

**PENNSBURY SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2017*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

# PENNSBURY SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	13
Statement of Activities	14
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	15
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
<b><i>Fiduciary Funds</i></b>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25

# PENNSBURY SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

---

	<b>Page</b>
Notes to the Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	50
Note to the Budgetary Comparison Schedule	51
Schedule of the School District's Proportionate Share of the Net Pension Liability	52
Schedule of the School District's Contributions	53
Postemployment Benefits Other Than Pension Funding Progress	54
<b>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 <i>Government Auditing Standards</i></b>	55
<b>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</b>	57
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal and Certain State Awards	60
Notes to the Schedule of Expenditures of Federal and Certain State Awards	63
Schedule of Findings and Questioned Costs	64
Schedule of Prior Audit Findings	65

## **FINANCIAL SECTION**

## ***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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**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 50 and 51, schedule of the school district's proportionate share of the net pension liability on page 52, schedule of school district contributions on page 53 and postemployment benefits other than pension funding progress on page 54 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 8, 2017, 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.



Oaks, Pennsylvania  
December 8, 2017

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

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**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, 2017. 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 18 and 19).

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).

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

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**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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
ASSETS			
Capital	\$ 119,295,351	\$ 105,997,607	\$ 13,297,744
Other	<u>77,059,950</u>	<u>59,160,773</u>	<u>17,899,177</u>
TOTAL ASSETS	<u>\$ 196,355,301</u>	<u>\$ 165,158,380</u>	<u>\$ 31,196,921</u>

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**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 4,284,099	\$ 4,703,259	\$ (419,160)
Deferred outflows of resources, pension activity	<u>64,588,000</u>	<u>28,647,000</u>	<u>35,941,000</u>
	<u>\$ 68,872,099</u>	<u>\$ 33,350,259</u>	<u>\$ 35,521,840</u>

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.

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

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**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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
LIABILITIES			
Long-term	\$ 538,418,143	\$ 476,794,837	\$ 61,623,306
Other	<u>41,291,114</u>	<u>33,837,461</u>	<u>7,453,653</u>
TOTAL LIABILITIES	<u>\$ 579,709,257</u>	<u>\$ 510,632,298</u>	<u>\$ 69,076,959</u>

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**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
DEFERRED INFLOWS OF RESOURCES			
Pension activity	<u>\$ 9,219,000</u>	<u>\$ 3,030,000</u>	<u>\$ 6,189,000</u>

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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
NET POSITION	<u>\$ (323,305,587)</u>	<u>\$ (315,153,659)</u>	<u>\$ (8,151,928)</u>

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

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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.

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

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**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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
Local	\$ 146,390,449	\$ 141,848,180	\$ 4,542,269
State	47,143,125	44,117,613	3,025,512
Federal	1,674,668	1,534,269	140,399

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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Difference</u>
Instruction	\$ 125,442,335	\$ 120,870,292	\$ 4,572,043
Support services	52,470,565	50,559,460	1,911,105
Non-instructional services	1,378,458	1,321,575	56,883
Facilities acquisition and improvement	-	717,275	(717,275)
Debt service	15,004,928	11,768,240	3,236,688
Debt issuance cost	143,029	608,226	(465,197)
Other	400,172	169,118	231,054

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.

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

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**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,	
	<u>2017</u>	<u>2016</u>
Nonspendable	\$ 18,517	\$ 52,983
Committed	10,174,451	10,174,451
Unassigned	<u>7,416,133</u>	<u>6,987,616</u>
TOTAL FUND BALANCE	<u>\$ 17,609,101</u>	<u>\$ 17,215,050</u>

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%.

**PENNSBURY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2017**

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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.

<u>Fiscal Year</u>	<u>Rate*</u>	<u>Amount</u>
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% (budgeted)	30,948,557 (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.

## **PENNSBURY SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

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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, 2017

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 60,432,567	\$ 238,592	\$ 60,671,159
Taxes receivable	3,548,900	-	3,548,900
Internal balances	2,881,129	-	2,881,129
Due from other governments	7,556,321	202,342	7,758,663
Other receivables	880,526	34,805	915,331
Inventories	12,419	55,855	68,274
Other assets	868,059	348,435	1,216,494
Capital assets			
Land and site improvements	10,570,965	-	10,570,965
Buildings and building improvements	226,625,931	-	226,625,931
Furniture and equipment	49,798,853	2,327,134	52,125,987
Accumulated depreciation	(168,196,370)	(1,831,162)	(170,027,532)
<b>TOTAL ASSETS</b>	<u>194,979,300</u>	<u>1,376,001</u>	<u>196,355,301</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	4,284,099	-	4,284,099
Deferred outflows of resources, pension activity	64,588,000	-	64,588,000
<b>TOTAL DEFERRED OUTFLOWS         OF RESOURCES</b>	<u>68,872,099</u>	<u>-</u>	<u>68,872,099</u>
<b>LIABILITIES</b>			
Accounts payable	6,368,550	89,207	6,457,757
Due to other funds	2,368,654	512,475	2,881,129
Accrued salaries and benefits	25,091,111	-	25,091,111
Unearned revenue	1,194,323	21,339	1,215,662
Other current liabilities	2,804,847	-	2,804,847
Accrued interest	2,840,608	-	2,840,608
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	8,650,000	-	8,650,000
Compensated absences	263,990	-	263,990
Lease purchase obligations	502,890	-	502,890
Portion due or payable after one year			
Bonds payable	145,105,000	-	145,105,000
Bond premiums and discounts, net	11,584,611	-	11,584,611
Notes payable	20,000,000	-	20,000,000
Compensated absences	2,375,907	-	2,375,907
Lease purchase obligations	673,565	-	673,565
Net pension liability	346,749,000	-	346,749,000
Net OPEB obligation	2,513,180	-	2,513,180
<b>TOTAL LIABILITIES</b>	<u>579,086,236</u>	<u>623,021</u>	<u>579,709,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	9,219,000	-	9,219,000
<b>NET POSITION</b>			
Net investment in capital assets	(63,432,588)	495,972	(62,936,616)
Unrestricted	(260,625,979)	257,008	(260,368,971)
<b>TOTAL NET POSITION</b>	<u>\$ (324,058,567)</u>	<u>\$ 752,980</u>	<u>\$ (323,305,587)</u>

See accompanying notes to the basic financial statements.

# PENNSBURY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 84,683,491	\$ 255,273	\$ 11,361,953	\$ -
Special programs	37,586,815	-	10,555,750	-
Vocational education	7,138,214	-	256,139	-
Other instructional programs	1,626,009	-	129,546	-
Support services				
Pupil personnel services	7,436,158	-	823,400	-
Instructional staff services	5,879,916	-	371,626	-
Administration services	10,196,724	-	1,000,428	-
Pupil health services	3,144,564	-	484,699	-
Business services	2,277,296	-	213,389	-
Operation and maintenance of plant services	15,523,106	562,729	1,196,714	-
Student transportation services	9,346,563	-	2,619,530	-
Central services	2,880,581	-	272,072	-
Other services	121,005	-	-	-
Operation of non-instructional services				
Student activities	1,237,597	93,791	105,635	-
Community services	193,973	-	-	-
Facilities acquisition, construction and improvement services	8,349,248	-	-	-
Debt service	5,238,298	-	-	993,933
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>202,859,558</b>	<b>911,793</b>	<b>29,390,881</b>	<b>993,933</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	3,340,858	1,938,351	1,366,220	-
Community services	95,906	131,065	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>3,436,764</b>	<b>2,069,416</b>	<b>1,366,220</b>	<b>-</b>
<b>TOTAL DISTRICT ACTIVITIES</b>	<b>\$ 206,296,322</b>	<b>\$ 2,981,209</b>	<b>\$ 30,757,101</b>	<b>\$ 993,933</b>
<b>GENERAL REVENUES</b>				
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				
<b>TRANSFERS</b>				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
<b>CHANGE IN NET POSITION</b>				
<b>NET POSITION AT BEGINNING OF YEAR</b>				
<b>NET POSITION AT END OF YEAR</b>				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (73,066,265)	\$ -	\$ (73,066,265)
(27,031,065)	-	(27,031,065)
(6,882,075)	-	(6,882,075)
(1,496,463)	-	(1,496,463)
(6,612,758)	-	(6,612,758)
(5,508,290)	-	(5,508,290)
(9,196,296)	-	(9,196,296)
(2,659,865)	-	(2,659,865)
(2,063,907)	-	(2,063,907)
(13,763,663)	-	(13,763,663)
(6,727,033)	-	(6,727,033)
(2,608,509)	-	(2,608,509)
(121,005)	-	(121,005)
(1,038,171)	-	(1,038,171)
(193,973)	-	(193,973)
(8,349,248)	-	(8,349,248)
(4,244,365)	-	(4,244,365)
<u>(171,562,951)</u>	<u>-</u>	<u>(171,562,951)</u>
-	(36,287)	(36,287)
-	35,159	35,159
-	(1,128)	(1,128)
<u>(171,562,951)</u>	<u>(1,128)</u>	<u>(171,564,079)</u>
142,243,385	-	142,243,385
150,444	-	150,444
20,352,277	-	20,352,277
522,256	9	522,265
(46,162)	-	(46,162)
189,942	-	189,942
(25,000)	25,000	-
<u>163,387,142</u>	<u>25,009</u>	<u>163,412,151</u>
(8,175,809)	23,881	(8,151,928)
<u>(315,882,758)</u>	<u>729,099</u>	<u>(315,153,659)</u>
\$ <u>(324,058,567)</u>	\$ <u>752,980</u>	\$ <u>(323,305,587)</u>

# PENNSBURY SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 36,029,775	\$ 24,402,792	\$ 60,432,567
Taxes receivable	3,548,900	-	3,548,900
Due from other funds	2,881,129	-	2,881,129
Due from other governments	7,556,321	-	7,556,321
Other receivables	880,526	-	880,526
Inventories	12,419	-	12,419
Other assets	868,059	-	868,059
	<u>51,777,129</u>	<u>24,402,792</u>	<u>76,179,921</u>
<b>TOTAL ASSETS</b>	<b>\$ 51,777,129</b>	<b>\$ 24,402,792</b>	<b>\$ 76,179,921</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,809,085	\$ 3,559,465	\$ 6,368,550
Due to other funds	-	2,368,654	2,368,654
Unearned revenue	808,996	-	808,996
Accrued salaries and benefits	25,091,111	-	25,091,111
Other payables	2,804,847	-	2,804,847
<b>TOTAL LIABILITIES</b>	<u>31,514,039</u>	<u>5,928,119</u>	<u>37,442,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues, property taxes	2,653,989	-	2,653,989
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Inventories	12,419	-	12,419
Prepaid expenses	6,098	-	6,098
<b>Committed to</b>			
PSERS contingency	3,474,451	-	3,474,451
Self-insurance contingency	2,500,000	-	2,500,000
Capital projects	2,500,000	18,474,673	20,974,673
Fund balance appropriation	1,700,000	-	1,700,000
Unassigned	7,416,133	-	7,416,133
<b>TOTAL FUND BALANCES</b>	<u>17,609,101</u>	<u>18,474,673</u>	<u>36,083,774</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 51,777,129</b>	<b>\$ 24,402,792</b>	<b>\$ 76,179,921</b>

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, 2017

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 36,083,774
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land and site improvements	10,570,965
Buildings and building improvements	226,625,931
Furniture and equipment	49,798,853
Accumulated depreciation	(168,196,370)
Deferred amount on refunding	4,284,099
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	55,369,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(2,840,608)
Bonds payable	(153,755,000)
Bond premiums and discounts	(11,584,611)
Notes payable	(20,000,000)
Compensated absences	(2,639,897)
Lease purchase obligations	(1,176,455)
Net pension liability	(346,749,000)
Net OPEB obligation	(2,513,180)
<p>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.</p>	
	<u>2,268,662</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (324,453,837)</u>

*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, 2017**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 146,265,925	\$ 124,524	\$ 146,390,449
State sources	47,143,125	-	47,143,125
Federal sources	1,674,668	-	1,674,668
<b>TOTAL REVENUES</b>	<b>195,083,718</b>	<b>124,524</b>	<b>195,208,242</b>
<b>EXPENDITURES</b>			
Current			
Instruction	125,442,335	820	125,443,155
Support services	52,470,565	262,369	52,732,934
Operation of non-instructional services	1,378,458	-	1,378,458
Capital			
Facilities acquisition, construction and improvement services	-	24,248,691	24,248,691
Debt service			
Principal	10,040,448	-	10,040,448
Interest	4,964,480	-	4,964,480
Debt issuance cost	143,029	316,926	459,955
Refund of prior year revenues	400,172	-	400,172
<b>TOTAL EXPENDITURES</b>	<b>194,839,487</b>	<b>24,828,806</b>	<b>219,668,293</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>244,231</b>	<b>(24,704,282)</b>	<b>(24,460,051)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from bonds issued	-	29,640,000	29,640,000
Premium on bonds issued	-	5,688,088	5,688,088
Proceeds from refunding bonds issued	9,680,000	-	9,680,000
Premium on refunding bonds issued	135,104	-	135,104
Payment to refunded bond escrow agent	(9,667,284)	-	(9,667,284)
Payment to sinking fund	(4,791)	-	(4,791)
Proceeds from capital leases	-	395,270	395,270
Transfers out	-	(25,000)	(25,000)
Proceeds from sale of fixed assets	6,791	-	6,791
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>149,820</b>	<b>35,698,358</b>	<b>35,848,178</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>394,051</b>	<b>10,994,076</b>	<b>11,388,127</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>17,215,050</b>	<b>7,480,597</b>	<b>24,695,647</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 17,609,101</b>	<b>\$ 18,474,673</b>	<b>\$ 36,083,774</b>

*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, 2017

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 11,388,127

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 (\$24,579,941) exceeded depreciation expense (\$10,836,650 in the current period.

13,743,291

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.

(202,979)

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.

19,867,294

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.

(39,715,270)

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.

(5,024,206)

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).

3,093

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.

(767,620)

SUBTOTAL ADJUSTMENTS FORWARD

\$ (12,096,397)

**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, 2017

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 11,388,127
SUBTOTAL ADJUSTMENTS FORWARDED	(12,096,397)
The net effect of various transactions involving capital assets (i.e., sales, gains on dispositions) is to decrease net position.	(46,162)
Pension plan expense is reported in the government-wide statements but not in the Governmental Funds statements.	(7,076,000)
The net change in the asset for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(345,377)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (8,175,809)</u>

*See accompanying notes to the basic financial statements.*

**PENNSBURY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

JUNE 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 184,095	\$ 54,497	\$ 238,592
Due from other governments	202,342	-	202,342
Other receivables	33,551	1,254	34,805
Inventories	55,855	-	55,855
Prepaid expenses	348,435	-	348,435
TOTAL CURRENT ASSETS	<u>824,278</u>	<u>55,751</u>	<u>880,029</u>
CAPITAL ASSETS			
Furniture and equipment	2,327,134	-	2,327,134
Accumulated depreciation	(1,831,162)	-	(1,831,162)
TOTAL CAPITAL ASSETS	<u>495,972</u>	<u>-</u>	<u>495,972</u>
TOTAL ASSETS	<u>\$ 1,320,250</u>	<u>\$ 55,751</u>	<u>\$ 1,376,001</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Due to other funds	\$ 503,720	\$ 8,755	\$ 512,475
Unearned revenue	21,339	-	21,339
Other current liabilities	89,207	-	89,207
TOTAL CURRENT LIABILITIES	<u>614,266</u>	<u>8,755</u>	<u>623,021</u>
NET POSITION			
Net investment in capital assets	495,972	-	495,972
Unrestricted	210,012	46,996	257,008
TOTAL NET POSITION	<u>705,984</u>	<u>46,996</u>	<u>752,980</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,320,250</u>	<u>\$ 55,751</u>	<u>\$ 1,376,001</u>

*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, 2017**

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,938,351	\$ 130,977	\$ 2,069,328
<b>OPERATING EXPENSES</b>			
Salaries	1,198,761	68,394	1,267,155
Employee benefits	264,643	6,761	271,404
Purchased professional and technical service	6,541	11,425	17,966
Purchased property service	93,665	-	93,665
Other purchased service	222,731	7,101	229,832
Supplies	1,463,121	4,984	1,468,105
Depreciation	80,295	-	80,295
Other operating expenses	8,342	-	8,342
<b>TOTAL OPERATING EXPENSES</b>	<b>3,338,099</b>	<b>98,665</b>	<b>3,436,764</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,399,748)</b>	<b>32,312</b>	<b>(1,367,436)</b>
<b>NONOPERATING REVENUES</b>			
Interest and investment revenue	-	97	97
Federal sources	1,281,688	-	1,281,688
State sources	84,532	-	84,532
<b>TOTAL NONOPERATING REVENUES</b>	<b>1,366,220</b>	<b>97</b>	<b>1,366,317</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(33,528)</b>	<b>32,409</b>	<b>(1,119)</b>
<b>TRANSFERS IN</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>
<b>CHANGE IN NET POSITION</b>	<b>(8,528)</b>	<b>32,409</b>	<b>23,881</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>714,512</b>	<b>14,587</b>	<b>729,099</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 705,984</b>	<b>\$ 46,996</b>	<b>\$ 752,980</b>

*See accompanying notes to the basic financial statements.*

# PENNSBURY SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,968,694	\$ 130,977	\$ 2,099,671
Payments to employees	(1,452,103)	-	(1,452,103)
Payments to suppliers	(1,944,059)	(102,022)	(2,046,081)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,427,468)	28,955	(1,398,513)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	25,000	-	25,000
Federal sources	1,115,572	-	1,115,572
State sources	84,532	-	84,532
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,225,104	-	1,225,104
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition, construction and improvements of capital assets	(76,180)	-	(76,180)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on investments	-	97	97
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(278,544)	29,052	(249,492)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	462,639	25,445	488,084
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 184,095	\$ 54,497	\$ 238,592

**PENNSBURY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	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)	\$ (1,399,748)	\$ 32,312	\$ (1,367,436)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	80,295	-	80,295
Donated foods	166,116	-	166,116
(Increase) decrease in			
Due from other governments	4,807	-	4,807
Other receivables	33,619	(1,254)	32,365
Inventories	3,692	-	3,692
Increase (decrease) in			
Due to other funds	(324,274)	(2,103)	(326,377)
Unearned revenue	(3,276)	-	(3,276)
Other current liabilities	11,301	-	11,301
	<u>11,301</u>	<u>-</u>	<u>11,301</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,427,468)</u>	<u>\$ 28,955</u>	<u>\$ (1,398,513)</u>
SUPPLEMENTAL DISCLOSURES			
Noncash activities			
Donated foods	\$ 166,116	\$ -	\$ 166,116

See accompanying notes to the basic financial statements.

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

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	<u>Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,250	\$ <u>1,160,785</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>\$ 1,160,785</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 26,250</u>	

*See accompanying notes to the basic financial statements.*

**PENNSBURY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2017**

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	<u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 17,125
Investment earnings	<u>137</u>
TOTAL ADDITIONS	17,262
DEDUCTIONS	
Scholarships awarded	<u>25,600</u>
CHANGE IN NET POSITION	(8,338)
NET POSITION AT BEGINNING OF YEAR	<u>34,588</u>
NET POSITION AT END OF YEAR	<u><u>\$ 26,250</u></u>

*See accompanying notes to the basic financial statements.*

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

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**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.

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

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**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.

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

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**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.

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

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**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.

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

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**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:

	<u>Years</u>
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.

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

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**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.

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

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**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.

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

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**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 \$61,858,194. As of June 30, 2017, \$62,448,306 of the District's bank balance of \$62,757,042 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. \$ 2,089,625

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. \$ 60,358,681

**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.

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

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**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, 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:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>
Real estate taxes	\$ 3,548,900	\$ -	\$ -
Due from other governments	7,556,321	202,342	-
Other receivables	<u>880,526</u>	<u>33,551</u>	<u>1,254</u>
	<u>\$ 11,985,747</u>	<u>\$ 235,893</u>	<u>\$ 1,254</u>

**NOTE E - INTERFUND RECEIVABLES AND PAYABLES**

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

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 503,720
General Fund	Other Enterprise Funds	8,755
General Fund	Capital Projects Fund	<u>2,368,654</u>
		<u>\$ 2,881,129</u>

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.

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

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land and site improvements	\$ 10,661,587	\$ 30,123	\$ (120,745)	\$ 10,570,965
Capital assets being depreciated				
Buildings and building improvements	203,495,266	23,331,743	(201,078)	226,625,931
Furniture and equipment	59,054,498	822,805	(10,078,450)	49,798,853
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>262,549,764</u>	<u>24,154,548</u>	<u>(10,279,528)</u>	<u>276,424,784</u>
Accumulated depreciation				
Buildings and building improvements	(91,826,177)	(10,836,650)	321,823	(102,341,004)
Furniture and equipment	(75,887,654)	-	10,032,288	(65,855,366)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(167,713,831)</u>	<u>(10,836,650)</u>	<u>10,354,111</u>	<u>(168,196,370)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>94,835,933</u>	<u>13,317,898</u>	<u>74,583</u>	<u>108,228,414</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>105,497,520</u>	<u>13,348,021</u>	<u>(46,162)</u>	<u>118,799,379</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	2,725,944	76,179	(474,989)	2,327,134
Accumulated depreciation	(2,225,857)	(80,294)	474,989	(1,831,162)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>500,087</u>	<u>(4,115)</u>	<u>-</u>	<u>495,972</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 105,997,607</u>	<u>\$ 13,343,906</u>	<u>\$ (46,162)</u>	<u>\$ 119,295,351</u>

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

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**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 166,818
Special programs	5,747
Vocational education	1,622
Other instructional programs	761
SUPPORT SERVICES	
Pupil personnel services	1,269
Instructional staff services	940,243
Library services	3,352
Administration services	1,637
Pupil health services	278
Business services	21,053
Operation and maintenance of plant services	674,257
Student transportation services	1,480,581
Central services	23,769
NON-INSTRUCTIONAL SERVICES	
Athletics	17,752
Site acquisitions	306
Existing site improvements	186,047
Building acquisitions, new	12,260
Building acquisitions, replacement	<u>7,298,898</u>
	<u>\$ 10,836,650</u>
FOOD SERVICE FUND	<u>\$ 80,294</u>

**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.

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

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**NOTE G - LEASES (Continued)**

The assets acquired through capital leases are as follows:

Computer equipment	\$ 2,327,125
Accumulated depreciation	<u>(1,037,100)</u>
	<u>\$ 1,290,025</u>

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

<u>Year Ending June 30,</u>	
2018	\$ 528,478
2019	528,477
2020	82,791
2021	82,791
Amount representing interest	<u>(46,082)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 1,176,455</u>

**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 \$153,755,000 of bonds payable at June 30, 2017. During the year, the District made principal payments of \$9,660,000 and interest payments of \$4,954,506 related to the bond issues outstanding.

***Current Refunding - January 17, 2017*** - The District issued \$9,680,000 of general obligation bonds to currently refund a portion of the District's outstanding General Obligation Bonds, Series of 2011, fund the costs of an arbitrage rebate or yield reduction payment relating to the project financed with the proceeds of the 2011 Bonds and pay the costs of issuing the bonds. The refunding resulted in an economic gain of \$187,252 and a cash flow savings of \$46,243.

The District issued a general obligation bond to provide funds for construction of major capital facilities. The original amount of General Obligation Bond Series 2016A issued in October 2016 was \$29,640,000.

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

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**NOTE H - LONG-TERM DEBT (Continued)**

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

<u>Year Ending June 30,</u>	<u>Face Value</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 8,650,000	\$ 8,650,000	\$ 6,157,827
2019	8,660,000	8,660,000	5,950,510
2020	8,975,000	8,975,000	5,696,983
2021	9,065,000	9,065,000	5,406,775
2022	7,850,000	7,850,000	5,090,780
2023 to 2027	37,690,000	37,690,000	21,032,034
2028 to 2032	49,010,000	49,010,000	10,787,062
Thereafter	<u>23,855,000</u>	<u>23,855,000</u>	<u>2,162,500</u>
	<u>\$ 153,755,000</u>	<u>\$ 153,755,000</u>	<u>\$ 62,284,471</u>

The District has \$20,000,000 of notes payable at June 30, 2017.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 800,000
2019	-	800,000
2020	-	800,000
2021	200,000	792,667
2022	1,800,000	726,000
2023 to 2024	<u>18,000,000</u>	<u>428,000</u>
	<u>\$ 20,000,000</u>	<u>\$ 4,346,667</u>

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

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**NOTE I - CHANGES IN LONG-TERM LIABILITIES**

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

	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>GENERAL OBLIGATION BONDS AND NOTES</b>		
Bonds		
Series of 2011	.450% to 3.750%	08/01/2031
Series of 2012	.400% to 5.000%	08/01/2025
Series of 2013	.300% to 4.000%	08/01/2033
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
TOTAL GENERAL OBLIGATION BONDS		
Notes, Series of 2004	Variable	08/01/2023
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		

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 9,690,000	\$ -	\$ (9,690,000)	\$ -	\$ -
30,645,000	-	(2,150,000)	28,495,000	2,235,000
8,265,000	-	(5,000)	8,260,000	95,000
6,380,000	-	(575,000)	5,805,000	585,000
9,450,000	-	(135,000)	9,315,000	140,000
9,870,000	-	(5,000)	9,865,000	5,000
9,995,000	-	(5,000)	9,990,000	5,000
8,985,000	-	(5,000)	8,980,000	5,000
9,315,000	-	(470,000)	8,845,000	510,000
31,190,000	-	(4,935,000)	26,255,000	4,695,000
-	29,640,000	(1,375,000)	28,265,000	255,000
-	9,680,000	-	9,680,000	120,000
<u>133,785,000</u>	<u>39,320,000</u>	<u>(19,350,000)</u>	<u>153,755,000</u>	<u>8,650,000</u>
20,000,000	-	-	20,000,000	-
<u>6,979,565</u>	<u>5,839,236</u>	<u>(1,234,190)</u>	<u>11,584,611</u>	<u>-</u>
160,764,565	45,159,236	(20,584,190)	185,339,611	8,650,000
2,642,990	242,373	(245,466)	2,639,897	263,990
1,298,479	395,270	(517,294)	1,176,455	502,890
309,921,000	36,828,000	-	346,749,000	-
<u>2,167,803</u>	<u>345,377</u>	<u>-</u>	<u>2,513,180</u>	<u>-</u>
<u>\$ 476,794,837</u>	<u>\$ 82,970,256</u>	<u>\$ (21,346,950)</u>	<u>\$ 538,418,143</u>	<u>\$ 9,416,880</u>

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

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**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 Wachovia National 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 \$858,290 for the year ended June 30, 2017, of which \$763,206 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:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative</u> <u>Fees</u>	<u>Totals</u>
2018	\$ 794,549	\$ 57,463	\$ 6,269	\$ 858,281
2019	<u>827,459</u>	<u>20,686</u>	<u>6,269</u>	<u>854,414</u>
	<u>\$ 1,622,008</u>	<u>\$ 78,149</u>	<u>\$ 12,538</u>	<u>\$ 1,712,695</u>

**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, 2017, deferred inflows of resources consisted of delinquent taxes receivable of \$2,653,989.

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

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**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](http://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.

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

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**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.

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

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**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, 2017, the School District reported a liability of \$346,749,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.6997%, which was a decrease of 0.0158% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$34,321,000. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ -	\$ 2,888,000
Changes in assumptions	12,517,000	-
Net difference between projected and actual investment earnings	19,326,000	-
Changes in proportions	4,148,000	6,158,000
Difference between employer contributions and proportionate share of total contributions	1,352,000	173,000
Contributions subsequent to the measurement date	<u>27,245,000</u>	<u>-</u>
	<u>\$ 64,588,000</u>	<u>\$ 9,219,000</u>

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

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**NOTE L - PENSION PLAN (Continued)**

\$27,245,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2017	\$ 6,095,000
2018	6,095,000
2019	6,093,000
2020	<u>9,841,000</u>
	<u>\$ 28,124,000</u>

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

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

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

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**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.

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

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

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

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

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**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	\$ <u>424,167,000</u>	\$ <u>346,749,000</u>	\$ <u>281,695,000</u>

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

**NOTE M - OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

Normal cost	\$ 381,519
Amortization of unfunded actuarial accrued liability	474,482
Interest	17,168
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>873,169</u>
Interest on net OPEB obligation	97,551
Adjustment to ARC	(133,085)
ANNUAL OPEB EXPENSE	<u>837,635</u>
Net OPEB contributions during the year	<u>(492,258)</u>
INCREASE IN NET OPEB OBLIGATION	<u>345,377</u>
Net OPEB obligation at beginning of year	<u>2,167,803</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 2,513,180</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,030,625	48%	\$ 1,847,997
2016	842,878	62%	2,167,803
2017	837,635	67%	2,513,180

**Funded Status and Funding Progress**

As of July 1, 2015, the actuarial accrued liability for benefits was \$7,728,788 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$87,788,078, and the ratio of the UAAL to the covered payroll was 8.80%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 54, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements of .5% to an ultimate rate of 5.5% after five years. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015, was 30 years.

**NOTE N - NONSPENDABLE FUND BALANCE**

At June 30, 2017, the District segregated the ending fund balance of the General Fund for standard fund balance reserves as follows:

Inventories	\$ 12,419
Prepaid expenses	<u>6,098</u>
	<u>\$ 18,517</u>

**NOTE O - 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.

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

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**NOTE O - 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, 2017, are presented below:

<u>Balance June 30, 2016</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance June 30, 2017</u>
\$ <u>2,570,182</u>	\$ <u>16,935,787</u>	\$ <u>(16,905,173)</u>	\$ <u>2,600,796</u>

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 P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

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, 2017, there were three participants, and the expense related to the benefits totaled approximately \$9,259.

**NOTE Q - 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 R - SUBSEQUENT EVENTS**

In December of 2017, the School issued General Obligation Bonds, Series of 2017. Proceeds of the Bond will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2011 and to pay the costs of issuing the Bonds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 145,105,159	\$ 145,105,159	\$ 146,265,925	\$ 1,160,766
State sources	46,924,448	46,924,448	47,143,125	218,677
Federal sources	1,486,203	1,486,203	1,674,668	188,465
<b>TOTAL REVENUES</b>	<b>193,515,810</b>	<b>193,515,810</b>	<b>195,083,718</b>	<b>1,567,908</b>
<b>EXPENDITURES</b>				
Instruction	124,252,031	125,569,270	125,442,335	126,935
Support services	54,314,390	52,838,578	52,470,565	368,013
Operation of non-instructional services	1,421,684	1,402,862	1,378,458	24,404
Debt service	15,227,705	15,405,100	15,004,928	400,172
Debt issuance cost	-	-	143,029	(143,029)
Refund of prior year revenues	-	-	400,172	(400,172)
<b>TOTAL EXPENDITURES</b>	<b>195,215,810</b>	<b>195,215,810</b>	<b>194,839,487</b>	<b>376,323</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,700,000)</b>	<b>(1,700,000)</b>	<b>244,231</b>	<b>1,944,231</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	9,680,000	9,680,000
Premium on refunding bonds issued	-	-	135,104	135,104
Payment to refunded bond escrow agent	-	-	(9,672,075)	(9,672,075)
Transfers in	1,700,000	1,700,000	-	(1,700,000)
Proceeds from sale of fixed assets	-	-	6,791	6,791
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>149,820</b>	<b>(1,550,180)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>394,051</b>	<b>394,051</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>17,215,050</b>	<b>17,215,050</b>	<b>17,215,050</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 17,215,050</b>	<b>\$ 17,215,050</b>	<b>\$ 17,609,101</b>	<b>\$ 394,051</b>

See accompanying note to the budgetary comparison schedule.

**PENNSBURY SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2017**

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

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

**PENNSBURY SCHOOL DISTRICT**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 27,245,000	\$ 22,858,000	\$ 18,259,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>27,245,000</u>	<u>22,858,000</u>	<u>18,259,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 96,314,608</u>	<u>\$ 90,617,743</u>	<u>\$ 92,062,317</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>28.29%</u>	<u>25.22%</u>	<u>19.83%</u>

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

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**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2011 July 1,	\$ -	\$ 11,674,790	\$ 11,674,790	0%	\$ 82,925,959	14.08%
2013	-	9,033,524	9,033,524	0%	82,412,250	10.96%
2015	-	7,728,788	7,728,788	0%	87,788,078	8.80%

***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, 2017, 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 8, 2017.

***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.

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

Oaks, Pennsylvania  
December 8, 2017

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

To the Board of 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) *Compliance 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, 2017. 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.

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, 2017.

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

### ***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.

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

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

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 8, 2017

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

# PENNSBURY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I	I	84.010	013-160331	September 2, 2015 to September 30, 2017
Title I	I	84.010	013-170331	August 30, 2016 to September 30, 2017
TOTAL TITLE I				
Title II	I	84.367	020-160331	September 2, 2015 to September 30, 2016
Title II	I	84.367	020-170331	August 30, 2016 to September 30, 2017
TOTAL TITLE II				
Title III	I	84.365	010-160331	September 2, 2015 to September 30, 2017
Title III	I	84.365	010-170331	August 30, 2016 to September 30, 2017
TOTAL TITLE III				
FEMA	I	97.04	FEMA-4267-DR-PA-017- 9RNQ-00	
<b>Passed through the Bucks County Intermediate Unit</b>				
IDEA	I	84.027	062-16-0-022	July 1, 2015 to June 30, 2016
IDEA	I	84.027	062-17-0-022	July 1, 2016 to June 30, 2017
TOTAL TITLE III				
IDEA - Section 619	I	84.173	131-16-0022	July 1, 2016 to June 30, 2017
TOTAL SPECIAL EDUCATION CLUSTER				
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ 701,723	\$ 170,786	\$ (28,345)	\$ 198,507	\$ 198,507	\$ (624)	\$ -
687,791	<u>499,446</u>	<u>-</u>	<u>545,575</u>	<u>545,575</u>	<u>46,129</u>	<u>-</u>
	<u>670,232</u>	<u>(28,345)</u>	<u>744,082</u>	<u>744,082</u>	<u>45,505</u>	<u>-</u>
259,643	59,873	(24,375)	62,379	62,379	(21,869)	-
254,513	<u>200,658</u>	<u>-</u>	<u>202,971</u>	<u>202,971</u>	<u>2,313</u>	<u>-</u>
	<u>260,531</u>	<u>(24,375)</u>	<u>265,350</u>	<u>265,350</u>	<u>(19,556)</u>	<u>-</u>
41,941	16,131	(5,170)	21,301	21,301	-	-
39,144	<u>19,572</u>	<u>-</u>	<u>32,812</u>	<u>32,812</u>	<u>13,240</u>	<u>-</u>
	<u>35,703</u>	<u>(5,170)</u>	<u>54,113</u>	<u>54,113</u>	<u>13,240</u>	<u>-</u>
55,374	55,374	-	55,374	55,374	-	-
2,025,884	1,377,685	1,377,685	-	-	-	-
2,063,972	2,063,972	-	2,063,972	2,063,972	-	-
	<u>3,441,657</u>	<u>1,377,685</u>	<u>2,063,972</u>	<u>2,063,972</u>	<u>-</u>	<u>-</u>
5,221	<u>5,221</u>	<u>-</u>	<u>5,221</u>	<u>5,221</u>	<u>-</u>	<u>-</u>
	<u>3,446,878</u>	<u>1,377,685</u>	<u>2,069,193</u>	<u>2,069,193</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,468,718</u>	<u>\$ 1,319,795</u>	<u>\$ 3,188,112</u>	<u>\$ 3,188,112</u>	<u>\$ 39,189</u>	<u>\$ -</u>

# PENNSBURY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
SUBTOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Public Welfare</b>				
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2015 to June 30, 2016
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2016 to June 30, 2017
TOTAL MEDICAL ASSISTANCE ACCESS				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Commonwealth of Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2016 to June 30, 2017
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2015 to June 30, 2016
National School Lunch Program	I	10.555	N/A	July 1, 2016 to June 30, 2017
TOTAL NATIONAL SCHOOL LUNCH PROGRAM				
Breakfast Program	I	10.553	N/A	July 1, 2015 to June 30, 2016
Breakfast Program	I	10.553	N/A	July 1, 2016 to June 30, 2017
TOTAL BREAKFAST PROGRAM				
TOTAL CHILD NUTRITION CLUSTER				
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ -	\$ 4,468,718	\$ 1,319,795	\$ 3,188,112	\$ 3,188,112	\$ 39,189	\$ -
69,154	32,893	32,893	-	-	-	-
54,306	<u>30,880</u>	<u>-</u>	<u>54,306</u>	<u>54,306</u>	<u>23,426</u>	<u>-</u>
	<u>63,773</u>	<u>32,893</u>	<u>54,306</u>	<u>54,306</u>	<u>23,426</u>	<u>-</u>
N/A	162,644 (a)	(24,615) (b)	166,116 (c)	166,116	(21,143)	-
N/A	165,040	165,040	-	-	-	-
N/A	<u>807,029</u>	<u>-</u>	<u>966,339</u>	<u>966,339</u>	<u>159,310</u>	<u>-</u>
	<u>1,134,713</u>	<u>140,425</u>	<u>1,132,455</u>	<u>1,132,455</u>	<u>138,167</u>	<u>-</u>
N/A	27,364	27,364	-	-	-	-
N/A	120,486	-	149,233	149,233	28,747	-
	<u>147,850</u>	<u>27,364</u>	<u>149,233</u>	<u>149,233</u>	<u>28,747</u>	<u>-</u>
	<u>1,282,563</u>	<u>167,789</u>	<u>1,281,688</u>	<u>1,281,688</u>	<u>166,914</u>	<u>-</u>
\$	<u>5,815,054</u>	<u>1,520,477</u>	<u>4,524,106</u>	<u>4,524,106</u>	<u>229,529</u>	<u>\$ -</u>

# PENNSBURY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	N/A	N/A	July 1, 2015 to June 30, 2016
Breakfast Program	I	N/A	N/A	July 1, 2015 to June 30, 2016
National School Lunch Program	I	N/A	N/A	July 1, 2016 to June 30, 2017
Breakfast Program	I	N/A	N/A	July 1, 2016 to June 30, 2017
TOTAL STATE SHARE				
TOTAL CHILD NUTRITION CLUSTER FORWARDED				
TOTAL CHILD NUTRITION CLUSTER				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

**Footnotes:**

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2015.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2016.

**Source Codes:**

I = Indirect Funding

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ -	\$ <u>4,468,718</u>	\$ <u>1,319,795</u>	\$ <u>3,188,112</u>	\$ <u>3,188,112</u>	\$ <u>39,189</u>	\$ <u>-</u>
-	<u>63,773</u>	<u>32,893</u>	<u>54,306</u>	<u>54,306</u>	<u>23,426</u>	<u>-</u>
N/A	12,763	12,763	-	-	-	-
N/A	1,982	1,982	-	-	-	-
N/A	61,506	-	73,663	73,663	12,157	-
N/A	<u>8,740</u>	<u>-</u>	<u>10,869</u>	<u>10,869</u>	<u>2,129</u>	<u>-</u>
	<u>84,991</u>	<u>14,745</u>	<u>84,532</u>	<u>84,532</u>	<u>14,286</u>	<u>-</u>
-	1,282,563	167,789	1,281,688	1,281,688	166,914	-
	<u>1,367,554</u>	<u>182,534</u>	<u>1,366,220</u>	<u>1,366,220</u>	<u>181,200</u>	<u>-</u>
	5,900,045	1,535,222	4,608,638	4,608,638	243,815	-
	<u>(84,991)</u>	<u>(14,745)</u>	<u>(84,532)</u>	<u>(84,532)</u>	<u>(14,286)</u>	<u>-</u>
\$	<u><u>5,815,054</u></u>	<u><u>1,520,477</u></u>	<u><u>4,524,106</u></u>	<u><u>4,524,106</u></u>	<u><u>229,529</u></u>	<u><u>-</u></u>

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

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**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*	\$ 2,069,193
Federal sources	1,173,225
 FOOD SERVICE FUND	
Federal sources	1,281,688
TOTAL FEDERAL ASSISTANCE	<u>4,524,106</u>
 FOOD SERVICE FUND	
State sources	<u>84,532</u>
TOTAL FEDERAL AND STATE AWARDS	<u>\$ 4,608,638</u>

\*IDEA 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.

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

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**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.

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

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None.