

**PINE GROVE AREA SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**PINE GROVE, PENNSYLVANIA**

**FOR THE YEAR ENDED JUNE 30, 2018**

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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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Pine Grove Area School District for the year ended June 30, 2018. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) 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, 2019).

The Single Audit was done to fulfill the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance). 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, 2018.

When filing the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.

  
November 28, 2018  
Pottsville Pennsylvania

**PINE GROVE AREA SCHOOL DISTRICT**

**LIST OF REPORT DISTRIBUTION**

**JUNE 30, 2018**

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](mailto: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](http://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, 2018, and the related notes to the financial statements, which collectively comprise the Pine Grove Area 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As described in Note 15 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance, *GASB Statement No. 74, Financial Reporting for Postemployment Benefits Plan Other than Pension Plans* and *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, schedule of the District's contributions, schedule of District's proportionate share of net OPEB – PSERS liability, schedule of District contributions – OPEB – PSERS, schedule of District's proportionate share of the net OPEB liability, and schedule of District contributions – OPEB 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 28, 2018, 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 28, 2018  
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, 2018, 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 28, 2018.

**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.

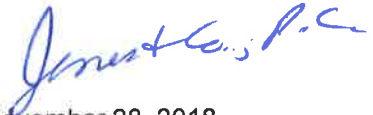
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 blue ink, appearing to read "James H. P.C.", is positioned above the date and location text.

November 28, 2018  
Pottsville, Pennsylvania



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2018.

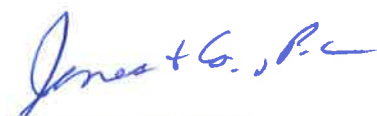
## Report on Internal Control over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 28, 2018  
Pottsville, Pennsylvania

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
(Unaudited)

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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, 2018. 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 \$3,502,179 in 2018 to (\$13,106,124) at June 30, 2018. Net position of governmental activities decreased \$3,557,162 or (35.46%) below 2017. Net position of the business-type activity increased \$54,983, or 12.83%, above 2017.

The District had \$23,259,802 in expenses related to governmental activities in 2018; of these expenses, \$5,139,216 was offset by program-specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$18,974,987 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 basis financial statements. The District's basin 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 23-24 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 32 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 35-74 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 2018 included revenue of \$23,410,878 and expenditures and other financing uses of \$23,505,878. There were no amendments made to the budget in 2018.

Actual revenues in 2018 were \$24,112,123, exceeding budgeted revenues of \$23,410,878 by \$701,245. The favorable variance was attributable primarily to actual exceeding budgeted amounts of \$421,320 and \$297,864 in local and state source revenues, respectively, offset by actual final amounts less than budgeted amounts of \$17,939 in federal source revenues.

Actual expenditures exceeded the budgeted expenditures in 2018 by \$815,335. The primary cause for the unfavorable variance is an increase in instruction and operation of non-instructional services expenditures (due to construction-related expenditures) and an increase in support services expenditures of \$1,394,817 and \$540,659, respectively, offset by a decrease in instruction expenditures of \$1,120,141.

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
(Unaudited)

Other financing uses were \$2,046,860 in 2018, more than the budgeted amount of \$2,027,987 by \$18,873. All of the unfavorable variance is attributable to \$18,873 of debt service expenditures in excess of the budgeted amount of \$2,027,987.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	CONDENSED STATEMENT OF NET POSITION					
	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Current and Other assets	\$10,951,413	\$11,935,900	\$637,178	\$590,408	\$11,588,591	\$12,526,308
Capital assets	28,940,024	28,793,536	17,689	8,355	28,957,713	28,801,891
Deferred Outflows of resources	3,022,220	3,856,658	0	0	3,022,220	3,856,658
Total Assets & Deferred Outflows of Resources	\$42,913,657	\$44,586,094	\$654,867	\$598,763	\$43,568,524	\$45,184,857
Current and Other liabilities	\$4,940,215	\$5,702,146	\$147,988	\$148,146	\$5,088,203	\$5,850,292
Long-term liabilities	49,387,852	48,402,531	0	0	49,387,852	48,402,531
Deferred Inflows of resources	2,175,129	513,794	23,464	22,185	2,198,593	535,979
Total Liabilities & Deferred Inflows	\$56,503,196	\$54,618,471	\$171,452	\$170,331	\$56,674,648	\$54,788,802
Net Position:						
Invested in capital assets, net of related debt	\$18,140,024	\$11,108,741	\$17,689	\$4,519	\$18,157,713	\$11,113,260
Restricted	755,955	2,013,794	0	0	755,955	2,013,794
Committed	0	0	0	0	0	0
Unassigned	(32,485,518)	(21,120,770)	465,726	282,831	(32,019,792)	(20,837,939)
Total Net Position	(13,589,539)	(10,032,377)	483,415	428,432	(13,106,124)	(9,603,945)
Total Liabilities & Net Position	\$42,913,657	\$44,586,094	\$654,867	\$598,763	\$43,568,524	\$45,184,857

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
(Unaudited)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$48,421	\$66,812	\$455,300	\$437,398	\$503,721	\$504,210
Operating Grants and Contributions	5,033,993	4,819,783	433,534	446,887	5,467,527	5,266,670
Capital Grants and Contributions	56,802	84,343	0	0	56,802	84,343
Taxes Levied for General Purposes	11,007,267	10,375,642	0	0	11,007,267	10,375,642
Grants, Subsidies and Other Contr.	7,383,992	7,307,854	0	0	7,383,992	7,307,854
Transfers and Other	580,341	479,386	3,387	4,537	583,728	483,923
<b>Total Revenues</b>	<b>\$24,110,816</b>	<b>\$23,133,820</b>	<b>\$892,221</b>	<b>\$888,822</b>	<b>\$25,003,037</b>	<b>\$24,022,642</b>
<b>Program Expenditures</b>						
Instruction	\$14,872,955	\$14,701,807	\$0	\$0	\$14,872,955	\$14,701,807
Instructional Student Support	2,055,577	2,039,966	0	0	2,055,577	2,039,966
Administrative & Financial Support	2,122,989	2,834,756	0	0	2,122,989	2,834,756
Operation & Maintenance of Plant	2,150,258	2,213,187	0	0	2,150,258	2,213,187
Pupil Transportation	1,258,909	1,212,129	0	0	1,258,909	1,212,129
Student Activities	504,685	558,135	0	0	504,685	558,135
Community Services	0	0	0	0	0	0
Interest on Long-Term Debt	294,429	325,740	0	0	294,429	325,740
Unallocated Depreciation						
Food services	0	0	837,238	779,849	837,238	779,849
<b>Total Expenditures</b>	<b>\$23,259,802</b>	<b>\$23,885,720</b>	<b>\$837,238</b>	<b>\$779,849</b>	<b>\$24,097,040</b>	<b>\$24,665,569</b>
Change in Net Position	851,014	(751,900)	54,983	108,973	905,997	(642,927)
Net Position, Beginning	(10,032,377)	(9,280,477)	428,432	319,459	(9,603,945)	(8,961,018)
Prior Period Adjustment	(4,408,176)	0	0	0	(4,408,176)	0
<b>Net Position, Ending</b>	<b>(\$13,589,539)</b>	<b>(\$10,032,377)</b>	<b>\$483,415</b>	<b>\$428,432</b>	<b>(\$13,106,124)</b>	<b>(\$9,603,945)</b>

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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## GOVERNMENTAL ACTIVITIES

The Net Position of the governmental activities decreased by \$3,557,162 or 37.0% below 2017. The majority of the decrease was due to an increase in the District's reportable Net Pension Liability as of 6/30/18 as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting Pensions* in prior years, as disclosed in Note 15 to the financial statements. In addition, a prior period adjustment of (\$4,408,176) to adjust the District's reportable Net Pension Liability as of 6/30/17 as a result of GASB Statement No. 68 was a significant contributor to this decrease. Revenues increased approximately 4.25%, attributable primarily to an increase in local tax collections. Expenditures decreased approximately 2.25% in 2018 due to decreases in operation of non-instructional services.

## BUSINESS-TYPE ACTIVITY

The Net Position of the District's food service operation increased by \$54,983 in 2018.

## FINANCIAL ANALYSIS OF THE FUNDS

### GENERAL FUND (MAJOR)

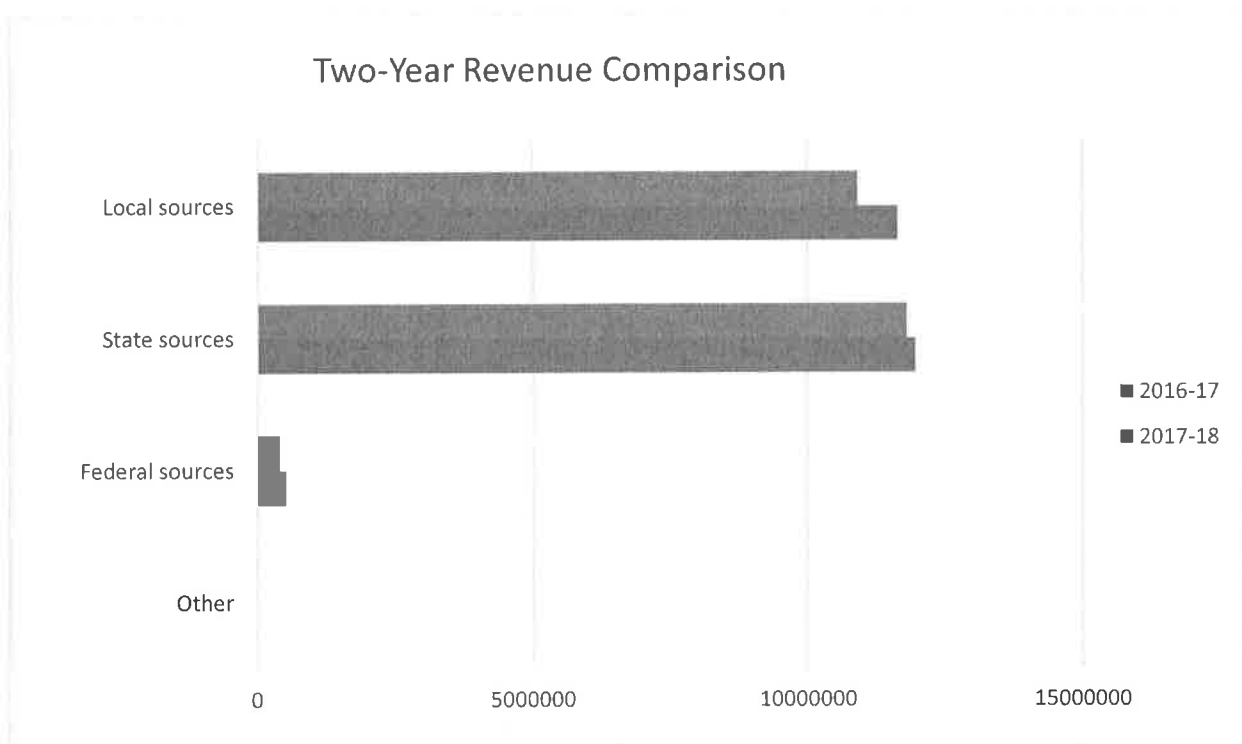
The following represents a summary of Actual General Fund revenue, by source, for the years June 30, 2018 and 2017.

	2018 Amount	2017 Amount	Increase (Decrease)
Local Sources	\$ 11,637,334	\$ 10,916,541	\$ 720,793
State Sources	11,955,707	11,805,860	149,847
Federal Sources	519,082	406,119	112,963
Other	0	1,242	(1,242)
Total	<u>\$ 24,112,123</u>	<u>\$ 23,129,762</u>	<u>\$ 982,361</u>



PINE GROVE AREA SCHOOL DISTRICT  
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### **LOCAL SOURCES**

Approximately 69.22% of the District's 2017-18 local source revenue is generated from real estate taxes. During 2018, local revenues increased slightly over 2017. The current real estate tax revenue increased by approximately \$230,125, delinquent tax collections increased approximately \$98,407, and interest income increased by approximately \$78,493.

### **STATE SOURCES**

State sources increased by \$149,847. The subsidies associated with the Basic Education Funding, Special Education Funding, Transportation, 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 increased by \$112,963 or 27.82% primarily due to higher than expected Title funding as compared to prior year.

PINE GROVE AREA SCHOOL DISTRICT  
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## OTHER SOURCES

Revenues from other sources decreased by \$1,242 due to receipt of \$1,042 from residual proceeds on the advance refunding of General Obligation Bonds of Series A and Series B of 2010 and \$200 in proceeds from the sale of fixed assets in the prior year.

The following represents a summary of General Fund Expenditures by function for the year June 30, 2018 and 2017.

	2017-18 Amount	2016-17 Amount	Increase (Decrease)
Instruction	\$ 13,700,892	\$ 12,775,600	\$ 925,292
Support Services	7,018,730	7,286,724	(267,994)
Non-Instructional Services	1,573,604	2,818,762	(1,245,158)
Other Financing Uses	2,046,860	2,018,415	28,445
Total	<u>\$ 24,340,086</u>	<u>\$ 24,899,501</u>	<u>\$ (559,415)</u>

## INSTRUCTION

The amount of instructional expenses reported at June 30, 2018 increased approximately \$925,292 from the prior year. The increase can be attributed in predominantly to an increase in the number of professional positions and the resulting employee benefits related to the pension and insurance expenses, in addition to increase in curriculum spending.

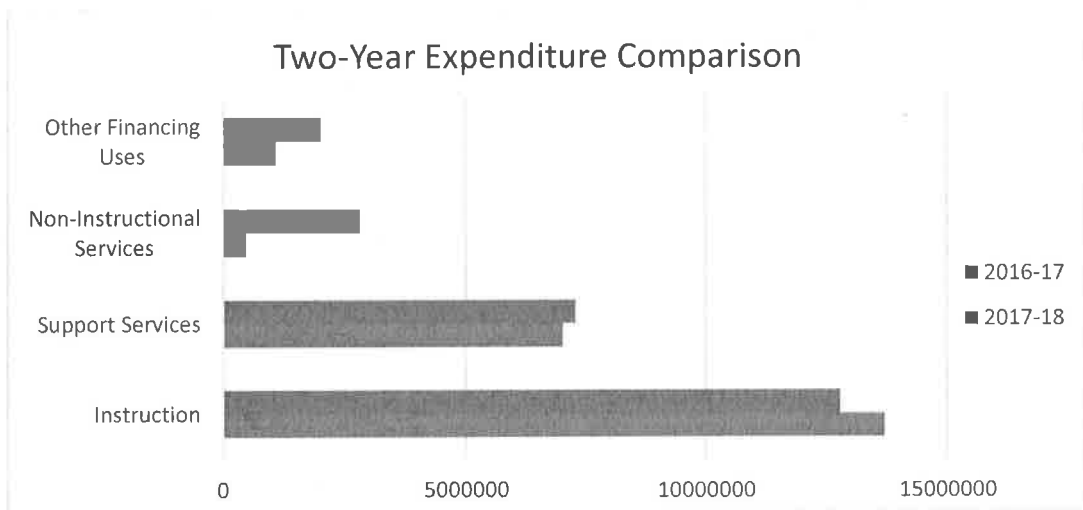
## SUPPORT SERVICES

The amount of expenditures recognized in this category decreased by approximately \$267,994 from the prior year. The decrease in support services expenditures can be attributed to decreases in special education service costs and several part-time aide positions with vacancies throughout the year.

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

The amount of expenditures in this category decreased by approximately \$1,216,713. The majority of this increase can be attributed to the majority of hvac renovation project expenditures for the district's middle school occurring in prior year.



**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 2018:

	<u>Balance</u> <u>07/01/2017</u>	<u>Additions</u>	<u>Payments/</u> <u>Refinancing</u>	<u>Balance</u> <u>06/30/17</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bond Series 2012	8,315,000	0	(855,000)	7,460,000	1,715,000
General Obligation Bond Series 2015	4,205,000	0	(865,000)	3,340,000	50,000
	<u>\$ 12,520,000</u>	<u>\$ 0</u>	<u>\$ (1,720,000)</u>	<u>\$ 10,800,000</u>	<u>\$ 1,765,000</u>

PINE GROVE AREA SCHOOL DISTRICT  
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## LONG-TERM DEBT

At June 30, 2018, the District's general obligation debt was approximately \$10,800,000. This amount is approximately 20.00% 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 \$8,254 and \$7,761 of interest and rebate income respectively, and expended \$40,061 on facility acquisition, construction and improvement projects. Additionally, \$27,789 on operation of non-instructional services was expensed during 2018. The fund balance of the Capital Project Fund at June 30, 2018 was \$755,955.

## CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2018 is summarized below.

	Governmental Activities		Business-type Activities		Totals	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Construction in Progress	0	2,868,576	0	0	0	2,868,576
Land and Site Improvements, Net	135,109	137,034	0	0	135,109	137,034
Building and Improvements, Net	28,131,651	24,926,142	0	0	28,131,651	24,926,142
Furniture and Equipment, Net	670,642	857,172	17,689	8,355	688,331	865,527
Vehicles, Net	2,622	4,612			2,622	4,612
Totals	<u>28,940,024</u>	<u>28,793,536</u>	<u>17,689</u>	<u>8,355</u>	<u>28,957,713</u>	<u>28,801,891</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 \$5,231,898 as of June 30, 2018 and is reflected on the statement of Net Position.

PINE GROVE AREA SCHOOL DISTRICT  
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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 adopted Statement No. 68 beginning with 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.

### 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 Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Percent Collected</u>	<u>Delinquent</u>	<u>Total + Delinquent</u>	<u>Percent Collected Total</u>
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	8,230,980	100%
2014- 2015	38.9	8,241,643	7,678,691	93%	585,968	8,264,659	100%
2015- 2016	38.9	8,265,642	7,753,656	94%	413,088	8,166,744	99%
2016- 2017	38.9	8,944,787	7,822,183	88%	411,052	8,233,235	92%
2017- 2018	39.75	9,211,573	8,054,896	88%	509,459	8,564,355	93%

The school district sells its delinquent taxes to a third-party entity for a lump sum payment determined annually.

For year 11-12, the tax levy is:

Current Levy + Penalties – Discounts, Exonerations and Refunds

For year 11-12, tax collection included delinquent taxes.

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
(Unaudited)

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**TOP TEN TAXPAYERS**

<u>Taxpayer</u>	<u>Description</u>	<u>Assessed Totals</u>
Closeout Distribution Inc.	Distribution Center	\$ 14,591,810
Heaco LP	Manufacturing	2,184,420
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
Newstead Development LLC	Manufacturing	1,654,120
Jay Dana LLC	Hotel	1,492,000
Rausch Creek Generation LLC	Cogen Plant	1,435,930
Keystone Potato Products LLC	Manufacturing	1,009,800
ANZ Pine Grove LLC	Hotel	734,400
<b>Total</b>		<b><u>\$ 28,791,865</u></b>

**HISTORY OF ASSESSED VALUE, MARKET VALUE AND COMMON LEVEL RATIO**

<u>School Year</u>	<u>Assessed Valuation</u>	<u>Market Value</u>	<u>Common Level Ratio</u>
2004-2005	178,065,980	395,702,178	45.00%
2005-2006	179,900,650	416,436,690	43.20%
2006-2007	185,255,730	447,477,609	41.40%
2007-2008	191,651,675	474,385,334	40.40%
2008-2009	200,870,350	525,838,612	38.20%
2009-2010	203,125,445	429,440,687	47.30%
2010-2011	223,042,380	578,439,378	38.60%
2011-2012	223,516,875	590,248,036	37.90%
2012-2013	223,516,875	590,248,036	37.90%
2013-2014	224,925,135	593,611,992	37.90%
2014-2015	226,022,575	598,025,605	37.80%
2015-2016	227,380,660	601,311,603	36.93%
2016-2017	229,943,110	603,379,340	36.82%
2017-2018**	231,539,595	607,314,775	36.83%

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

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
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**MUNICIPAL REAL ESTATE TAX RATES**

<b><u>Municipality</u></b>	<b><u>School District</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Frailey Township *	39.75	9.25	13.98	62.98
Pine Grove Borough	39.75	14	13.98	67.73
Pine Grove Township	39.75	1.5	13.98	55.23
Tremont Borough **	39.75	14	13.98	67.73
Tremont Township	39.75	7	13.98	60.73
Washington Twp	39.75	3.5	13.98	57.23
* Includes millage street lighting				
**Includes millage for fire house				
Source:				
Pennsylvania Department of Community and Economic Development (DCED)				

**ECONOMIC CONDITION AND OUTLOOK**

The District expects some growth in the near future given the residential and commercial nature of the local economy, though the amount of growth is not readily determinable. The District's assessed values over the prior two years averaged significant growth, and above-average growth was seen in the current year. 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 entitle Act 1 of Special Session of 2007. The goal of the Act 1 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, 2018, the District has complied with all aspects of Act 1.

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 to the District.

PINE GROVE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018  
(Unaudited)

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<u>Year</u>	<u>District Rate on Covered Payroll</u>
2012-13	12.36%
2013-14	16.93%
2014-15	21.40%
2015-16	25.84%
2016-17	30.03%
2017-18	32.57%
2018-19	33.43%
2019-20	34.29%

Over the next several years, it is projected that the contribution rates for the Public School Employees' Retirement System of Pennsylvania will rise, though not as significantly as in prior years. Based on actuarial projections, it is anticipated that by the school year 2022-2023, the total employer contribution rate is projected to be 35.84%.

#### **EMPLOYEE RELATIONS**

The following represents the Collective Bargaining Agreements in effect at June 30, 2018:

The Pine Grove Area School District and the Pine Grove Area Education Association currently have a contract for a term commencing September 1, 2015 and ending June 30, 2019.

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.

The Pine Grove Area School District and the Pine Grove Area Administrative Staff and Act 93 Staff currently have a contract for a term commencing July 1, 2016 and ending June 30, 2021.

#### **REQUESTS FOR INFORMATION**

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

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**PINE GROVE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**JUNE 30, 2018**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 8,032,680	\$ 235,211	\$ 8,267,891
Taxes receivable, net	220,816	0	220,816
Intergovernmental receivables	2,349,576	5,582	2,355,158
Internal balances	123,987	380,200	504,187
Prepaid Expenses	116,404	0	116,404
Other account receivables	77,307	0	77,307
Inventories	30,643	16,185	46,828
<b>TOTAL CURRENT ASSETS</b>	<b>10,951,413</b>	<b>637,178</b>	<b>11,588,591</b>
<b>NON-CURRENT ASSETS</b>			
Land and site improvements - net	135,109	0	135,109
Building and building improvements - net	28,131,651	0	28,131,651
Machinery and equipment - net	670,642	17,689	688,331
Vehicles - net	2,622	0	2,622
<b>TOTAL NON-CURRENT ASSETS</b>	<b>28,940,024</b>	<b>17,689</b>	<b>28,957,713</b>
<b>TOTAL ASSETS</b>	<b>39,891,437</b>	<b>654,867</b>	<b>40,546,304</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,022,220</b>	<b>0</b>	<b>3,022,220</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 42,913,657</b>	<b>\$ 654,867</b>	<b>\$ 43,568,524</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>			
<b>CURRENT LIABILITIES</b>			
Internal balances	\$ 362,378	\$ 135,342	\$ 497,720
Accounts payable	385,522	12,646	398,168
Accrued salaries and benefits	2,335,607	0	2,335,607
Current portion of long-term debt	1,765,000	0	1,765,000
Accrued interest	91,708	0	91,708
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,940,215</b>	<b>147,988</b>	<b>5,088,203</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable	9,035,000	0	9,035,000
OPEB liability	5,231,898	0	5,231,898
Pension Liability	34,720,000	0	34,720,000
Long-term portion of compensated absences	400,954	0	400,954
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>49,387,852</b>	<b>0</b>	<b>49,387,852</b>
<b>TOTAL LIABILITIES</b>	<b>54,328,067</b>	<b>147,988</b>	<b>54,476,055</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,175,129</b>	<b>23,464</b>	<b>2,198,593</b>
<b>NET POSITION (DEFICIT)</b>			
Invested in capital assets, net of related debt	18,140,024	17,689	18,157,713
Restricted for:			
Capital projects	755,955	0	755,955
Unrestricted (Deficit)	(32,485,518)	465,726	(32,019,792)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(13,589,539)</b>	<b>483,415</b>	<b>(13,106,124)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<b>\$ 42,913,657</b>	<b>\$ 654,867</b>	<b>\$ 43,568,524</b>

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, 2018

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES</b>					<b>Total</b>
Instruction	\$ 14,872,955	0	3,566,250	\$ (11,306,705)	\$ (11,306,705)
Instructional student support	2,055,577	0	217,725	(1,837,852)	(1,837,852)
Administrative and financial support services	2,122,989	0	216,289	(1,906,700)	(1,906,700)
Operation and maintenance of plant services	2,150,258	2,379	201,361	(1,946,518)	(1,946,518)
Pupil transportation	1,258,909	0	766,864	(492,045)	(492,045)
Student activities	504,685	46,042	65,504	(393,139)	(393,139)
Community services	0	0	0	0	0
Interest on long-term debt	294,429	0	56,802	(237,627)	(237,627)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>23,259,802</b>	<b>48,421</b>	<b>5,090,795</b>	<b>(18,120,586)</b>	<b>(18,120,586)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Food services	837,238	455,300	433,534	0	51,596
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>24,097,040</b>	<b>503,721</b>	<b>5,524,329</b>	<b>(18,120,586)</b>	<b>(18,068,990)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>					
<b>Taxes:</b>					
Property taxes, levied for general purposes, net				8,161,842	8,161,842
Public utility, reality, earned income and miscellaneous taxes levied for general purposes, net				2,845,425	2,845,425
Grants, subsidies, and contributions not restricted				7,383,992	7,383,992
Investment earnings				147,907	151,294
Miscellaneous				432,434	432,434
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>18,971,600</b>	<b>18,974,987</b>
<b>CHANGE IN NET POSITION</b>					
<b>NET POSITION (DEFICIT) - BEGINNING</b>				851,014	905,997
<b>PRIOR PERIOD ADJUSTMENT</b>				(10,032,377)	(9,603,945)
<b>NET POSITION (DEFICIT) - BEGINNING - AS RESTATED</b>				(4,408,176)	(4,408,176)
<b>NET POSITION (DEFICIT) - ENDING</b>				428,432	(14,012,121)
				<b>483,415</b>	<b>\$ (13,106,124)</b>

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

**PINE GROVE AREA SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash and investments	\$ 7,283,285	\$ 749,394	\$ 8,032,679
Taxes receivable	220,816	0	220,816
Internal balances	125,187	7,761	132,948
Intergovernmental receivables	2,349,576	0	2,349,576
Prepaid expense	116,404	0	116,404
Other receivables	77,307	0	77,307
Inventories	30,643	0	30,643
<b>TOTAL ASSETS</b>	<u>10,203,218</u>	<u>757,155</u>	<u>10,960,373</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 10,203,218</u>	<u>\$ 757,155</u>	<u>\$ 10,960,373</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Internal balances	\$ 370,139	\$ 1,200	\$ 371,339
Accounts payable	385,522	0	385,522
Accrued salaries and benefits	2,335,607	0	2,335,607
<b>TOTAL LIABILITIES</b>	<u>3,091,268</u>	<u>1,200</u>	<u>3,092,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	600,926	0	600,926
<b>FUND BALANCES</b>			
Restricted	0	755,955	755,955
Committed	4,022,000	0	4,022,000
Assigned	1,670,827	0	1,670,827
Unassigned	818,197	0	818,197
<b>TOTAL FUND BALANCES</b>	<u>6,511,024</u>	<u>755,955</u>	<u>7,266,979</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 10,203,218</u>	<u>\$ 757,155</u>	<u>\$ 10,960,373</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, 2018**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 7,266,979</b>
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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	51,628,034
Less: accumulated depreciation	(22,688,010)

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	(10,800,000)
Pension Liability - Net	(34,720,000)
Compensated absences	(400,954)
OPEB	(5,231,898)
Deferred Outflows / Inflows	1,286,798

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.

161,220

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

(91,708)

<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(13,589,539)</u></b>
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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, 2018**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 11,637,334	\$ 16,015	\$ 11,653,349
State sources	11,955,707	0	11,955,707
Federal sources	519,082	0	519,082
<b>TOTAL REVENUES</b>	<u>24,112,123</u>	<u>16,015</u>	<u>24,128,138</u>
<b>EXPENDITURES</b>			
Instruction	13,700,892	0	13,700,892
Support services	7,018,730	0	7,018,730
Operation of non-instructional services	480,116	27,789	507,905
Facilities acquisition, construction, and improvement services	<u>1,093,488</u>	<u>40,061</u>	<u>1,133,549</u>
<b>TOTAL EXPENDITURES</b>	<u>22,293,226</u>	<u>67,850</u>	<u>22,361,076</u>
<b>OTHER FINANCING (USES)</b>			
Debt service	2,046,860	0	2,046,860
<b>TOTAL OTHER FINANCING (USES)</b>	<u>2,046,860</u>	<u>0</u>	<u>2,046,860</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>24,340,086</u>	<u>67,850</u>	<u>24,407,936</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(227,963)</u>	<u>(51,835)</u>	<u>(279,798)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>6,738,987</u>	<u>807,790</u>	<u>7,546,777</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 6,511,024</u></u>	<u><u>\$ 755,955</u></u>	<u><u>\$ 7,266,979</u></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, 2018**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (279,798)</b>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,720,000
Previous year bond costs are expensed in the governmental funds when incurred but are amortized in the Statement of Activities.	(33,438)
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.	(717,347)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	15,109
Governmental funds recognize capital outlays as expenditures versus as capital assets in the Statement of Net Assets.	1,180,931
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(1,034,443)</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>851,014</u></b>

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, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 11,216,014	\$ 11,216,014	\$ 11,637,334	\$ 421,320
State sources	11,657,843	11,657,843	11,955,707	297,864
Federal sources	537,021	537,021	519,082	(17,939)
<b>TOTAL REVENUES</b>	<u>23,410,878</u>	<u>23,410,878</u>	<u>24,112,123</u>	<u>701,245</u>
<b>OTHER FINANCING SOURCES</b>				
Interfund Transfers	95,000	95,000	0	(95,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>95,000</u>	<u>95,000</u>	<u>0</u>	<u>(95,000)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>23,505,878</u>	<u>23,505,878</u>	<u>24,112,123</u>	<u>606,245</u>
<b>EXPENDITURES</b>				
Instruction	14,821,033	14,821,033	13,700,892	1,120,141
Support services	6,478,071	6,478,071	7,018,730	(540,659)
Operation of non-instructional services	178,787	178,787	480,116	(301,329)
Facilities acquisition, construction, and improvement services	0	0	1,093,488	(1,093,488)
<b>TOTAL EXPENDITURES</b>	<u>21,477,891</u>	<u>21,477,891</u>	<u>22,293,226</u>	<u>(815,335)</u>
<b>OTHER FINANCING (USES)</b>				
Debt service	2,027,987	2,027,987	2,046,860	(18,873)
<b>TOTAL OTHER FINANCING (USES)</b>	<u>2,027,987</u>	<u>2,027,987</u>	<u>2,046,860</u>	<u>(18,873)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>23,505,878</u>	<u>23,505,878</u>	<u>24,340,086</u>	<u>(834,208)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>0</u>	<u>0</u>	<u>(227,963)</u>	<u>(227,963)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,500,000</u>	<u>4,500,000</u>	<u>6,738,987</u>	<u>2,238,987</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 6,511,024</u>	<u>\$ 2,011,024</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, 2018**

	<u>Food Service</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 235,211
Intergovernmental receivables	5,582
Internal balances	380,200
Inventories	<u>16,185</u>
<b>TOTAL CURRENT ASSETS</b>	<u>637,178</u>
<b>NON-CURRENT ASSETS</b>	
Machinery and equipment	357,410
Less: accumulated depreciation	<u>(339,721)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>17,689</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS     OF RESOURCES</b>	<u><u>\$ 654,867</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES     AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Internal balances	\$ 135,342
Accounts payable	<u>12,646</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>147,988</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	23,464
<b>NET POSITION</b>	
Invested in capital assets - net of related debt	17,689
Unrestricted	<u>465,726</u>
<b>TOTAL NET POSITION</b>	<u>483,415</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF     RESOURCES AND NET POSITION</b>	<u><u>\$ 654,867</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, 2018**

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Local sources:	
Food service revenues	\$ 455,300
<b>TOTAL OPERATING REVENUES</b>	<u>455,300</u>
<b>OPERATING EXPENSES</b>	
Other purchased services	794,340
Supplies	40,817
Depreciation	1,835
Dues and fees	246
<b>TOTAL OPERATING EXPENSES</b>	<u>837,238</u>
<b>OPERATING (LOSS)</b>	<u>(381,938)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	3,387
State sources	25,843
Federal sources	407,691
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>436,921</u>
<b>CHANGE IN NET POSITION</b>	54,983
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>428,432</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 483,415</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, 2018**

	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and intergovernments	\$ 452,980
Cash paid to suppliers	(897,792)
Cash paid for selling and general expenses	(246)
<b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>(445,058)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Grants and subsidies received from non-operating activities:	
State sources	25,843
Federal sources	407,691
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>433,534</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Fixed Assets	(11,168)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(11,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>3,387</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(19,305)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>254,516</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 235,211</u></u>
<b>OPERATING (LOSS)</b>	\$ (381,938)
<b>ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	1,835
Changes in current assets and current liabilities	
(Increase) Decrease in inventories	1,674
Increase (Decrease) in accounts payable	(159)
(Increase) Decrease in intergovernmental receivables	(3,599)
Increase (Decrease) in advance to other funds	(64,150)
Increase (Decrease) in deferred revenue	1,279
<b>TOTAL ADJUSTMENTS</b>	<u>(63,120)</u>
<b>TOTAL CASH (USED FOR) OPERATING ACTIVITIES</b>	<u><u>\$ (445,058)</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, 2018**

	<u>Private Purpose Trust</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash	\$ 86,255	\$ 98,151	\$ 184,406
Interfund accounts receivable	625	360	985
<b>TOTAL ASSETS</b>	<u>86,880</u>	<u>98,511</u>	<u>185,391</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 86,880</u>	<u>\$ 98,511</u>	<u>\$ 185,391</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Interfund accounts payable	\$ 6,410	\$ 1,042	\$ 7,452
Other current liabilities	0	97,469	97,469
<b>TOTAL LIABILITIES</b>	<u>6,410</u>	<u>98,511</u>	<u>104,921</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0
<b>NET POSITION</b>			
Unrestricted	80,470	0	80,470
<b>TOTAL NET POSITION</b>	<u>80,470</u>	<u>0</u>	<u>80,470</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 86,880</u>	<u>\$ 98,511</u>	<u>\$ 185,391</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, 2018**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Investment income	\$ 1,168
Contributions and donations	<u>1,487</u>
<b>TOTAL ADDITIONS</b>	<u>2,655</u>
<b>DEDUCTIONS</b>	<u>1,050</u>
<b>CHANGE IN NET POSITION</b>	1,605
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>78,865</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 80,470</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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 12).

**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, 2018**

**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 are zero participants in the program as of June 30, 2018.

**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, 2018.

**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, 2018**

**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 \$475. 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, 2018, the carrying amount of the District's deposits was \$8,452,297. and the bank balance was \$8,886,659. Of the bank balance, \$288,752. was covered by federal depository insurance coverage and \$7,840,602. 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, 2018**

**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, 2018, the District had the following investments.

PA School District Liquid Asset Fund (PSDLAF)	\$ 757,305
	<hr/>
<b>Total Investments</b>	<b>\$ <u>757,305</u></b>

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, 2018**

**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, 2018, 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, 2018**

**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 &amp; Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, Cash Equivalents, and Investments	\$ <u>7,694,992</u>	\$ <u>757,305</u>	\$ <u>8,452,297</u>

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES:**

Intergovernmental receivables listed in the General Fund at June 30, 2018, are comprised of the following:

State Share of Social Security	\$ 178,600
State Share of Retirement	734,088
State Share of Transportation	65,884
State Rental Subsidy	54,266
Federal Programs	843,413
Local Programs	473,325
<b>Total Intergovernmental Receivables</b>	<b>\$ <u>2,349,576</u></b>



**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 - GENERAL LONG-TERM DEBT:**

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

	Accrued Compensated Absences	District Other Post- Employment Benefits	PSERS Other Post- Employment Benefits	PSERS Pension Liability	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
Balance - July 1, 2017	\$ 319,046	\$ 1,305,485	\$ 0	\$ 35,978,000	\$ 8,315,000	\$ 4,205,000	\$ 50,122,531
Additions	81,908		0	0	0	0	81,908
Reductions - Payments	0	(320,293)	(132,000)	(1,258,000)	(855,000)	(865,000)	(3,430,293)
Prior Period Adjustment	0	2,814,706	1,564,000	0	0	0	4,378,706
Balance - June 30, 2018	\$ 400,954	\$ 3,799,898	\$ 1,432,000	\$ 34,720,000	\$ 7,460,000	\$ 3,340,000	\$ 51,152,852
Due Within One Year					\$ 1,715,000	\$ 50,000	\$ 1,765,000

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

Year Ending June 30,	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
2019	\$ 1,912,510	\$ 117,528	\$ 2,030,038
2020	1,911,060	121,852	2,032,912
2021	1,913,110	121,027	2,034,137
2022	1,913,070	120,065	2,033,135
2023	307,500	1,723,965	2,031,465
2024-2025	0	1,495,765	1,495,765
Total	7,957,250	3,700,202	11,657,452
Less: Interest	(497,250)	(360,202)	(857,452)
Outstanding Principal	\$ 7,460,000	\$ 3,340,000	\$ 10,800,000

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 - GENERAL LONG-TERM DEBT - continued**

**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 5, 2024.

**Compensated Absences**

The General Long-Term Debt group of accounts includes liability of \$400,954, 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 \$3,799,898. and \$1,432,000. 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, 2018**

**NOTE 5 - CAPITAL ASSETS:**

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

	<u>Balance June 30, 2017</u>	<u>Net Additions (Deductions)</u>	<u>Balance June 30, 2018</u>
<b>Governmental Activities:</b>			
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	40,990,711	4,002,125	44,992,836
Furniture and Equipment	6,347,518	47,382	6,394,900
Vehicles	87,740	0	87,740
Site Improvements	88,109	0	88,109
Total Capital Assets, Being Depreciated	47,514,078	4,049,507	51,563,585
Accumulated Depreciation For:			
Buildings and Improvements	(16,064,569)	(796,616)	(16,861,185)
Furniture and Equipment	(5,490,346)	(233,912)	(5,724,258)
Vehicles	(83,128)	(1,990)	(85,118)
Site Improvements	(15,524)	(1,925)	(17,449)
Total Accumulated Depreciation	(21,653,567)	(1,034,443)	(22,688,010)
<b>Governmental Activities - Capital Assets, Net</b>	<u>\$ 25,924,960</u>	<u>\$ 3,015,064</u>	<u>\$ 28,940,024</u>
<b>Business-type Activities:</b>			
Furniture/Equipment	\$ 346,242	\$ 11,168	\$ 357,410
Less: Accumulated Deprecation	(337,887)	(1,834)	(339,721)
<b>Business-type Activities - Capital Assets, Net</b>	<u>\$ 8,355</u>	<u>\$ 9,334</u>	<u>\$ 17,689</u>

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS – continued**

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

Instructional	\$ 722,216
Instructional Student Support	205,009
Student Activities	13,562
Operation	95,491
<b>Total Depreciation Expense</b>	<b>\$ <u>1,036,278</u></b>

**NOTE 6 - INTERFUND OPERATING BALANCES:**

Individual fund operating balances for the year ended June 30, 2018 were as follows:

	Due From	Due To
Scholarship Fund	\$ <u>6,410</u>	\$ <u>625</u>
Activities Fund	1,042	360
General Fund	370,139	125,187
Capital Projects	1,200	7,761
Cafeteria Fund	135,342	380,200
<b>Total All Funds</b>	<b>\$ <u>514,133</u></b>	<b>\$ <u>514,133</u></b>

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, 2018**

**NOTE 7 - TAXES ASSESSED AND DEFERRED REVENUE:**

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

Tax Type	Millage/Rate	Assessed Valuation
Real Estate - Schuylkill County	39.75 mills	\$ 8,638,295
Occupation Tax - Act 511	\$200.00/person	1,450,250
<b>Total Assessed Valuation</b>		<b>\$ 10,088,545</b>

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, 2018, are as follows:

Tax	Governmental Funds				
	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Per Capita	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Occupation	0	0	0	0	0
Earned Income	204,878	0	204,878	204,878	0
Realty Transfer	10,076	0	10,076	10,076	0
Occupational Privilege Tax	5,862	0	5,862	5,862	0
<b>Tax</b>	<b>\$ 220,816</b>	<b>\$ 0</b>	<b>\$ 220,816</b>	<b>\$ 220,816</b>	<b>\$ 0</b>

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 2018, the District received \$509,459. of proceeds from the sale (net of expenses of \$46,000).

**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:

Year Ending June 30,	Amount
2019	\$ 24,480
2020	16,141
2021	16,141
2022	16,141
<b>Total</b>	<b>\$ 72,903</b>

Rental expense for all operating leases for the year ended June 30, 2018 was \$23,563.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES:**

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

Teaching Staff	June 30, 2019
Support Staff	June 30, 2021
Act 93 Employees	June 30, 2021

**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, 2018, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

**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 \$128,823. The District was responsible for approximately 9.655% of 2017-2018 costs and approximately 9.677% of 2018-2019 costs. The remaining portion due will be paid over two years and will be calculated based on the sending school districts' enrollment.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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	\$ 8,054,986	\$ 0	\$ 8,054,986
Earned Income Taxes	1,204,549	0	1,204,549
Other Current Taxes	1,016,286	0	1,016,286
Delinquent Taxes	731,536	0	731,536
Investment Income	131,892	8,254	140,146
Co-curricular Activities	46,041	0	46,041
Other Revenue from Local Sources	452,044	0	452,044
<b>Total</b>	<b>\$ 11,637,334</b>	<b>\$ 8,254</b>	<b>\$ 11,645,588</b>

**NOTE 12 - 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, 2018**

**NOTE 12 - GASB STATEMENT NO. 54 – continued**

**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, 2018**

**NOTE 12 - GASB STATEMENT NO. 54 – continued**

<b>BALANCE SHEET - GOVERNMENTAL FUNDS</b>			
<b>JUNE 30, 2018</b>			
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>EQUITY</b>			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	755,955	755,955
Committed	4,022,000	0	4,022,000
Assigned	1,670,827	0	1,670,827
Unassigned	818,197	0	818,197
<b>TOTAL FUND BALANCE</b>	<u>\$ 6,511,024</u>	<u>\$ 755,955</u>	<u>\$ 7,266,979</u>

**NOTE 13 - 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.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT:**

**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. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

**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 and benefit plans. Plan members are required to pay \$100. per month towards the premium for medical, drugs, dental, and vision. The District pays the remaining premium for the member and remaining premium for member and spouse for those under Act 93 Agreement. The District also pays the full premium for life insurance in varying amounts. The length of benefits coverage ranges from five years or from date of retirement to age 65.

For 2017, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$523,814. for 2018. These costs are recognized as an expense when claims or premiums are paid.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT - continued**

**Plan Membership**

Inactive plan member or beneficiaries currently receiving benefits	168
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	38
	<u>206</u>

**Components of the net OPEB liability**

Total OPEB liability	\$ 3,799,898
Plan fiduciary net position	0
<b>Net OPEB Liability</b>	<b><u>\$ 3,799,898</u></b>

Plan fiduciary net position of the total OPEB liability 0.00%

**Sensitivity of the Net OPEB liability to changes in the discount rate**

	1.00% Decrease 2.00%	Current Discount Rate 3.00%	1.00% Increase 4.00%
Net OPEB liability (asset)	\$ 4,012,023	\$ 3,799,898	\$ 3,602,274

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates**

	1% Decrease 5.00% decreasing to 4.00%	Current Healthcare cost Trend Rates 6.00% decreasing to 5.00%	1.00% Increase 7.00% decreasing to 6.00%
Net OPEB liability (asset)	\$ 3,475,917	\$ 3,799,898	\$ 4,183,973

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT -  
continued**

**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.

In the July 1, 2017 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. Per the actuarial study, the assumed rate ranges from 10% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 20 years.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 15 - PRIOR PERIOD ADJUSTMENT:**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 – Financial Reporting for Postemployment Benefits Plan other than Pension Plans and Statement No. 75 – Accounting and Financial Reporting For Postemployment Benefits other than pension. These statements are intended to improve accounting and financial reporting by state and local governments for other Postemployment Benefits. It also improves information provided by state and local governmental employers about financial support for other Postemployment Benefits provided by other entities. This statement replaces the requirements of Statement 45 Accounting and Financial Reporting by employer for Postemployment Benefits other than pension.

The District adopted Statement No. 74 and Statement No. 75 effective July 1, 2017.

The effects of the change in accounting was to decrease the beginning net position and increase the Net OPEB liability by \$4,408,176.

**NOTE 16 – 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.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 16 – PENSION - continued**

***General Information about the Pension Plan***

**PLAN DESCRIPTION**

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

**BENEFITS PROVIDED**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 16 – PENSION – continued**

**BENEFITS PROVIDED - continued**

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

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

**CONTRIBUTIONS**

**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.



**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 16 – PENSION - continued**

**CONTRIBUTIONS – continued**

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, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,689,000. for the year ended June 30, 2017

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

At June 30, 2018, the District reported a liability of \$34,720,000. for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District proportion was .0703%, which was a decrease of .0023% from its proportion measured as of June 30, 2017.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 16 – PENSION - continued**

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

For the year ended June 30, 2018, the District recognized pension expense of \$0. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 362,000	\$ 210,000
Changes in assumptions	943,000	0
Net difference between projected and actual investment earnings	805,000	0
Changes in proportion	749,000	1,228,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
<b>Total All Funds</b>	<b>\$ 2,859,000</b>	<b>\$ 1,438,000</b>

\$2,859,000. 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Estimated Amount
2018	\$ 540,000
2019	923,000
2020	279,000
2021	(321,000)
Thereafter	0
<b>Total Deferred Outflows/ Inflows of Resources</b>	<b>\$ 1,421,000</b>

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 16 – PENSION - continued**

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

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

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

**ACTUARIAL ASSUMPTIONS**

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, 2018**

**NOTE 16 – PENSION - continued**

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

**ACTUARIAL ASSUMPTIONS - continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk party	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.00%	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, 2017.

**DISCOUNT RATE**

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

**NOTE 16 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - 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 7.25%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 42,737,000	\$ 34,720,000	\$ 27,951,000

**PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about PSER's fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS):**

**1. Summary of Significant Accounting Policies**

Other Postemployment Benefits

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

***General Information about the Health Insurance Premium Assistance  
Program***

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

Benefits Provided

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

Employer Contributions:

The school districts’ contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$78,000. for the year ended June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$1,432,000. for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District’s proportion was .0703% percent, which was a decrease of .0023% from its proportion measured as of June 30, 2017.

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources  
and Deferred Inflows of Resources Related to OPEB – continued**

For the year ended June 30, 2018, the District recognized OPEB expense of \$239,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	67,000
Net difference between projected and actual investment earnings	2,000	0
Changes in proportion	0	42,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
<b>Total All Funds</b>	<u>\$ 2,000</u>	<u>\$ 109,000</u>

\$2,000. reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Estimated Amount
2018	\$ (18,000)
2019	(18,000)
2020	(18,000)
2021	(18,000)
2022	(18,000)
Thereafter	<u>(17,000)</u>
<b>Total Deferred Outflows/ Inflows of Resources</b>	<u>\$ (107,000)</u>



**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**3. Actuarial Assumptions**

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

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

The following assumptions were used to determine the contribution rate:

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**3. Actuarial Assumptions - continued**

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

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

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

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

Discount rate

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**3. Actuarial Assumptions - continued**

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

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 1,432,000	\$ 1,432,000	\$ 1,433,000

Sensitivity of the District's proportionate share of the net OPEB liability to  
changes in the discount rate

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB liability	\$ 1,628,000	\$ 1,432,000	\$ 1,270,000

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**3. Actuarial Assumptions - continued**

OPEB plan fiduciary net position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System’s website at [www.psers.pa.gov](http://www.psers.pa.gov).

# **SUPPLEMENTAL INFORMATION**

**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**A. SUMMARY OF AUDIT RESULTS**

1. Auditor's report expresses an unqualified opinion on the financial statements of Pine Grove Area School District.
2. One significant deficiency disclosed during the audit of the financial statements is 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. This significant deficiency was also considered a material weakness.
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. However, one (1) immaterial instance of noncompliance was noted and is reported as we believe it warrants attention of those charged with governance.
4. No significant deficiencies conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Pine Grove Area School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Pine Grove Area School District that are to be reported in accordance with 2 CFR section 200.519(a).
7. The program tested as a major program included:

Program	CFDA #
National School Lunch	10.553
National School Lunch	10.555

8. The threshold for distinguishing types A and B Programs was \$750,000.
9. Pine Grove Area School District was determined not to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

PINE GROVE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2017	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2018
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed Through State Department of Education:										
E.S.E.A. Title I - 2015-2016	(I)	84.010	013-16-0338	\$ 280,166	07/11/15-09/30/16	\$ 95,379	\$ 95,379	0	0	0
E.S.E.A. Title I - 2016-2017	(I)	84.010	013-17-0338	270,954	07/11/16-09/30/17	197,413	197,413	0	0	0
E.S.E.A. Title I - 2017-2018	(I)	84.010	013-18-0338	386,488	07/11/17-09/30/18	138,570	0	386,488	386,488	247,918
E.S.E.A. Title II Improving Teacher Quality - 2015-2016	(I)	84.367	020-16-0338	58,387	07/11/15-09/30/16	22,719	22,719	0	0	0
E.S.E.A. Title II Improving Teacher Quality - 2016-2017	(I)	84.367	020-17-0338	66,966	07/11/16-09/30/17	49,034	49,034	0	0	0
E.S.E.A. Title II Improving Teacher Quality - 2017-2018	(I)	84.367	020-18-0338	66,810	07/11/17-09/30/18	23,905	0	66,810	66,810	42,905
E.S.E.A. Title IV Student Support Enrichment - 2017-2018	(I)	84.424	144-18-0338	10,000	07/11/17-09/30/18	3,571	0	10,000	10,000	6,429
<b>Passed Through Schuylkill County Intermediate Unit:</b>										
IDEA Part B Allocation	(I)	84.027	62-17-0029	237,029	07/01/16-06/30/17	237,029	237,029	0	0	0
IDEA Part B Allocation	(I)	84.027	62-17-0029	247,984	07/01/17-06/30/18	0	0	247,984	247,984	247,984
IDEA Part B 619 Funds	(I)	84.027	62-17-0029	5,344	07/01/16-06/30/17	5,344	5,344	0	0	0
IDEA Part B 619 Funds	(I)	84.027	62-17-0029	7,380	07/01/17-06/30/18	0	0	7,380	7,380	7,380
<b>TOTAL DEPARTMENT OF EDUCATION</b>				1,647,508		772,964	606,918	718,662	718,662	552,616
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
Passed Through State Department of Education:										
Medical Assistance - Access	(I)	93.778	013-11-0338	2,788	07/01/16-06/30/17	1,642	1,642	0	0	0
Medical Assistance - Access	(I)	93.778	013-11-0338	2,571	07/01/17-06/30/18	1,209	0	2,571	2,571	1,362
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				5,359		2,851	1,642	2,571	2,571	1,362
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Passed Through State Department of Education:										
National School Lunch - 2016-2017	(I)	10.553	129-54-600-3	58,831	07/01/16-06/30/17	513	513	0	0	0
National School Lunch - 2017-2018	(I)	10.553	129-54-600-3	51,980	07/01/17-06/30/18	51,045	0	51,980	51,980	935
National School Lunch - 2016-2017	(I)	10.555	129-54-600-3	314,679	07/01/16-06/30/17	1,345	1,345	0	0	0
National School Lunch - 2017-2018	(I)	10.555	129-54-600-3	329,124	07/01/17-06/30/18	324,816	0	329,124	329,124	4,308
National School Lunch - 2016-2017	(S)	N/A	129-54-600-3	26,093	07/01/16-06/30/17	125	125	0	0	0
National School Lunch - 2017-2018	(S)	N/A	129-54-600-3	25,843	07/01/17-06/30/18	25,504	0	25,843	25,843	339
<b>Passed Through State Department of Agriculture:</b>										
Value of USDA Commodities	(I)	10.555	2-07-54-600	26,587	07/01/17-06/30/18 (A)	27,475 (B)	(7,372)	26,587 (C)	26,587 (D)	(8,260)
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>				833,137		430,823	(5,389)	433,534	433,534	(2,678)
<b>SUB-TOTAL</b>				2,486,004		1,206,638	603,171	1,154,767	1,154,767	551,300
<b>STATE AWARD EXPENDITURES</b>				51,936		25,629	125	25,843	25,843	339
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				\$ 2,434,068		\$ 1,181,009	\$ 603,046	\$ 1,128,924	\$ 1,128,924	\$ 550,961

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)</b>	0.0703%	0.0726%	0.0741%	0.0706%	0.0689%
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)</b>	\$ 34,720,000	\$ 35,978,000	\$ 32,097,000	\$ 27,944,000	\$ 28,205,000
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 9,358,282	\$ 9,404,854	\$ 9,532,929	\$ 9,011,116	\$ 8,841,282
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	371.01%	382.55%	336.70%	310.10%	319.01%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	51.84%	50.14%	54.36%	52.24%	54.49%

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.

**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ 2,689,000	\$ 2,310,000	\$ 1,913,000	\$ 1,406,000
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>(2,689,000)</u>	<u>(2,310,000)</u>	<u>(1,913,000)</u>	<u>(1,406,000)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 9,358,282	\$ 9,404,854	\$ 9,532,929	\$ 9,011,116
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	28.74%	24.56%	24.56%	20.07%

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**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ <u>N/A</u>
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>N/A</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ <u><u>0</u></u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 8,010,119
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	N/A

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>
<b>DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)</b>	
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)</b>	\$ 3,799,898
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 8,010,119
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	47.44%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>	N/A

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB-PSERS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ <u>78,000</u>
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>78,000</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ <u><u>0</u></u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 9,358,282
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	0.83%

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

**PINE GROVE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OPEB-PSERS LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>DISTRICT'S PROPORTION OF THE NET OPEB- PSERS LIABILITY (ASSET)</b>		
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET)</b>	\$ 1,432,000	\$ 1,564,000
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 9,358,282	\$ 9,404,854
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	15.30%	16.62%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB - PSERS LIABILITY</b>	51.84%	50.14%

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which are an integral part of this statement.