
PINE GROVE AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

PINE GROVE, PENNSYLVANIA

FOR THE YEAR ENDED JUNE 30, 2015

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JONES & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

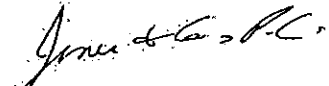
We have performed the OMB Circular A-133 Single Audit of the Pine Grove Area School District for the year ended June 30, 2015. OMB Circular A-133 indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than nine months after the year end (March 31, 2016).

The Single Audit was done to fulfill the requirements of the OMB Circular A-133. It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; (3) a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have enclosed a management letter for the fiscal year ended June 30, 2015.

When filing the Single Audit Report and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.



November 13, 2015
Pottsville, Pennsylvania

PINE GROVE AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

JUNE 30, 2015

1 Single Audit Report

Schuylkill Intermediate Unit #29
Box 130, Second Floor
Marlin, PA 17951

**1 Single Audit Report and
Data Collection Form
Single Audit Clearing
Package Checklist**

Must be submitted Via Electronic Mail (E-mail)
Commonwealth of Pennsylvania
Office of the Budget - Bureau of Audits,
Special Audit Services Division
RA-BOASingleAudit@state.pa.us

**1 Single Audit Report and
Data Collection Form**

Federal Audit Clearing House
Via Internet Website
www.harvester.census.gov/sac

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Pine Grove Area School District
Pine Grove, 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 Pine Grove Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pine Grove Area School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, during the year ended June 30, 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-22 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

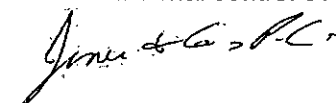
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pine Grove Area School District's basic financial statements. The schedule of the District's proportionate share of the net pension liability and schedule of the District's contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and 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 awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the Pine Grove Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pine Grove Area School District's internal control over financial reporting and compliance.



November 13, 2015
Pottsville, Pennsylvania

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

Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pine Grove Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pine Grove Area School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pine Grove Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pine Grove Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pine Grove Area School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

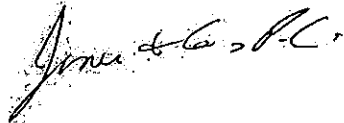
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pine Grove Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "J. M. & Co. P.C.", is written over the printed name.

November 13, 2015
Pottsville, Pennsylvania

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pine Grove Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Pine Grove Area School District's major federal programs for the year ended June 30, 2015. The Pine Grove Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pine Grove Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Pine Grove Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Pine Grove Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pine Grove Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

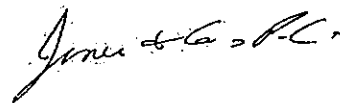
Report on Internal Control over Compliance

Management of the Pine Grove Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pine Grove Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Pine Grove Area School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 13, 2015
Pottsville, Pennsylvania

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Pine Grove Area School District (the "District") for the year ended June 30, 2015. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

Total Net Position of the District decreased \$27,611,837 in 2015 to (\$7,710,885) at June 30, 2015. Net position of governmental activities decreased \$27,662,168 or 140.60% below 2014. \$28,205,000 of the decrease was due to a restatement as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting Pensions*, as disclosed in Note 15 to the financial statements. Net position of the business-type activity increased \$50,331, or 21.20%, above 2014.

The District had \$21,664,811 in expenses related to governmental activities in 2015; of these expenses, \$4,262,436 was offset by program-specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$17,945,207 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 17-18 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

GOVERNMENTAL FUNDS

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

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

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds (General Fund and Capital Project Fund).

The basic governmental fund financial statements can be found on pages 25 through 34 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 29 of this report to demonstrate compliance with this budget.

PROPRIETARY FUNDS

The District accounts for its food service operation in a proprietary fund, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

FIDUCIARY FUNDS

The District maintains fiduciary funds for private purpose trust and student activity funds. All of the District's fiduciary activities are reported in a separate statement of Net Position on page 33 of this report as these activities cannot be used to finance District operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-51 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2015 included revenue of \$21,906,515 and expenditures and other financing uses of \$22,123,196. There were no amendments made to the budget in 2015.

Actual revenues in 2015 were \$22,132,828, exceeding budgeted revenues of \$21,906,515 by \$226,313. The favorable variance was attributable primarily to an increase of \$235,742 in local source revenue, offset slightly by a decrease of \$15,562 in federal source revenues.

Other financing sources exceeded the budgeted amount by \$6,567,736. The main factor causing the favorable variance was proceeds received related to a bond issue in the amount of \$6,555,000. The proceeds were not budgeted for due to the bond being a result of a refinancing.

Actual expenditures were less than the budgeted expenditures in 2015 by \$730,443. The primary cause for the favorable variance is a decrease in instruction and support service expenditures of \$387,527 and \$350,973 respectively.

Other financing uses were \$9,802,209 in 2015, exceeding the budgeted amount of \$2,059,350 by \$7,742,859. \$6,446,719 of the unfavorable variance is attributable to the advance refunding of General Obligation Bonds Series A and Series B of 2010, while \$1,500,000 is attributable to inter-fund transfers to the Capital Project Fund. The district did not utilize the budgetary contingency of \$200,000.

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed government-wide financial statements are presented comparatively as follows:

CONDENSED STATEMENT OF NET POSITION (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	2015	2014	2015	2014	2015	2014
ASSETS AND DEFERRED OUTFLOWS						
Current Assets	\$ 12,528	\$ 11,302	\$ 357	\$ 318	\$ 12,885	\$ 11,621
Capital Assets	<u>27,818</u>	<u>28,622</u>	<u>5</u>	<u>3</u>	<u>27,823</u>	<u>28,625</u>
Total Assets	40,346	39,925	362	321	40,708	40,246
Deferred Outflows of Resources	<u>265</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>265</u>	<u>176</u>
Total Assets and Deferred Outflows of Resources	\$ 40,611	\$ 40,101	\$ 362	\$ 321	\$ 40,973	\$ 40,422
LIABILITIES AND DEFERRED INFLOWS						
Current Liabilities	\$ 4,183	\$ 4,002	\$ 60	\$ 71	\$ 4,243	\$ 4,073
Long-Term Liabilities:						
Due After One Year	<u>43,478</u>	<u>16,436</u>	<u>-</u>	<u>-</u>	<u>43,478</u>	<u>16,436</u>
Total Liabilities	47,661	20,438	60	71	47,721	20,509
Deferred Inflows of Resources	<u>948</u>	<u>-</u>	<u>15</u>	<u>13</u>	<u>963</u>	<u>13</u>
Net Position:						
Invested in Capital Assets, net of Related Debt	11,109	11,912	5	3	11,114	11,915
Restricted	2,014	570	-	-	2,014	570
Unrestricted	<u>(21,121)</u>	<u>7,181</u>	<u>283</u>	<u>233</u>	<u>(20,838)</u>	<u>7,414</u>
Total Net Position	(7,998)	19,663	287	237	(7,711)	19,900

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	GOVERNMENTAL		BUSINESS TYPE		TOTALS	
	ACTIVITIES		ACTIVITY			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program Revenues:						
Charges for Services	\$ 60	\$ 63	\$ 421	\$ 433	\$ 481	\$ 496
Operating Grants and Contributions	4,033	3,738	461	468	4,494	4,206
Capital Grants and Contributions	170	193	-	-	170	193
Taxes Levied for General Purposes	10,400	10,416	-	-	10,400	10,416
Grants, Subsidies and Other Contr.	7,045	7,059	-	-	7,045	7,059
Transfers and Other	500	361	-	-	500	361
Total Revenues	\$ 22,208	\$ 21,830	\$ 882	\$ 902	\$ 23,090	\$ 22,732
Program Expenses:						
Instruction	\$ 13,529	\$ 12,189	\$ -	\$ -	\$ 13,529	\$ 12,189
Instructional Student Support	1,755	1,662	-	-	1,755	1,662
Administration and Financial Support	2,307	2,079	-	-	2,307	2,079
Operation and Maintenance of Plant	1,960	1,844	-	-	1,960	1,844
Pupil Transportation	1,166	1,130	-	-	1,166	1,130
Student Activities	524	494	-	-	524	494
Community Services	-	-	-	-	-	-
Interest on Long-Term Debt	423	538	-	-	423	538
Unallocated Depreciation	-	-	-	-	-	-
Food Service	-	-	832	850	832	850
Total Expenses	\$ 21,664	\$ 19,939	\$ 832	\$ 850	\$ 22,496	\$ 20,789
Change in Net Position	544	1,891	50	52	594	1,943
Net Position, Beginning as Restated	19,663	18,162	237	185	19,900	18,347
Prior Period Adjustment	(28,205)	(390)	-	-	(28,205)	(390)
Net Position, Ending	<u>\$ (7,998)</u>	<u>\$ 19,663</u>	<u>\$ 287</u>	<u>\$ 237</u>	<u>\$ (7,712)</u>	<u>\$ 19,900</u>

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

GOVERNMENTAL ACTIVITIES

The Net Position of the governmental activities decreased by \$27,662,168 or 140.60% below 2014. \$28,205,000 of the decrease was due to a restatement as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting Pensions*, as disclosed in Note 15 to the financial statements. Revenues increased approximately 1.70%, attributable primarily to an increase in operating grants and contributions. Expenditures increased approximately 8.60% in 2015 due to increases in instructions, instruction student support and administrative and financial support expenses.

BUSINESS-TYPE ACTIVITY

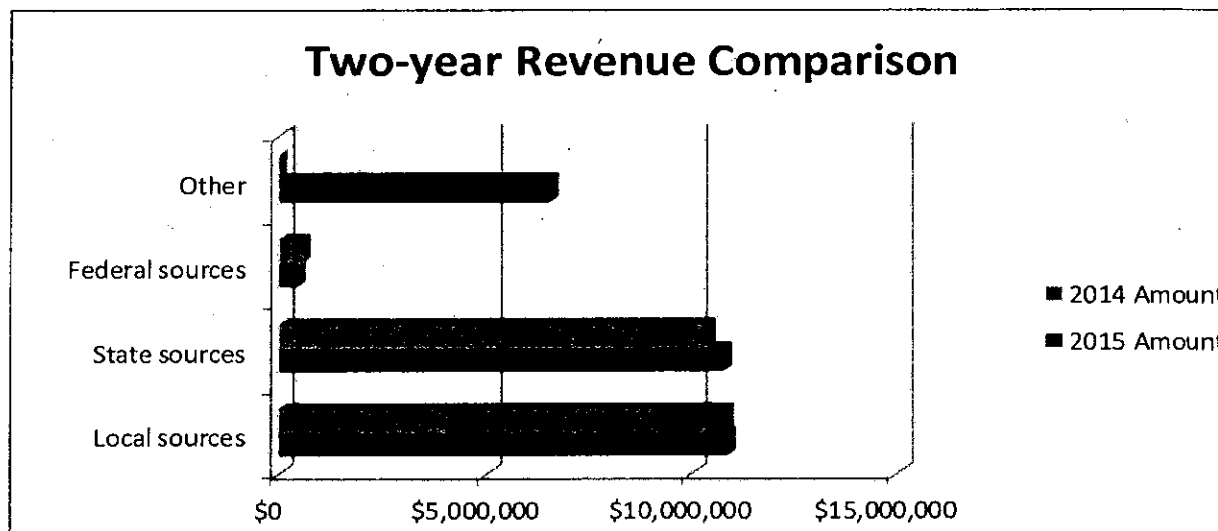
The Net Position of the District's food service operation increased by \$50,331 in 2015.

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR)

The following represents a summary of Actual General Fund revenue, by source, for the years June 30, 2015 and 2014.

	<i>2015 Amount</i>	<i>2014 Amount</i>	<i>Increase (Decrease)</i>
Local Sources	\$10,885,138	\$10,837,918	\$ 47,220
State Sources	10,789,889	10,406,124	383,765
Federal Sources	457,801	584,706	(126,905)
Other	6,567,736	1,881	6,565,855
Total	<u>\$28,700,564</u>	<u>\$21,830,629</u>	<u>\$6,869,935</u>



**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

LOCAL SOURCES

Approximately 71% of the District's 2014-2015 local source revenue is generated from real estate taxes. During 2015, revenues increased slightly over 2014. The current real estate tax revenue increased by approximately \$167,000 and pass thru funds by approximately \$63,000. This increase in revenue was offset by a decrease of \$190,000 in the delinquent tax category.

STATE SOURCES

State sources increase by \$383,765. The subsidy associated with the Ready to Learn Grant and the increase in Social Security and Retirement revenue account for a majority of the increase in state source revenue. Note: The District's retirement expense is offset by the revenue source received from the State.

FEDERAL SOURCES

Federal sources of revenue decreased by \$126,905 or 21.70% due to lower receipts of Medicaid ACCESS than in prior year, as well as a decrease in Title II subsidy.

OTHER SOURCES

Revenues from other sources increased by \$6,565,855 due, primarily, to an increase of \$6,555,000 from proceeds due to the advance refunding of General Obligation Bonds of Series A and Series B of 2010 and an increase of \$9,246 in proceeds from the sale of fixed assets.

The following represents a summary of General Fund expenditures by function for the years June 30, 2015 and 2014.

	<i>2015 Amount</i>	<i>2014 Amount</i>	<i>Increase (Decrease)</i>
Instruction	\$12,224,503	\$11,436,021	\$ 788,482
Support Services	\$ 6,607,183	\$ 6,423,068	\$ 184,115
Non-Instructional Services	501,717	469,926	31,791
Other Financing Uses	9,802,209	2,027,664	7,774,545
Total	<u>\$29,135,612</u>	<u>\$20,356,679</u>	<u>\$8,778,933</u>

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

INSTRUCTION

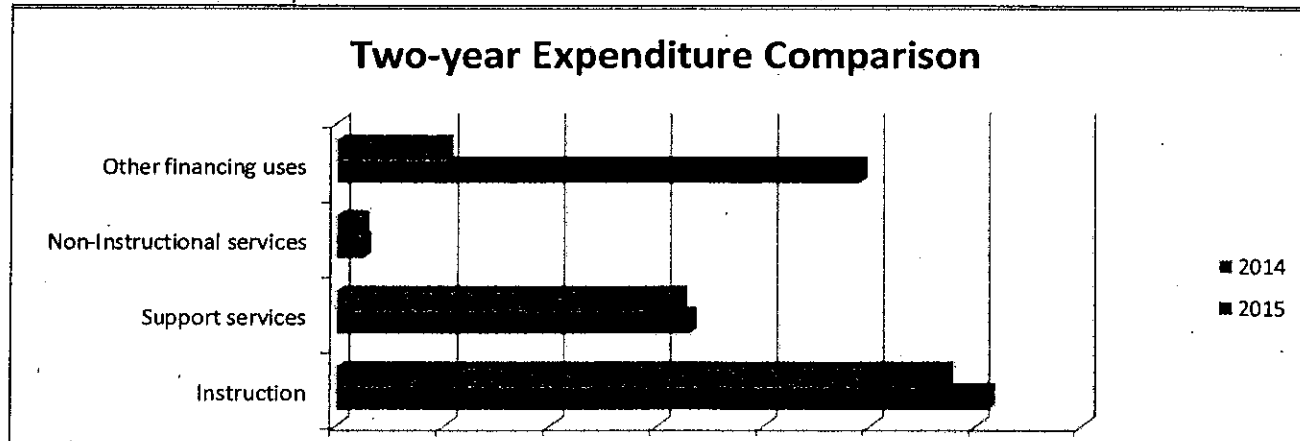
The amount of instructional expenses reported at June 30, 2015 increased by approximately \$788,482 from the prior year. The increase can be attributed in part to an increase in employee benefits related to the pension expense. Other increases include equipment, supplies, and other purchased services.

SUPPORT SERVICES

The amount of expenditures recognized in this category increased by approximately \$184,115 from the prior year. Increases in employee benefits related to the pension expense are attributable to a majority of the increase.

NON-INSTRUCTIONAL SERVICES, CAPITAL OUTLAY, REFUND OF PRIOR YEAR, AND DEBT SERVICE

The amount of expenditures in this category increased by approximately \$7,806,336. This increase can be attributed to the advance refunding of General Obligation Bonds of Series A and Series B of 2010, as well as an increase in student activities.



**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

DEBT SERVICE FUND

The Debt Service Fund is used to account for resources accumulated for the payment of long-term obligations. It is normally used to account for refunding of bond issues and the payment of the annual debt service on existing bonds. The District periodically reviews its existing debt and refunds such debt when economically feasible. The following is a recap of the District's bond activity for 2015:

	<i>Balance: 07/01/2014</i>	<i>Additions</i>	<i>Payments/ Refinancing</i>	<i>Balance 06/30/15</i>	<i>Due Within One Year</i>
General Obligation Bond 2010 A	\$ 4,405,000	\$ -	\$ (4,405,000)	\$ -	-
General Obligation Bond 2010 B	3,090,000	-	(3,090,000)	\$ -	-
General Obligation Bond Series 2013	9,215,000	-	(175,000)	\$ 9,040,000	355,000
General Obligation Bond Series 2015	-	6,555,000	-	\$ 6,555,000	1,035,000
	<u>\$16,710,000</u>	<u>\$ 6,555,000</u>	<u>\$ (7,670,000)</u>	<u>\$15,595,000</u>	<u>\$ 1,390,000</u>

LONG-TERM DEBT

During the 2014-2015, the District did not incur any additional debt, however the District advance refunded it's General Obligation Series A of 2010 and General Obligation Series B of 2010.

At June 30, 2015, the District's general obligation debt was approximately \$15,595,000. This amount is approximately 29% of its legal limit of \$54 million. The District's bonds have a stable outlook "AA-" rating from Standard and Poor's Rating Group.

CAPITAL PROJECTS FUND (MAJOR)

The Capital Project Fund accounts for major construction projects in the District. The Capital Projects Fund earned \$62,014 of interest income and expended \$54,478 on facility acquisition, construction and improvement projects. Additionally, \$64,033 on operation of non-instructional services was expensed during 2015. An interfund transfer from the General Fund of \$1,500,000 occurred during 2015. The fund balance of the Capital Project Fund at June 30, 2015 was \$2,013,794.

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2015 is summarized below.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Land and Site Improvements, Net	\$ 140,884	\$ -
Buildings and Improvements, Net	26,383,747	-
Furniture and Equipment, Net	1,270,546	4,519
Vehicles, Net	22,564	-
Total, Net	<u>\$ 27,817,741</u>	<u>\$ 4,519</u>

NONCURRENT LIABILITIES

Noncurrent liabilities will be paid one year or later from the date of the Statement of Net Position. The District's noncurrent liabilities include compensated absences, bonds payable, and other long-term obligations, net of current portions. It should be noted the Governmental Accounting Standards Board (GASB) Statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions became effective for the District in the 2008-2009 fiscal year.

The Postemployment Benefits obligation approximated \$1,050,546 as of June 30, 2015 and is reflected on the statement of Net Position.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The District has adopted Statement No. 68 for its fiscal year 2015 financial statements. The District has worked in conjunction with actuaries and representatives from the State pension system to calculate the liability moving forward, as disclosed in Note 15 to the financial statements.

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

SELECTED SUPPLEMENTAL INFORMATION

The District is required to update, on an annual basis, information as it relates to Continuing Disclosure for Bond Obligation Compliance.

TAX COLLECTION RECORD

<u>Fiscal</u> <u>Year</u>	<u>Tax</u> <u>Rate</u>	<u>Tax Levy</u>	<u>Current Year</u> <u>Collection</u>	<u>Percent</u> <u>Collected</u>	<u>Delinquent</u>	<u>Total +</u> <u>Delinquent</u>	<u>Percent</u> <u>Collected Total</u>
2009-2010	37.9	7,168,314	7,028,231	98%		7,028,231	98%
2010-2011	38.9	7,448,749	7,279,081	98%		7,279,081	98%
2011-2012	38.9	7,476,745	7,936,224	106%		7,936,224	106%
2012-2013	38.9	8,142,630	7,599,272	93%	530,085	8,129,357	100%
2013-2014	38.9	8,193,201	7,539,252	92%	691,728	8,230,979	100%
2014-2015	38.9	8,241,643	7,678,691	93%	585,968	8,264,659	100%

The school district sells its delinquent taxes

For years 09-10 through 11-12 tax levy is:

Current Levy + Penalties - Discounts, Exonerations and Refunds

For years 09-10 through 11-12 tax collection includes delinquent taxes

TOP TEN TAXPAYERS

<u>Taxpayer</u>	<u>Description</u>	<u>Assessed Total</u>
Closeout Distribution Inc.	Dist Center	\$ 14,591,810
Penn and Dye Fishing Co.	Manufacturing	2,085,445
Gold Mills Inc.	Manufacturing	1,867,975
Tremont Health RE 1 LP	Nursing Home	1,735,965
Keystone Potato Products LLC	Manufacturing	1,662,655
Newstead Development LLC	Manufacturing	1,654,120
Jay Dana LLC	Hotel	1,492,000
WPS Westwood Generation LLC	Cogen Plant	1,267,930
Heaco LP	Manufacturing	1,050,300
HJR Ent. Inc.	Hotel	1,040,600
Total		\$ 28,448,800

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

HISTORY OF ASSESSED VALUE, MARKET VALUE AND COMMON LEVEL RATIO

<i>School Year</i>	<i>Assessed Valuation</i>	<i>Market Value</i>	<i>Common Level Ratio</i>
2001-2002	\$ 169,799,515	\$ 371,552,549	45.7%
2002-2003	171,882,330	372,846,703	46.1%
2003-2004	176,009,150	377,702,038	46.6%
2004-2005	178,065,980	395,702,178	45.0%
2005-2006	179,900,650	416,436,690	43.2%
2006-2007	185,255,730	447,477,609	41.4%
2007-2008	191,651,675	474,385,334	40.4%
2008-2009	200,870,350	525,838,612	38.2%
2009-2010	203,125,445	429,440,687	47.3%
2010-2011	223,042,380	578,439,378	38.6%
2011-2012	223,516,875	590,248,036	37.9%
2012-2013	223,516,875	590,248,036	37.9%
2013-2014	224,925,135	593,611,992	37.9%
2014-2015**	226,022,575	598,025,605	37.8%

**Source: Pennsylvania State Tax Equalization Board (STEB).

MUNICIPAL REAL ESTATE TAX RATES

<i>Municipality</i>	<i>School District</i>	<i>Municipal</i>	<i>County</i>	<i>Total</i>
Frailey Township *	38.9	9.25	13.98	62.13
Pine Grove Borough	38.9	14	13.98	66.88
Pine Grove Township	38.9	0	13.98	52.88
Tremont Borough **	38.9	14	13.98	66.88
Tremont Township	38.9	7	13.98	59.88
Washington Township	38.9	3.5	13.98	56.38

* Includes millage street lighting
 ** Includes millage for fire hosue
 Source: Pennsylvania Department of Community and
 Economic Development (DCED)

ECONOMIC CONDITION AND OUTLOOK

The District does not expect significant growth in the near future given the residential nature of the local economy. The District's assessed values over the last three years have averaged minimal growth. The District's student population has remained consistent during the same period.

The District is also complying with the enacted law as passed within the Commonwealth of Pennsylvania entitled Act I of Special Session of 2007. The goal of the Act I legislation seeks to reduce property taxes but in doing so also ensures that the District does not suffer any loss of revenue attributable to the shifting of local revenue sources. During June 30, 2015, the District has complied with all aspects of Act I.

Retirement Costs associated with District Personnel increased during the fiscal year due to an increase in the rate certified by the Public School Employees' Retirement System. The table below illustrates the rates charged the District.

<u>Year</u>	<u>District Rate on Covered Payroll</u>	
2011	4.78 %	
2013	5.64 %	
2013	8.65 %	
2014	12.36 %	
2014	16.93 %	
2015	21.40 %	
2016	25.84 %	
2017	30.03 %	EST

Over the next several years, it is projected that the contribution rates for the Public School Employees' Retirement System of Pennsylvania will rise significantly. Based on actuarial projections, it is anticipated that by the school year 2019-2020 the total employer contribution rate is projected to be 32.23%.

EMPLOYEE RELATIONS

The following represents the Collective Bargaining Agreements in effect at June 30, 2015:

The Pine Grove Area School District and the Pine Grove Area Education Association currently have a contract for a term commencing September 1, 2011 and ending August 31, 2015.

The Pine Grove Area School District and the American Federation of State County, and Municipal Employees currently have a contract for a term commencing July 1, 2015 and ending June 30, 2018.

**PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(UNAUDITED)**

The Pine Grove School District and the Pine Grove Area Administrative Staff and Act 93 Staff currently have a contract for a term commencing July 1, 2014 and ending June 30, 2016.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Pine Grove Area School District, 103 School Street, Pine Grove, PA 17963.

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and investments	\$ 11,308,328	\$ 344,904	\$ 11,653,232
Taxes receivable, net	205,872	0	205,872
Intergovernmental receivables	807,922	1,924	809,846
Prepaid Expenses	100,618	0	100,618
Other account receivables	79,520	1,084	80,604
Inventories	25,551	9,052	34,603
TOTAL CURRENT ASSETS	12,527,811	356,964	12,884,775
NON-CURRENT ASSETS			
Land and site improvements - net	140,884	0	140,884
Building and building improvements - net	26,383,747	0	26,383,747
Machinery and equipment - net	1,270,546	4,519	1,275,065
Vehicles - net	22,564	0	22,564
TOTAL NON-CURRENT ASSETS	27,817,741	4,519	27,822,260
TOTAL ASSETS	40,345,552	361,483	40,707,035
DEFERRED OUTFLOWS OF RESOURCES	265,010	0	265,010
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 40,610,562	\$ 361,483	\$ 40,972,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Internal balances	\$ (48,338)	\$ 48,338	\$ 0
Interfund accounts payable	1,925	0	1,925
Accounts payable	301,968	0	301,968
Accrued salaries and benefits	2,168,167	11,273	2,179,440
Current portion of long-term debt	1,390,000	0	1,390,000
Other current liabilities	276,337	0	276,337
Accrued interest	93,293	0	93,293
TOTAL CURRENT LIABILITIES	4,183,352	59,611	4,242,963
NON-CURRENT LIABILITIES			
Bonds payable	14,205,000	0	14,205,000
OPEB liability	1,050,546	0	1,050,546
Pension Liability	27,944,000	0	27,944,000
Long-term portion of compensated absences	278,249	0	278,249
TOTAL NON-CURRENT LIABILITIES	43,477,795	0	43,477,795
TOTAL LIABILITIES	47,661,147	59,611	47,720,758
DEFERRED INFLOWS OF RESOURCES	947,650	14,522	962,172
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	11,108,741	4,519	11,113,260
Restricted for:			
Capital projects	2,013,794	0	2,013,794
Unrestricted (Deficit)	(21,120,770)	282,831	(20,837,939)
TOTAL NET POSITION (DEFICIT)	(7,998,235)	287,350	(7,710,885)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	\$ 40,610,562	\$ 361,483	\$ 40,972,045

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 13,528,457	0	2,874,589	\$ (10,653,868)
Instructional student support	1,754,837	0	152,374	(1,602,463)
Administrative and financial support services	2,307,273	0	132,934	(2,174,339)
Operation and maintenance of plant services	1,960,322	13,351	122,451	(1,824,520)
Pupil transportation	1,166,275	0	706,538	(459,737)
Student activities	524,273	46,515	43,714	(434,044)
Community services	350	0	0	(350)
Interest on long-term debt	423,024	0	169,970	(253,054)
TOTAL GOVERNMENTAL ACTIVITIES	21,664,811	59,866	4,202,570	(17,402,375)
BUSINESS-TYPE ACTIVITIES				
Food services	832,474	421,069	461,448	50,043
TOTAL PRIMARY GOVERNMENT	22,497,285	480,935	4,664,018	(17,352,332)
GENERAL REVENUES AND TRANSFERS				
Taxes:				
Property taxes, levied for general purposes, net				7,780,002
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				2,620,255
Grants, subsidies, and contributions not restricted				7,045,184
Investment earnings				15,539
Miscellaneous				484,227
Transfers				0
TOTAL GENERAL REVENUES AND TRANSFERS			17,945,207	17,945,495
CHANGE IN NET POSITION				
NET POSITION - BEGINNING				593,163
PRIOR PERIOD ADJUSTMENT				19,900,952
NET POSITION (DEFICIT) - BEGINNING - AS RESTATED				(28,205,000)
NET POSITION (DEFICIT) - ENDING				(8,304,048)

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

PINE GROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and investments	\$ 9,251,103	\$ 2,057,225	\$ 11,308,328
Taxes receivable	205,872	0	205,872
Due from other funds	47,713	0	47,713
Intergovernmental receivables	807,922	0	807,922
Prepaid expense	100,618	0	100,618
Other receivables	79,520	0	79,520
Inventories	25,551	0	25,551
TOTAL ASSETS	<u>10,518,299</u>	<u>2,057,225</u>	<u>12,575,524</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,518,299</u>	<u>\$ 2,057,225</u>	<u>\$ 12,575,524</u>
LIABILITIES, DEFERRD INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 1,300	\$ 0	\$ 1,300
Accounts payable	258,537	43,431	301,968
Other current liabilities	276,337	0	276,337
Accrued salaries and benefits	2,168,167	0	2,168,167
TOTAL LIABILITIES	<u>2,704,341</u>	<u>43,431</u>	<u>2,747,772</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Restricted	0	2,013,794	2,013,794
Committed	300,000	0	300,000
Unassigned	1,594,914	0	1,594,914
Assigned	5,919,044	0	5,919,044
TOTAL FUND BALANCES	<u>7,813,958</u>	<u>2,013,794</u>	<u>9,827,752</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,518,299</u>	<u>\$ 2,057,225</u>	<u>\$ 12,575,524</u>

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

PINE GROVE AREA SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 9,827,752
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	47,105,900
Less: accumulated depreciation	(19,288,159)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bond principle payable	(15,595,000)
Pension Liability - Net	(28,891,650)
Compensated absences	(278,249)
OPEB	(1,050,546)

Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.

265,010

Governmental funds do not report a liability for accrued interest until due and payable.

(93,293)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ <u>(7,998,235)</u>
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PINE GROVE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	\$ 10,885,138	\$ 62,014	\$ 10,947,152
State sources	10,789,889	0	10,789,889
Federal sources	457,801	0	457,801
TOTAL REVENUES	<u>22,132,828</u>	<u>62,014</u>	<u>22,194,842</u>
OTHER FINANCING SOURCES			
Proceeds of bond issue	6,555,000	0	6,555,000
Refunds of prior year expenditures	1,609	0	1,609
Sale of fixed assets	11,127	0	11,127
TOTAL OTHER FINANCING SOURCES	<u>6,567,736</u>	<u>0</u>	<u>6,567,736</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>28,700,564</u>	<u>62,014</u>	<u>28,762,578</u>
EXPENDITURES			
Instruction	12,224,503	0	12,224,503
Support services	6,607,183	0	6,607,183
Operation of non-instructional services	501,717	64,033	565,750
Facilities acquisition, construction, and improvement services	0	54,478	54,478
TOTAL EXPENDITURES	<u>19,333,403</u>	<u>118,511</u>	<u>19,451,914</u>
OTHER FINANCING (USES)			
Debt service	8,295,069	0	8,295,069
Interfund transfers	1,500,000	(1,500,000)	0
Refunds of prior year revenues	7,140	0	7,140
TOTAL OTHER FINANCING (USES)	<u>9,802,209</u>	<u>(1,500,000)</u>	<u>8,302,209</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>29,135,612</u>	<u>(1,381,489)</u>	<u>27,754,123</u>
NET CHANGE IN FUND BALANCES	<u>(435,048)</u>	<u>1,443,503</u>	<u>1,008,455</u>
FUND BALANCES - BEGINNING	<u>8,249,006</u>	<u>570,291</u>	<u>8,819,297</u>
FUND BALANCES - ENDING	<u>\$ 7,813,958</u>	<u>\$ 2,013,794</u>	<u>\$ 9,827,752</u>

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

PINE GROVE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,008,455
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	7,670,000
Previous year bond costs are expensed in the governmental funds when incurred but are amortized in the Statement of Activities.	89,099
Expenses reported in the Statement of Activities, such as compensated absences, OPEB, and net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(954,033)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	89,206
Governmental funds recognize capital outlays as expenditures versus as capital assets in the Statement of Net Assets.	452,613
The issuance of long-term debt provides current financial resources to governmental funds	(6,555,000)
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(1,257,508)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>542,832</u>

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

PINE GROVE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 10,649,396	\$ 10,649,396	\$ 10,885,138	\$ 235,742
State sources	10,783,756	10,783,756	10,789,889	6,133
Federal sources	473,363	473,363	457,801	(15,562)
TOTAL REVENUES	<u>21,906,515</u>	<u>21,906,515</u>	<u>22,132,828</u>	<u>226,313</u>
OTHER FINANCING SOURCES				
Proceeds Bond Issue	0	0	6,555,000	6,555,000
Refunds of prior year expenditures	0	0	1,609	1,609
Sale of fixed assets	0	0	11,127	11,127
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>6,567,736</u>	<u>6,567,736</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>21,906,515</u>	<u>21,906,515</u>	<u>28,700,564</u>	<u>6,794,049</u>
EXPENDITURES				
Instruction	12,612,030	12,612,030	12,224,503	387,527
Support services	6,958,156	6,958,156	6,607,183	350,973
Operation of non-instructional services	493,660	493,660	501,717	(8,057)
TOTAL EXPENDITURES	<u>20,063,846</u>	<u>20,063,846</u>	<u>19,333,403</u>	<u>730,443</u>
OTHER FINANCING (USES)				
Debt service	1,848,350	1,848,350	8,295,069	(6,446,719)
Interfund transfers	0	0	1,500,000	(1,500,000)
Budgetary reserve	200,000	200,000	0	200,000
Refunds of prior year revenues	11,000	11,000	7,140	3,860
TOTAL OTHER FINANCING (USES)	<u>2,059,350</u>	<u>2,059,350</u>	<u>9,802,209</u>	<u>(7,742,859)</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>22,123,196</u>	<u>22,123,196</u>	<u>29,135,612</u>	<u>(7,012,416)</u>
NET CHANGE IN FUND BALANCES	<u>(216,681)</u>	<u>(216,681)</u>	<u>(435,048)</u>	<u>(218,367)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>7,259,303</u>	<u>7,259,303</u>	<u>8,249,006</u>	<u>989,703</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,042,622</u>	<u>\$ 7,042,622</u>	<u>\$ 7,813,958</u>	<u>\$ 771,336</u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

	Food Service
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash	\$ 344,904
Intergovernmental receivables	1,924
Other receivables	1,084
Inventories	9,052
TOTAL CURRENT ASSETS	<u>356,964</u>
NON-CURRENT ASSETS	
Machinery and equipment	339,792
Less: accumulated depreciation	<u>(335,273)</u>
TOTAL NON-CURRENT ASSETS	4,519
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 361,483</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Due to other funds	\$ 48,338
Accrued salaries and benefits	11,273
TOTAL CURRENT LIABILITIES	<u>59,611</u>
NONCURRENT LIABILITIES	
Deferred revenues	<u>1,830</u>
TOTAL NONCURRENT LIABILITIES	1,830
TOTAL LIABILITIES	<u>61,441</u>
DEFERRED INFLOWS OF RESOURCES	12,692
NET POSITION	
Invested in capital assets - net of related debt	4,519
Unrestricted	<u>282,831</u>
TOTAL NET POSITION	<u>287,350</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 361,483</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
OPERATING REVENUES	
Local sources:	
Food service revenues	\$ 421,069
TOTAL OPERATING REVENUES	<u>421,069</u>
OPERATING EXPENSES	
Personnel services - salaries	306,755
Personnel services - employee benefits	126,234
Other purchased services	6,461
Supplies	391,488
Depreciation	626
Dues and fees	910
TOTAL OPERATING EXPENSES	<u>832,474</u>
OPERATING (LOSS)	(411,405)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	288
State sources	74,165
Federal sources	387,283
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>461,736</u>
CHANGE IN NET POSITION	50,331
NET POSITION - BEGINNING OF YEAR	<u>237,019</u>
NET POSITION - END OF YEAR	<u><u>\$ 287,350</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and intergovernments	\$ 430,151
Cash paid to suppliers	(396,187)
Cash paid for selling and general expenses	(447,116)
NET CASH (USED FOR) OPERATING ACTIVITIES	<u>(413,152)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants and subsidies received from non-operating activities:	
State sources	74,165
Federal sources	387,283
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>461,448</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Fixed Assets	(1,989)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>288</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,584
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>298,309</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>346,893</u></u>
OPERATING (LOSS)	\$ (411,405)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Depreciation	626
Changes in current assets and current liabilities	
(Increase) Decrease in inventories	2,003
Increase (Decrease) in accounts payable	(241)
(Increase) Decrease in intergovernmental receivables	(1,924)
(Increase) Decrease in other receivables	7,950
Increase (Decrease) in accrued salaries and benefits	(11,149)
Increase (Decrease) in advance to other funds	(144)
Increase (Decrease) in deferred revenue	1,132
TOTAL ADJUSTMENTS	<u>(1,747)</u>
TOTAL CASH (USED FOR) OPERATING ACTIVITIES	\$ <u><u>(413,152)</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash	\$ 81,514	\$ 81,241	\$ 162,755
Interfund accounts receivable	625	1,660	2,285
TOTAL ASSETS	<u>82,139</u>	<u>82,901</u>	<u>165,040</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 82,139</u>	<u>\$ 82,901</u>	<u>\$ 165,040</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Interfund accounts payable	\$ 360	\$ 0	\$ 360
Other current liabilities	0	82,901	82,901
TOTAL LIABILITIES	<u>360</u>	<u>82,901</u>	<u>83,261</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION			
Unrestricted	81,779	0	81,779
TOTAL NET POSITION	<u>81,779</u>	<u>0</u>	<u>81,779</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 82,139</u>	<u>\$ 82,901</u>	<u>\$ 165,040</u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
ADDITIONS	
Investment income	\$ 120
Contributions and donations	3,944
TOTAL ADDITIONS	<u>4,064</u>
DEDUCTIONS	<u>0</u>
CHANGE IN NET POSITION	4,064
NET POSITION - BEGINNING OF YEAR	<u>77,715</u>
NET POSITION - END OF YEAR	<u><u>\$ 81,779</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

The financial statements include:

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

REPORTING ENTITY

The District does not have any component units nor is the District a component unit of any other primary government.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION

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

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

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

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

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION - continued

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary and trust funds. The District also uses the capital projects fund to pay initial functional costs, such as textbooks, involved in opening a facility, therefore all expenditures are not recorded as capital outlay.

The District reports the following major proprietary fund types:

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

Other fund types:

Agency Funds - These funds account for assets held by the District as an agent for various student groups and clubs.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

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

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

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BUDGETING

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

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

DEPOSITS AND INVESTMENTS

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

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

INVENTORY

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

COMPENSATED ABSENCES

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the District-wide financial statements.

FUND EQUITY

In the fund financial statements, governmental funds report fund balance in accordance with GASB Statement No. 54 (see Note 13).

NET POSITION

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

FOOD SERVICE FUND - UNALLOCATED COSTS

The District does not attempt to allocate Building-Wide Costs to the Food Service Fund. Thus, General Fund expenditures (utilities, janitorial services, insurance, etc.) which partially benefit the Food Service Fund are not proportionately recognized within the Food Service Fund. Similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no facilities rental expense).

POST EMPLOYMENT HEALTH CARE BENEFITS - COBRA BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible employees and eligible dependents. Certain requirements are outlined by the federal government for the coverage. The premium plus 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration of 18 months. There is no associated cost to the District under this program, and there is one participant in the program as of June 30, 2015.

RETIREE BENEFITS

In addition to the pension benefits described in Note 6, the District makes health care benefits available to all eligible employees who retired from the District. The premium is paid in full by the insured who retired prior to June 30, 2012 on or before the tenth day of the month for the actual month covered. The District pays the full cost of retirees who retired as of June 30, 2012 less \$100 contribution by the retiree. There are currently thirty-nine participants in the program as of June 30, 2015.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS:

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, a money market mutual fund investment in Pennsylvania Treasurer's Invest Program for Local Government, a money market fund and certificate of deposit, the Pennsylvania School District Liquid Asset Fund (PSDLAF), and cash on hand of \$392. The market values of deposits are equal to the cost of the deposits.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to:

Deposit in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

At June 30, 2015, the carrying amount of the District's deposits was \$11,815,987. and the bank balance was \$18,644,630. Of the bank balance, \$286,411. was covered by federal depository insurance coverage and \$16,797,120. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS

The investment policy of the school district adheres to state statutes and prudent business practices. The investments of the school district consist of certificates of deposit and U.S. Agency Obligations as authorized by the Board. Investments are stated at cost including accrued interest which approximates market value.

The District invests in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's Invest Program for Local Government as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. Pennsylvania Treasurer's Invest Program for Local Government insures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds \$100,000., unless such deposits are secured by (1) Treasurer, federal agencies (collateralized at 102%) or (2) certificates of deposit (collateralized by 120%).

As of June 30, 2015, the District had the following investments.

PA School District Liquid Asset Fund (PSDLAF)	\$ 2,065,335
	<hr/>
Total Investments	\$ <u>2,065,335</u>

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS - continued

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year. At June 30, 2015, the District's investments in securities of U.S. agencies had maturity dates of less than one year.

Custodial Credit Risk

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

Credit Risk

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS - continued

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer. The District's investments are with PA Invest and Pennsylvania School District's Liquid Asset Fund (PSDLAF).

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND INVESTMENTS

The classification of cash, cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, Cash Equivalents, and Investments	\$ <u>9,750,652</u>	\$ <u>2,065,335</u>	\$ <u>11,815,987</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables listed in the General Fund at June 30, 2015, are comprised of the following:

State Share of Social Security	\$ 50,062
State Share of Retirement	427,653
State Share of Transportation	7,052
Federal Programs	277,601
Local Programs	45,554
Total Intergovernmental Receivables	\$ <u>807,922</u>

PINE GROVE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - GENERAL LONG-TERM DEBT:

A summary of general long-term debt is as follows:

	Accrued Compensated Absences	Other Post- Employment Benefits	General Obligation Bond Series A of 2010	General Obligation Bond Series B of 2010	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
Balance - July 1, 2014	\$ 332,915	\$ 728,427	\$ 4,405,000	\$ 3,090,000	\$ 9,215,000	\$ 0	\$ 17,771,342
Additions	0	322,119	0	0	0	6,555,000	6,877,119
Reductions - Payments	(54,666)	0	(1,155,000)	(5,000)	(175,000)	0	(1,389,666)
Reductions - Refinancing	0	0	(3,250,000)	(3,085,000)	0	0	(6,335,000)
Balance - June 30, 2015	\$ 278,249	\$ 1,050,546	\$ 0	\$ 0	\$ 9,040,000	\$ 6,555,000	\$ 16,923,795
Due Within One Year			\$ 0	\$ 0	\$ 355,000	\$ 1,035,000	\$ 1,390,000

A summary of general long-term debt, principal maturities, and interest requirements follows:

Year Ending June 30,	General Obligation Bond Series A of 2010	General Obligation Bond Series B of 2010	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
2016	\$ 0	\$ 0	\$ 599,910	\$ 1,107,624	\$ 1,707,534
2017	0	0	604,260	1,410,348	2,014,608
2018	0	0	1,078,160	949,827	2,027,987
2019	0	0	1,912,510	117,528	2,030,038
2020	0	0	1,911,060	121,852	2,032,912
2021-2024	0	0	4,133,680	3,460,822	7,594,502
Total	0	0	10,239,580	7,168,001	17,407,581
Less: Interest	0	0	(1,199,580)	(613,001)	(1,812,581)
Outstanding Principal	\$ 0	\$ 0	\$ 9,040,000	\$ 6,555,000	\$ 15,595,000

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - GENERAL LONG-TERM DEBT - continued

General Obligation Bonds - Series A of 2010

On June 8, 2010, the District issued \$10,030,000. of General Obligation Bonds – Series A of 2010, which was used to advance refund the General Obligation Bonds – Series of 2005, General Obligation Bonds – Series A of 2005, and General Obligation Note – Series of 2009, and pay certain costs of issuance of the Bonds. Interest rates on the Bonds vary from 2.00% to 4.00% and mature in various amounts beginning February 15, 2011 and ending February 15, 2018. This obligation was refinanced during the current year (see Note 16).

General Obligation Bonds - Series B of 2010

On June 8, 2010, the District issued \$3,110,000. of General Obligation Bonds – Series B of 2010, which will be used to fund various capital projects of the District and pay certain costs of expenses related to issuing the Bonds. Interest rates on the Bonds vary from 1.00% to 3.80% and mature in various amounts beginning February 15, 2011 and ending February 15, 2024. This obligation was refinanced during the current year (see Note 16).

General Obligation Bonds - Series of 2012

On June 14, 2012, the District issued \$9,620,000. of General Obligation Bonds – Series of 2012, which was used to advance refund all of the District's outstanding General Obligation Bonds – Series of 2008 and pay certain costs and expenses related to the issuance of the Bonds. Interest rates on the Bonds vary from .45% to 2.50% and mature in various amounts beginning March 1, 2013 and ending March 1, 2023.

General Obligation Bonds - Series of 2015

On May 20, 2015, the District issued \$6,555,000. of General Obligation Bonds – Series of 2015, which was used to advance refund all of the District's outstanding General Obligation Bonds – Series A of 2010 and General Obligation Bond – Series B of 2010 and pay certain costs and expenses related to the issuance of the Bonds. Interest rates on the Bonds vary from .32% to 2.10% and mature in various amounts beginning September 15, 2015 and ending February 15, 2024.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - GENERAL LONG-TERM DEBT - continued

Compensated Absences

The General Long-Term Debt group of accounts includes liability of \$278,249, which represents the amount of compensated absences computed by using unused sick and vacation days at current compensation rates. If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

Emergency and personal - no payout

Vacation (administrative personnel) - limited accumulation of vacation days

Sickness - payout is based on age and years of service in the District.

Other Post-employment Benefits

General Long-Term Debt includes \$1,050,546. of liabilities, which represent other benefits provided upon termination of employment. The reader should consult the separate footnote on these benefits for more information.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS:

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

	Balance June 30, 2014	Net Additions (Deductions)	Balance June 30, 2015
Governmental Activities:			
Capital Assets, Not Being Depreciated			
Land	\$ 64,449	\$ 0	\$ 64,449
Total Capital Assets, Not Being Depreciated	64,449	0	64,449
Capital Assets, Being Depreciated:			
Buildings and Improvements	40,684,609	81,489	40,766,098
Furniture and Equipment	5,728,380	371,124	6,099,504
Vehicles	87,740	0	87,740
Site Improvements	88,109	0	88,109
Total Capital Assets, Being Depreciated	46,588,838	452,613	47,041,451
Accumulated Depreciation For:			
Buildings and Improvements	(13,533,878)	(848,473)	(14,382,351)
Furniture and Equipment	(4,432,237)	(396,721)	(4,828,958)
Vehicles	(54,788)	(10,388)	(65,176)
Site Improvements	(9,748)	(1,926)	(11,674)
Total Accumulated Depreciation	(18,030,651)	(1,257,508)	(19,288,159)
Governmental Activities - Capital Assets, Net	\$ 28,622,636	\$ (804,895)	\$ 27,817,741
Business-type Activities:			
Furniture/Equipment	\$ 337,803	\$ 1,989	\$ 339,792
Less: Accumulated Deprecation	(334,648)	(625)	(335,273)
Business-type Activities - Capital Assets, Net	\$ 3,155	\$ 1,364	\$ 4,519

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS - continued

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

Instructional	\$ 828,922
Instructional Student Support	279,222
Student Activities	14,675
Operation	134,689
Total Depreciation Expense	<u>\$ 1,257,508</u>

NOTE 6 - INTERFUND OPERATING BALANCES:

Individual fund operating balances for the year ended June 30, 2015 were as follows:

	Due From	Due To
Scholarship Fund	\$ 625	\$ 360
Activities Fund	1,660	0
General Fund	48,338	1,925
Cafeteria Fund	0	48,338
Total All Funds	<u>\$ 50,623</u>	<u>\$ 50,623</u>

All balances are current and are payable within one year. Balances exist due to normal operating transfers between individual funds

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - TAXES ASSESSED AND DEFERRED REVENUE:

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

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real Estate - Schuylkill County	38.9 mills	\$ 8,241,643
Occupation Tax - Act 511	\$200.00/person	1,217,600
Total Assessed Valuation		\$ 9,459,243

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

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

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

The balances at June 30, 2015, are as follows:

<u>Tax</u>	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Governmental Funds</u>		
			<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Per Capita	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Occupation	0	0	0	0	0
Earned Income	189,971	0	189,971	183,491	0
Realty Transfer	11,972	0	11,972	9,229	0
Occupational Privilege Tax	3,929	0	3,929	3,929	0
Tax	\$ 205,872	\$ 0	\$ 205,872	\$ 196,649	\$ 0

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - TAXES ASSESSED AND DEFERRED REVENUE - continued

The District entered an agreement to sell 100% of its delinquent real estate tax claims to Northwest Pennsylvania Incubator Association. The agreement met the criteria for recognition as a sale as the District's continuing involvement with these receivables was effectively terminated. In 2015, the District received \$585,968. of proceeds from the sale (net of expenses of \$69,170).

NOTE 8 - BUDGETARY INFORMATION:

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

NOTE 9 - OPERATING LEASES:

The District leases nine copiers and two mail machines under operating leases. The District has the option to purchase the copiers for fair market value, determined by the lessor, at the end of the lease, or the option to continue the lease on a month-to-month basis. The estimated future minimum rental payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2016	\$ 30,934
2017	30,934
2018	18,864
2019	6,288
Total	\$ 87,020

Rental expense for all operating leases for the year ended June 30, 2015 was \$27,990.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The collective bargaining agreement between the District and the employees expires as follows:

Teaching Staff	August 31, 2015
Support Staff	June 30, 2015
Act 93 Employees	June 30, 2016

GRANT PROGRAMS

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2015, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 - COMMITMENTS AND CONTINGENCIES – continued

FUTURE LIABILITY

The District, along with the participating districts of the Schuylkill Vocational Education Center, will be responsible for a portion of a liability due to another sending school district based on an overpayment made by the member district. At the time of this report, the total amount due for all districts is \$387,464. The District will be responsible for approximately 8.3% of 2013-2014 costs and approximately 8.3% of 2014-2015 costs. The remaining portion due will be paid over five years and will be calculated based on the sending school districts' enrollment.

NOTE 11 - REVENUE FROM LOCAL SOURCES:

During the current year, revenues from local sources consisted of the following:

	General Fund	Other Funds	Total
Property Taxes, Current	\$ 7,679,681	\$ 0	\$ 7,679,681
Earned Income Taxes	1,121,850	0	1,121,850
Other Current Taxes	872,803	0	872,803
Delinquent Taxes	680,066	0	680,066
Investment Income	15,424	115	15,539
Co-curricular Activities	64,053	0	64,053
Other Revenue from Local Sources	204,742	0	204,742
Total	\$ 10,638,619	\$ 115	\$ 10,638,734

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

PLAN DESCRIPTION

The Pine Grove Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. At January 1, 2015, 43 retired employees were eligible to participate. Inasmuch as the Plan has no assets, reporting an other employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

FUNDING POLICY

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

The District may contribute the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2015, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$185,805. for 2015. These costs are recognized as an expense when claims or premiums are paid.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

For 2015, the components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan were as follows:

Annual Required Contribution	\$ 616,370
Interest on Net OPEB Obligation - 4.50%	32,779
Adjustment to Annual Required Contribution	<u>(141,225)</u>
Annual OPEB Cost	507,924
Contributions or Payments Made	<u>(185,805)</u>
Increase in Net OPEB Obligation	322,119
Net OPEB Obligation, Beginning of Year	<u>728,427</u>
Net OPEB Obligation, End of Year	<u>\$ 1,050,546</u>
Percentage of Annual OPEB Cost Contributed	<u>173.36%</u>

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of January 1, 2012, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,736,698
Actuarial Value of Assets	<u>0</u>
Unfunded AAL (UAAL)	\$ <u>2,736,698</u>
 Funded Ratio	 <u>0.00%</u>
 Covered Payroll	 \$ <u>7,638,047</u>
 UAAL as Percentage of Covered Payroll	 <u>35.83%</u>

ACTUARIAL METHODS AND ASSUMPTIONS

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

ACTUARIAL METHODS AND ASSUMPTIONS - continued

In the January 1, 2014, actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

NOTE 13 - GASB STATEMENT NO. 54:

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

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

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

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

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

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

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 13 - GASB STATEMENT NO. 54 – continued

The District's assigned fund balance is fund balance reporting occurring by the District Board of Directors. The balance consists of \$5,142,804. to lessen the impact of projected increases in the PSERS, salary increases, medical insurance premium increases, special education cost increases, retirement increases and future projects and improvements.

ORDER OF FUND BALANCE SPENDING POLICY

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

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

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

MINIMUM FUND BALANCE

The District's school board policy states:

- 1.) The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.
- 2.) The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8%).
- 3.) If the unassigned portion of the fund balance falls below the threshold of five percent (5%), the board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until five percent (5%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 13 - GASB STATEMENT NO. 54 – continued

BALANCE SHEET - GOVERNMENTAL FUNDS			
JUNE 30, 2015			
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
EQUITY			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	2,013,794	2,013,794
Committed	300,000	0	300,000
Assigned	5,919,044	0	5,919,044
Unassigned	1,594,914	0	1,594,914
TOTAL FUND BALANCE	\$ <u>7,813,958</u>	\$ <u>2,013,794</u>	\$ <u>9,827,752</u>

NOTE 14 - RELATED ORGANIZATIONS:

Not included in the School's District financial statements are any Parent-Teacher Associations (PTA), Parent-Teacher Organizations (PTO) and athletic and band booster clubs. These agencies provide services to students and employees of the School District, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School District. The School District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT:

Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be in conformity with generally accepted accounting principles. The effects from this statement increased pension liability by \$28,205,000. and decreased net position by \$28,205,000.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 16 – DEFEASED DEBT:

During May 2015, Pine Grove Area School District issued General Obligation Bonds – Series of 2015 in the amount of \$6,555,000. to advance refund the General Obligation Bonds – Series A and B of 2010. As a result of the refunding, the District reduced its total debt service requirement by \$336,154., which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$334,121.

NOTE 17 – PENSION:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

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

General Information about the Pension Plan

PLAN DESCRIPTION

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION:

BENEFITS PROVIDED

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-3) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION – continued

CONTRIBUTIONS

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contributed at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elected Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The school district's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,980,403 for the year ended June 30, 2015.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION – continued

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

At June 30, 2015, the District reported a liability of \$27,944,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District proportion was .0706%, which was an increase of .0017 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,582,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between employer contributions and proportionate share of total contributions	\$ <u>947,650</u>

\$947,650. reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 228,350
2017	228,350
2018	228,350
2019	228,350
2020	<u>34,250</u>
Total Deferred Inflows of Resources	\$ <u>947,650</u>

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION – continued

ACTUARIAL ASSUMPTIONS

Total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disable annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION – continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	\$ <u>100%</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, 2014.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 – PENSION – continued

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 34,856,000	\$ 27,944,000	\$ 22,043,000

PENSION PLAN FIDUCIARY NET POSITION

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

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of Pine Grove Area School District.
2. No significant deficiencies related to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pine Grove Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Pine Grove Area School District expresses an unqualified opinion.
6. Auditing findings that are required to be reported in accordance with OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program included:

Program	CFDA #
E.S.E.A. Title I 2013-2014	84.010
E.S.E.A. Title I 2014-2015	84.010

8. The threshold for distinguishing types A and B Programs was \$300,000.
9. Pine Grove Area School District was determined to be a low-risk auditee.

B. FINDING - FINANCIAL STATEMENT AUDIT
None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
None

SUPPLEMENTAL INFORMATION

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grants/ Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2014	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2015
U.S. DEPARTMENT OF EDUCATION										
Passed Through State Department of Education:										
E.S.E.A. Title I - 2013-2014	(I)	84.010	013-14-0338	\$ 281,980	10/14/13-09/30/14	\$ (1,029)	\$ (1,029)	\$ 0	\$ 0	\$ 0
E.S.E.A. Title I - 2014-2015	(I)	84.010	013-15-0338	272,296	07/21/14-09/30/15	262,886	0	272,296	272,296	9,610
E.S.E.A. Title II Improving Teacher Quality - 2012-2013	(I)	84.367	020-13-0338	92,241	07/02/12-09/30/13	19,859	19,859	0	0	0
E.S.E.A. Title II Improving Teacher Quality - 2013-2014	(I)	84.367	020-14-0338	68,373	10/14/13-09/30/14	5,566	5,566	0	0	0
E.S.E.A. Title II Improving Teacher Quality - 2014-2015	(I)	84.367	020-15-0338	68,485	07/21/14-09/30/15	64,021	0	68,485	68,485	4,464
Passed Through Schuylkill County Intermediate Unit:										
IDEA Part B Allocation	(I)	84.027	62-11-0029	240,069	07/01/14-06/30/15	240,069	0	240,069	240,069	0
IDEA Part B 619 Funds	(I)	84.027	62-11-0029	4,504	07/01/14-06/30/15	0	0	4,504	4,504	4,504
TOTAL DEPARTMENT OF EDUCATION				1,027,958		591,172	24,396	585,354	585,354	18,578
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed Through State Department of Education:										
Medical Assistance - Access	(I)	93.778	013-11-0338	3,528	07/01/14-06/30/15	4,729	1,710	3,528	3,528	509
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				3,528		4,729	1,710	3,528	3,528	509
U.S. DEPARTMENT OF AGRICULTURE										
Passed Through State Department of Education:										
National School Lunch - 2013-2014	(I)	10.553	129-54-600-3	54,224	07/01/13-06/30/14	511	511	0	0	0
National School Lunch - 2014-2015	(I)	10.553	129-54-600-3	51,632	07/01/14-06/30/15	51,174	0	51,632	51,632	458
National School Lunch - 2013-2014	(I)	10.555	129-54-600-3	303,394	07/01/13-06/30/14	1,340	1,340	0	0	0
National School Lunch - 2014-2015	(I)	10.555	129-54-600-3	291,263	07/01/14-06/30/15	289,937	0	291,263	291,263	1,326
National School Lunch - 2013-2014	(S)	N/A	129-54-600-3	28,779	07/01/13-06/30/14	141	141	0	0	0
National School Lunch - 2014-2015	(S)	N/A	129-54-600-3	28,175	07/01/14-06/30/15	28,036	0	28,175	28,175	139
Passed Through State Department of Agriculture:										
Value of USDA Commodities	(I)	10.555	2-07-54-600	44,203	07/01/14-06/30/15 (A)	44,203 (B)	(2,016)	44,389 (C)	44,389 (D)	(1,830)
TOTAL DEPARTMENT OF AGRICULTURE				801,670		415,342	(24)	415,459	415,459	93
SUB-TOTAL				1,833,156		1,011,243	26,082	1,004,341	1,004,341	19,180
STATE AWARD EXPENDITURES				58,954		28,177	141	28,175	28,175	139
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,776,202		\$ 983,066	\$ 25,941	\$ 976,166	\$ 976,166	\$ 19,041

Source Code Legend:
(D) Indicates direct federal financial assistance funding.
(I) Indicates indirect federal financial assistance funding.
(S) Indicates State matching funding.

Other Code Legend:
(A) Indicates value of USDA commodities received in current year.
(B) Indicates beginning inventory value of USDA commodities.
(C) Indicates value of USDA commodities used in current year.
(D) Indicates ending inventory value of USDA commodities.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE 2 - COMMODITIES:

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

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	June 30, 2014
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ <u>1,406,000</u>
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>(1,406,000)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u><u>0</u></u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 9,011,116
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	15.60%

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

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