175,000	135,000
9,865,000	-	(5,000)	9,860,000	5,000
9,990,000	-	(5,000)	9,985,000	5,000
8,980,000	-	(5,000)	8,975,000	5,000
8,845,000	-	(510,000)	8,335,000	515,000
26,255,000	-	(4,695,000)	21,560,000	4,805,000
28,265,000	-	(255,000)	28,010,000	60,000
9,680,000	-	(120,000)	9,560,000	120,000
-	9,555,000	(295,000)	9,260,000	320,000
-	8,555,000	-	8,555,000	5,000
-	19,385,000	-	19,385,000	5,000
153,755,000	37,495,000	(17,110,000)	174,140,000	8,885,000
20,000,000	-	(20,000,000)	-	-
11,584,611	965,388	(1,567,462)	10,982,537	-
185,339,611	38,460,388	(38,677,462)	185,122,537	8,885,000
2,639,897	227,922	(354,019)	2,513,800	227,922
1,176,455	-	(502,890)	673,565	513,675
346,749,000	10,527,000	-	357,276,000	-
24,333,959	-	(622,288)	23,711,671	-
$ 560,238,922	$ 49,215,310	$ (40,156,659)	$ 569,297,573	$ 9,626,597

NOTE J - NONCANCELABLE LEASE OBLIGATION

In November 1995, the Bucks County Technical School Authority (the "Authority") issued school revenue bonds in the aggregate amount of $27,260,000 for a new technical school and renovations on the old technical school. The bonds are secured under a trust indenture between the Authority and Wells Fargo Bank by a pledge of, and are payable solely from, lease rentals payable by the Authority's member school districts, which includes the District, under an assignment of the lease. Thus, the District is obligated for a portion of the above amount. Each member school district's portion of the debt is based on a calculation of the apportionment of the lease rental among the member school districts made to create an equal millage impact upon all member school districts, which is effective for five years. This apportionment is then adjusted every five years thereafter until the lease expires or all payments are made. The Authority refinanced the bonds in 2005. The District made rental payments of $858,281 for the year ended June 30, 2018, of which $794,549 represented principal payments.

Shown below are the District's lease payments for the next two years based on the apportionment that is binding through fiscal year 2019:

Year Ending June 30,	Principal	Interest	Administrative Fees	Totals
2019	$ 827,459	$ 20,686	$ 6,269	$ 854,414

NOTE K - DEFERRED INFLOWS OF RESOURCES

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred inflows of resources.

At June 30, 2018, deferred inflows of resources consisted of delinquent taxes receivable of $2,421,204.

NOTE L - 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.

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.

NOTE L - PENSION PLAN (Continued)

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 $27,245,000 for the year ended June 30, 2017.

NOTE L - 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 $357,276,000 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, 2017, the School District's proportion was 0.7234%, which was an increase of 0.0237% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of $38,255,000. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	$ 3,727,000	$ 2,159,000
Changes in assumptions	9,706,000	-
Net difference between projected and actual investment earnings	8,279,000	-
Changes in proportions	11,377,000	4,479,000
Difference between employer contributions and proportionate share of total contributions	1,277,000	87,000
Contributions subsequent to the measurement date	32,135,000	-
	$ 66,501,000	$ 6,725,000

NOTE L - PENSION PLAN (Continued)

$32,135,000 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:

Year Ending June 30,	
2018	$ 6,857,000
2019	12,058,000
2020	7,459,000
2021	1,267,000
	$ 27,641,000

Actuarial Assumptions - The total pension liability as of June 30, 2017, was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation 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 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Morality Improvement Scale.

NOTE L - PENSION PLAN (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 investment	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100.0%	

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.

NOTE L - 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	$ 439,775,000	$ 357,276,000	$ 287,623,000

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.

Payables to the Pension Plan - At June 30, 2018, the District had an accrued balance due to PSERS of $11,809,892. This amount represents the Districts contractually obligated contributions for wages earned in April 2018 through June 2018.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS

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.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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.

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 $773,000 for the year ended June 30, 2017.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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 $14,739,000 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 .7234% percent, which was an increase of .0237% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of ($77,000). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	686,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportions	438,000	-
Difference between employer contributions and proportionate share of total contributions	-	23,000
Contributions subsequent to the measurement date	775,000	-
	$ 1,229,000	$ 709,000

$775,000 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:

Year Ending June 30,	Governmental Activities
2018	$ (42,000)
2019	(42,000)
2020	(42,000)
2021	(42,000)
2022	(42,000)
Thereafter	(45,000)
	$ (255,000)

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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%.

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.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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

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

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 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.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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

	1% Decrease	Current Rate	1% Increase
System net OPEB liability	$ 14,735,000	$ 14,739,000	$ 14,742,000

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

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	$ 16,754,000	$ 14,739,000	$ 13,065,000

OPEB Plan Fiduciary Net Position

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

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN

Plan Description

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

Plan Memberships

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

Inactive plan members or beneficiaries currently receiving benefits	655
Inactive plan member entitled to but not yet receiving benefits	-
Active plan members	1,392
	2,047

Funding Policy and Funding Status

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 $419,104.

Benefits Provided

The plan provides the following benefits:

For all administrators and confidential secretaries retired after June 30, 2017 who have reached PSERS retirement plus at least 5 years of service with the School District shall be eligible for benefits under the plan. Benefits include medical, prescription drug, dental and vision. The School District pays $100 per month, with the retiree paying the remainder of the cost. Once the retiree is Medicare eligible, as long as the retiree carries the PSERS medical plan, the School District reimburses the retiree $100 per month for coverage. Coverage for the member continues until Medicare age, and the School District subsidy continues for the life of the member. Spouse benefits cease at the later of member Medicare age or spouse Medicare age.

For former superintendent, benefits include medical, prescription drug, dental and vision. The District pays the full premium for single coverage until age 65 or Medicare eligible. The member pays the full premium for dental and vision coverage. Coverage continues until the member reaches Medicare age.

All members in the teachers' union and nonprofessional union who have reached PSERS retirement eligibility shall be eligible for benefits under the plan. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Coverage for the member continues until Medicare age, and spouse benefits cease at the later of member Medicare age or spouse Medicare age.

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

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.

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.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
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.

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 – 70% of teachers and administrators and 40% of the support staff are assumed to elect coverage. Upon Medicare eligibility, spouses are not assumed to continue coverage.

Percent Married at Retirement - 55% of employees 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.

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

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.

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

	Total OPEB Liability
Balance at June 30, 2016	$ 9,262,959
Changes for the year	
Service cost	579,956
Interest cost	237,451
Changes of benefit terms	(13,741)
Changes for experience	(786,922)
Changes in assumptions	259,192
Benefit payment	(566,224)
Net changes	(290,288)
Balance at June 30, 2017	8,972,671

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

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

The following presents the total OPEB liability of the School, as well as what the School'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:

	1% Increase 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	$ 9,693,188	$ 8,972,671	$ 8,311,410

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

The following presents the total OPEB liability of the School, as well as what the School'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:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	$ 8,150,682	$ 8,972,671	$ 9,938,655

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 ($240,299). At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes for experience	$ -	$ 699,486
Changes in assumptions	230,393	-
Contributions subsequent to the measurement date	419,104	-
	$ 649,497	$ 699,486

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

$419,104 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 OPEB liability in the Year June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2018	$	(58,637)
2019		(58,637)
2020		(58,637)
2021		(58,637)
2022		(58,637)
Thereafter		(175,908)
	$	(469,093)

NOTE O - NONSPENDABLE FUND BALANCE

At June 30, 2018, the District segregated the ending fund balance of the General Fund for standard fund balance reserves as follows:

Inventories	$	18,406
Prepaid expenses		914,651
	$	933,057

NOTE P - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance except for employee health care, which is insured by the District as explained below.

The District insures for employee health care on a cost-plus basis. The District also has commercial insurance for health care claims that exceed $125,000 on any one individual in any one plan year.

NOTE P - RISK MANAGEMENT (Continued)

Liabilities for health care cost are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The claims liability is calculated based on management's judgment of reasonable reserves for payment lags and catastrophic events. The claims liability is reported as part of other payables in the General Fund.

Changes in the program's claims liability for the year ended June 30, 2018, are presented below:

Balance June 30, 2017	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, 2018
$ 2,600,796	$ 8,833,459	$ (8,833,459)	$ 2,600,796

Independence Blue Cross is the administrator of the District's healthcare plan. The District also maintains $861,961 in an escrow account to indemnify Blue Cross in the event that the District terminates the plan or does not pay its claims. This escrow amount is reported as a prepaid asset in the General Fund.

NOTE Q - EARLY RETIREMENT INCENTIVE PLAN

In addition to the pension benefits described in Note L, the District provided early retirement incentives to all professional and administrative employees who met specific age and year of service requirements through June 30, 2003. The benefits were adopted as part of the employment contracts negotiated between the unions and the School Board. The benefits offered are cash bonus payments to be applied to health insurance coverage. For the fiscal year ended June 30, 2018, there were no participants, and there was no expense related to the benefits.

NOTE R - LITIGATION AND OTHER MATTERS

The District is a defendant in several actions related to tax billings, assessment valuations and labor grievances. In the opinion of the District's officials, the ultimate outcome of these actions will not have a material adverse effect on the District's financial statements.

NOTE S - 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 the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of $15,071,000 and the beginning of year single employer OPEB plan liability of $6,749,779 as having been recognized in the period incurred. As part of the implantation, the previously recognized obligation for OPEN under GASB 45 in the amount of $2,513,180 will be reversed. The School District has adjusted beginning net position for the governmental activities from ($324,058,567) to ($346,274,616).

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Local sources	$ 149,692,630	$ 149,692,630	$ 151,148,659	$ 1,456,029
State sources	48,899,787	48,899,787	50,246,019	1,346,232
Federal sources	1,563,307	1,563,307	1,169,755	(393,552)
TOTAL REVENUES	200,155,724	200,155,724	202,564,433	2,408,709
EXPENDITURES				
Instruction	129,168,805	130,406,753	130,325,231	81,522
Support services	55,013,868	54,097,243	53,356,861	740,382
Operation of non-instructional services	1,446,811	1,429,278	1,386,130	43,148
Debt service	16,226,240	15,397,450	15,240,632	156,818
Debt issuance cost	-	-	408,558	(408,558)
Refund of prior year revenues	-	-	156,816	(156,816)
TOTAL EXPENDITURES	201,855,724	201,330,724	200,874,228	456,496
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,700,000)	(1,175,000)	1,690,205	2,865,205
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	27,940,000	27,940,000
Premium on refunding bonds issued	-	-	944,969	944,969
Discount on refunding bonds issued	-	-	(100,123)	(100,123)
Payment to refunded bond escrow agent	-	-	(28,376,288)	(28,376,288)
Transfers in	-	-	37,500	37,500
Transfers out	-	(525,000)	(525,000)	-
Proceeds from sale of fixed assets	-	-	1,969	1,969
TOTAL OTHER FINANCING SOURCES (USES)	-	(525,000)	(76,973)	448,027
FUND BALANCE APPROPRIATION	1,700,000	1,700,000	-	-
NET CHANGE IN FUND BALANCE	-	-	1,613,232	3,313,232
FUND BALANCE AT BEGINNING OF YEAR	17,609,101	17,609,101	17,609,101	-
FUND BALANCE AT END OF YEAR	$ 17,609,101	$ 17,609,101	$ 19,222,333	$ 3,313,232

See accompanying note to the budgetary comparison schedule.

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.

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

1. Prior to May 31, the District Board submits 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 for the General Fund.

2. A public hearing is conducted to obtain taxpayer comments.

3. On or before June 30, the budget is legally enacted through passage of a resolution.

4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter total revenues and expenditures of any fund must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control.

5. Budgetary data are included in the District's management information system and are employed as a management control device during the year.

6. The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

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).

PENNSBURY SCHOOL DISTRICT

SCHEDULES OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.7234%	0.6997%	0.7155%	0.6992%
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	$ 357,276,000	$ 346,749,000	$ 309,921,000	$ 276,748,000
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	$ 96,309,585	$ 90,617,743	$ 92,062,317	$ 89,224,414
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	370.97%	382.65%	336.63%	310.17%
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	51.84%	50.14%	45.64%	57.24%

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.

PENNSBURY SCHOOL DISTRICT
SCHEDULES OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 32,135,000	$ 27,245,000	$ 22,858,000	$ 18,259,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	32,135,000	27,245,000	22,858,000	18,259,000
CONTRIBUTION (EXCESS) DEFICIENCY	$ -	$ -	$ -	$ -
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	$ 93,132,568	$ 96,309,585	$ 90,617,743	$ 92,062,317
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	34.50%	28.29%	25.22%	19.83%

NOTES 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.

PENNSBURY 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)	0.7234%
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	$ 14,739,000
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	$ 96,309,585
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	15.30%
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	5.73%

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.

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS

LAST FISCAL YEAR

CONTRACTUALLY REQUIRED CONTRIBUTION	$ 775,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	775,000
CONTRIBUTION (EXCESS) DEFICIENCY	$ -
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	$ 93,132,568
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.83%

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.

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

TOTAL OPEB LIABILITY		
Service cost	$	579,956
Interest		237,451
Changes in assumptions		(541,471)
Benefit payments		(566,224)
NET CHANGE IN TOTAL OPEB LIABILITY		(290,288)
TOTAL OPEB LIABILITY, BEGINNING		9,262,959
TOTAL OPEB LIABILITY, ENDING	$	8,972,671
COVERED-EMPLOYEE PAYROLL	$	88,406,612
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL		10.15%

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.

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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 Directors
Pennsbury School District
Bucks County, 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 Pennsbury School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pennsbury School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennsbury 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.

Maillie LLP

Oaks, Pennsylvania
December 10, 2018

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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 Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennsbury School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) C*ompliance Supplement* that could have a direct and material effect on each of the Pennsbury School District's major federal programs for the year ended June 30, 2018. Pennsbury 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 Pennsbury 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 Pennsbury School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Certified Public Accountants and Business Consultants

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 on the Pennsbury School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pennsbury 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

The management of the Pennsbury 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 Pennsbury 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 Pennsbury School District's internal control over compliance.

A *deficiency in internal control over compliance* 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 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 a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

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.

Maillie LLP

Oaks, Pennsylvania
December 10, 2018

SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018	Passed Through to Sub-Recipients
U.S. DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education											
Title I	I	84.010	013-160331	September 2, 2015 to September 30, 2017	$ 701,723	$ -	$ 624	$ 624	$ 624	$ -	$ -
Title I	I	84.010	013-170331	August 30, 2016 to September 30, 2018	687,791	188,345	(46,129)	142,216	142,216	-	-
Title I	I	84.010	013-180331	August 30, 2017 to September 30, 2019	716,729	514,403	-	577,577	577,577	(63,173)	-
TOTAL TITLE I						702,748	(45,505)	720,417	720,417	(63,173)	-
Title II	I	84.367	020-160331	September 2, 2015 to September 30, 2016	259,643	39,720	21,869	61,589	61,589	-	-
Title II	I	84.367	020-170331	August 30, 2016 to September 30, 2017	254,513	53,855	(2,313)	51,542	51,542	-	-
Title II	I	84.367	020-180331	August 30, 2017 to September 30, 2018	210,105	195,550	-	208,051	208,051	(12,501)	
TOTAL TITLE II						289,126	19,556	321,183	321,183	(12,501)	-
Title III	I	84.365	010-170331	August 30, 2016 to September 30, 2018	39,144	19,572	(13,240)	6,332	6,332	-	-
Title III	I	84.365	010-180331	August 30, 2017 to September 30, 2019	37,044	13,230	-	11,640	11,640	1,591	-
TOTAL TITLE III						32,802	(13,240)	17,971	17,971	1,591	-
Title IV	I	84.42	144-180331	August 30, 2017 to September 30, 2018	16,303	4,658	-	-	-	4,658	-
Passed through the Lancaster-Lebanon Intermediate Unit											
MTSS Cohort Series	I	84.027	062-18-0-033	July 1, 2017 to June 30, 2018	10,000	3,596	-	9,909	9,909	(6,314)	-
Passed through the Bucks County Intermediate Unit											
IDEA	I	84.027	062-17-0-022	July 1, 2017 to June 30, 2018	2,122,816	46,522	-	2,122,816	2,122,816	(2,076,294)	-
IDEA - Section 619	I	84.173	131-16-0022	July 1, 2017 to June 30, 2018	4,998	-	-	4,998	4,998	(4,998)	-
TOTAL SPECIAL EDUCATION CLUSTER						50,117	-	2,137,723	2,137,723	(2,087,606)	-
U.S. Department of Defense Air Force Junior ROTC Program	D	12.357	PA -20171	July 1, 2017 to June 30, 2018	57,816	32,816	-	57,816	57,816	(25,000)	-
Passed through the County of Bucks											
PA Commission on Crime & Delinquency											
Track	I	16.523		July 1, 2017 to June 30, 2018	10,000	10,000	-	10,000	10,000	-	-
U.S. DEPARTMENT OF EDUCATION TOTAL FORWARD						$ 1,122,268	$ (39,189)	$ 3,265,110	$ 3,265,110	$ (2,182,032)	$ -

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018	Passed Through to Sub-Recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											-
Passed through the Pennsylvania Department of Public Welfare											
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2016 to June 30, 2017	69,154	$ 23,426	$ (23,426)	$ -	$ -	$ -	$ -
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2017 to June 30, 2018	52,368	19,588	-	52,368	52,368	(32,780)	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL FORWARD						43,014	(23,426)	52,368	52,368	(32,780)	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed through the Commonwealth of Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	July 1, 2017 to June 30, 2018	N/A	165,919 (a)	21,143 (b)	163,752 (c)	163,752	23,310	-
Passed through the Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	July 1, 2016 to June 30, 2017	N/A	159,310	(159,310)	-	-	-	-
National School Lunch Program	I	10.555	N/A	July 1, 2017 to June 30, 2018	N/A	847,844	-	1,058,590	1,058,590	(210,746)	-
TOTAL NATIONAL SCHOOL						1,173,073	(138,167)	1,222,342	1,222,342	(187,436)	-
Breakfast Program	I	10.553	N/A	July 1, 2016 to June 30, 2017	N/A	28,747	(28,747)	-	-	-	-
Breakfast Program	I	10.553	N/A	July 1, 2017 to June 30, 2018	N/A	139,510	-	180,915	180,915	(41,405)	-
TOTAL BREAKFAST PROGRAM						168,257	(28,747)	180,915	180,915	(41,405)	-
U.S. DEPARTMENT OF AGRICULTURE SUBTOTAL FORWARD						$ 1,341,330	$ (166,914)	$ 1,403,257	$ 1,403,257	$ (228,841)	$ -

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2016	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2017	Passed Through to Sub-Recipients
U.S. DEPARTMENT OF EDUCATION											
TOTAL FORWARDED					$ -	$ 1,122,268	$ (39,189)	$ 3,265,110	$ 3,265,110	$ (2,182,032)	$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
TOTAL FORWARDED					-	43,014	(23,426)	52,368	52,368	(32,780)	-
U.S. DEPARTMENT OF AGRICULTURE											
SUBTOTAL FORWARDED						1,341,330	(166,914)	1,403,257	1,403,257	(228,841)	-
Passed through the Pennsylvania Department of Education											
National School Lunch Program	I	N/A	N/A	July 1, 2016 to June 30, 2017	N/A	12,157	(12,157)	-	-	-	-
Breakfast Program	I	N/A	N/A	July 1, 2016 to June 30, 2017	N/A	2,129	(2,129)	-	-	-	-
National School Lunch Program	I	N/A	N/A	July 1, 2017 to June 30, 2018	N/A	62,873	-	78,445	78,445	(15,572)	-
Breakfast Program	I	N/A	N/A	July 1, 2017 to June 30, 2018	N/A	9,424	-	12,272	12,272	(2,848)	-
TOTAL STATE SHARE						86,583	(14,286)	90,717	90,717	(18,419)	-
TOTAL FEDERAL AND CERTAIN STATE AWARDS						2,593,195	(243,815)	4,811,452	4,811,452	(2,462,072)	-
LESS STATE SHARE						(86,583)	14,286	(90,717)	(90,717)	18,419	-
TOTAL FEDERAL AWARDS						$ 2,506,612	$ (229,529)	$ 4,720,735	$ 4,720,735	$ (2,443,653)	$ -

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.

Source Codes:

I = Indirect Funding

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

NOTE A - GENERAL

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the Pennsbury School District. The District reporting entity is defined in Note A to the District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and certain state awards is presented using the modified accrual basis of accounting, which is described in Note A to the District's basic financial statements.

NOTE C - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of revenue per the schedule of expenditures of federal and certain state awards to the basic financial statements:

GENERAL FUND	
Local sources*	$ 2,147,722
Federal sources	1,169,755
FOOD SERVICE FUND	
Federal sources	1,403,257
TOTAL FEDERAL ASSISTANCE	4,720,734
FOOD SERVICE FUND	
State sources	90,717
TOTAL FEDERAL AND STATE AWARDS	$ 4,811,451

*IDEA, TRACK, MTSS Cohort grants

NOTE D - INDIRECT COST RATES

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

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Pennsbury School District.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of the Pennsbury School District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.

5. The auditors' report on compliance for the major award programs for the Pennsbury School District expresses an unmodified opinion.

6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.156(a).

7. The programs tested as major programs include:

Program	CFDA
IDEA	84.027, 84.173

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

9. Pennsbury 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.

None.