

# **Moshannon Valley School District**

Financial Statements and  
Supplementary Information

June 30, 2018



**BAKER TILLY**

Candor. Insight. Results.

# Moshannon Valley School District

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# Moshannon Valley School District

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## Independent Auditors' Report

Board of Directors  
Moshannon Valley School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Moshannon Valley School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Moshannon Valley School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As disclosed in Notes 1 and 17 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. The District recognized its total other postemployment benefits liability ("OPEB"), restated its beginning net position for this adoption, expanded its note disclosures and included required supplementary information with respect to total OPEB. Our opinion is not modified with respect to this matter.

As described in Note 18 to the financial statements, the beginning net position of the District's governmental activities, business-type activity, and Food Service Fund have been restated to allocate a portion of the PSERS pension liability and associated deferred outflows and inflows of resources to the District's business-type activity/food service fund. 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 ("MD&A") on pages 4 through 14, schedule of the District's proportionate share of the net pension liability on page 52, the schedule of District's pension contributions on page 53, the schedule of the District's proportionate share of the net OPEB liability on page 54, the schedule of District's OPEB contributions on page 55 and the schedule of changes in total OPEB liability and related ratios on page 56 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 District's basic financial statements. The supplementary information on pages 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the Schedule of Expenditures of Federal Awards, 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* (Uniform Guidance) on pages 60 and 61, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The supplementary information on pages 57 through 59 and the Schedule of Expenditures of Federal Awards on pages 60 and 61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 57 through 59 and the Schedule of Expenditures of Federal Awards on pages 60 and 61 are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

State College, Pennsylvania  
November 6, 2018

# **Moshannon Valley School District**

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Management's Discussion and Analysis (Unaudited)

June 30, 2018

This Management's Discussion and Analysis ("MD&A") is intended to provide a narrative overview and analysis of the financial activities of the Moshannon Valley 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 also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

## **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

The statement of net deficit presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 earned but unused compensated absences).

Both of the governmental-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 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.

# **Moshannon Valley School District**

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Management's Discussion and Analysis (Unaudited)

June 30, 2018

## **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, which are the General Fund and the Capital Projects Fund.

### **Proprietary Funds**

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as the business-type activity in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

## **Notes to 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.

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

## Government-Wide Financial Analysis

### Condensed Statement of Net Deficit June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 11,883,743	\$ 158,623	\$ 12,042,366
Non-current assets	16,605,034	18,145	16,623,179
Total assets	28,488,777	176,768	28,665,545
Deferred outflows of resources	4,045,727	57,444	4,103,171
Total	<u>\$ 32,534,504</u>	<u>\$ 234,212</u>	<u>\$ 32,768,716</u>
<b>Liabilities, Deferred Inflows of Resources and Net Deficit</b>			
Current liabilities	\$ 1,680,004	\$ (28,486)	\$ 1,651,518
Long-term liabilities:			
Due within one year	875,000	-	875,000
Due after one year	32,632,996	279,739	32,912,735
Total liabilities	35,188,000	251,253	35,439,253
Deferred inflows of resources	1,389,274	19,726	1,409,000
Net deficit:			
Restricted	1,824,816	-	1,824,816
Net investment in capital assets	2,931,483	18,145	2,949,628
Unrestricted (deficit)	(8,799,069)	(54,912)	(8,853,981)
Total net deficit	(4,042,770)	(36,767)	(4,079,537)
Total	<u>\$ 32,534,504</u>	<u>\$ 234,212</u>	<u>\$ 32,768,716</u>

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

## Condensed Statement of Activities Year Ended June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 29,972	\$ 182,421	\$ 212,393
Capital grants	-	15,235	15,235
Operating grants and contributions	3,891,626	372,991	4,264,617
General revenues:			
Taxes levied for general purposes, net	3,641,350	-	3,641,350
Grants, subsidies and contributions not restricted	7,258,357	-	7,258,357
Other	167,029	-	167,029
Total revenues	<u>14,988,334</u>	<u>570,647</u>	<u>15,558,981</u>
Program expenses:			
Instruction	8,726,757	-	8,726,757
Instructional student support	806,375	-	806,375
Administration and financial support services	1,365,974	-	1,365,974
Operation and maintenance of plant services	1,279,264	-	1,279,264
Pupil transportation	961,911	-	961,911
Student activities	416,773	-	416,773
Interest on long-term debt	404,890	-	404,890
Food service	-	512,578	512,578
Total expenses	<u>13,961,944</u>	<u>512,578</u>	<u>14,474,522</u>
Increase in net position	<u>1,026,390</u>	<u>58,069</u>	<u>1,084,459</u>
Net position (deficit), beginning:			
As previously reported	(5,194,479)	149,315	(5,045,164)
Effect of adoption of GASB No. 75	(84,119)	(34,713)	(118,832)
Effect of prior period adjustment	209,438	(209,438)	-
As restated	<u>(5,069,160)</u>	<u>(94,836)</u>	<u>(5,163,996)</u>
Net deficit, ending	<u>\$ (4,042,770)</u>	<u>\$ (36,767)</u>	<u>\$ (4,079,537)</u>

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

## Government-Wide Financial Analysis

### Condensed Statement of Net Position (Deficit) June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 11,388,067	\$ 168,403	\$ 11,556,470
Non-current assets	17,127,464	3,295	17,130,759
Total assets	28,515,531	171,698	28,687,229
Deferred outflows of resources	4,086,162	-	4,086,162
Total	<u>\$ 32,601,693</u>	<u>\$ 171,698</u>	<u>\$ 32,773,391</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
Current liabilities	\$ 1,717,647	\$ 22,383	\$ 1,740,030
Long-term liabilities:			
Due within one year	850,000	-	850,000
Due after one year	35,071,525	-	35,071,525
Total liabilities	37,639,172	22,383	37,661,555
Deferred inflows of resources	157,000	-	157,000
Net position (deficit):			
Restricted	1,437,714	-	1,437,714
Net investment in capital assets	2,607,429	3,295	2,610,724
Unrestricted (deficit)	(9,239,622)	146,020	(9,093,602)
Total net position (deficit)	(5,194,479)	149,315	(5,045,164)
Total	<u>\$ 32,601,693</u>	<u>\$ 171,698</u>	<u>\$ 32,773,391</u>

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

## Condensed Statement of Activities Year Ended June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 39,882	\$ 196,536	\$ 236,418
Operating grants and contributions	4,017,218	390,428	4,407,646
General revenues:			
Taxes levied for general purposes, net	3,450,683	-	3,450,683
Grants, subsidies and contributions not restricted	7,198,805	-	7,198,805
Other	133,138	-	133,138
Total revenues	<u>14,839,726</u>	<u>586,964</u>	<u>15,426,690</u>
Program expenses:			
Instruction	9,455,940	-	9,455,940
Instructional student support	772,608	-	772,608
Administration and financial support services	1,318,878	-	1,318,878
Operation and maintenance of plant services	1,459,172	-	1,459,172
Pupil transportation	929,908	-	929,908
Student activities	413,763	-	413,763
Interest on long-term debt	419,973	-	419,973
Food service	-	569,437	569,437
Total expenses	<u>14,770,242</u>	<u>569,437</u>	<u>15,339,679</u>
Increase in net position	69,484	17,527	87,011
Net position (deficit), beginning	<u>(5,263,963)</u>	<u>131,788</u>	<u>(5,132,175)</u>
Net position (deficit), ending	<u>\$ (5,194,479)</u>	<u>\$ 149,315</u>	<u>\$ (5,045,164)</u>

Total net position of the District increased by \$1,084,459 in 2018. Net position of governmental activities increased by \$1,026,390 while the business-type activity increased by \$58,069.

Total net position of the District increased by \$87,011 in 2017. Net position of governmental activities increased by \$69,484 while the business-type activity increased by \$17,527.

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

The District had \$13,961,944 in expenses related to governmental activities in 2018; only \$3,921,598 of these expenses were offset by program specific charges for services and operating grants. The District also received general revenues (primarily taxes and state subsidies) of \$11,066,736. The \$1,026,390 increase in governmental activity net position represents the excess of revenues over expenses.

In the District's business-type activity, net position increased by \$58,069 as a result of net income in the food service operation.

As of June 30, 2018, cash of \$10,819,372 was available to meet the District's ongoing obligations to employees and creditors.

## Financial Analysis of the Governmental Funds

### General Fund

#### Revenues

Revenues for the 2017-2018 fiscal year were \$14,844,955 compared to \$14,806,106 for the previous fiscal year. The revenues are derived from three main sources as follows:

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 3,838,183	\$ 3,748,610	\$ 89,573	2.4 %
State sources	10,624,883	10,681,253	(56,370)	(0.5)
Federal sources	<u>381,889</u>	<u>376,243</u>	<u>5,646</u>	1.5
Total	<u>\$ 14,844,955</u>	<u>\$ 14,806,106</u>	<u>\$ 38,849</u>	

Local revenues are derived mostly from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Private contributions increased \$28,000 while real estate taxes increased approximately \$39,000. Earned income taxes also increased approximately \$34,000 over the prior year.

State revenues are derived mostly from state subsidies for basic education, special education and transportation. State revenues also include reimbursement from the state for social security and retirement costs. Reimbursements are based on the District's income/aid ratio for all employees hired after July 1, 1994 and 50% of contributions for employees hired prior to July 1, 1994. The personal income/aid ratio was 74% for 2017-18. In 2018, the District received less reimbursement from the state for bond payments and less transportation subsidy than in the prior year. This was offset by an increase in retirement subsidy received as the rate continued to increase.

Federal revenues included primarily Title I, Title II and Medical Assistance Reimbursement for Access. Federal revenues remained relatively unchanged from the prior year.

# Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

## Expenditures

Expenditures and transfers out for the General Fund for the fiscal year 2017-2018 were \$14,835,832 compared to the 2016-2017 fiscal year of \$14,340,432. The following table shows the expenditures by object area:

	<u>2017-2018</u>	<u>2016-2017</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Salaries	\$ 5,038,169	\$ 4,798,802	\$ 239,367	5.0 %
Fringe benefits	4,013,467	3,698,458	315,009	8.5
Professional services	627,049	689,884	(62,835)	(9.1)
Purchased property services	546,560	457,943	88,617	19.4
Other purchased services	2,317,812	2,098,521	219,291	10.4
Supplies	538,027	740,065	(202,038)	(27.3)
Property	77,972	264,541	(186,569)	(70.5)
Other objects	447,376	470,415	(23,039)	(4.9)
Other uses of funds	<u>1,229,400</u>	<u>1,121,803</u>	<u>107,597</u>	9.6
Total	<u>\$ 14,835,832</u>	<u>\$ 14,340,432</u>	<u>\$ 495,400</u>	

Salaries increased in 2017-18 due to the annual salary increases across all departments. Also, there were no retirements during 2017-18.

Fringe benefits increased as a result of increases in Public Schools Employee Retirement System ("PSERS") contributions and health insurance. PSERS employer contributions increased from 30.03% for 2016-17 to 32.57% for 2017-18. All employee groups were transitioned to the standard qualified high deductible plan with either an HSA or FSA. The District contributes 50% toward the annual deduction.

The District had higher supply and property costs in fiscal year 2016-17 when the District invested \$100,000 in a new elementary reading program and new elevator. In 2017-18, the District continued to purchase chrome books to support the one to one program.

Other uses of funds included transfers to the Capital Projects Fund in the amount of \$379,400 in 2017-18.

## 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 originally approved budget for 2017-2018 included \$14,269,181 of revenues and \$14,603,733 of expenditures.

## Moshannon Valley School District

Management's Discussion and Analysis (Unaudited)

June 30, 2018

Actual revenues for 2017-18 were approximately \$576,000 more than the final budget due, partly, to the following: more basic education, special education, and retirement subsidy received than budgeted.

Regular programs instruction expenditures for 2017-18 were less than budgeted and special education instruction expenditures exceeded budget by approximately \$180,000 as the District increased staff in special education in 2017-18. Also, the support functions were under budget by approximately \$98,000, with lower than expected expenses for principal's office, technology, library and special education director. Extra funds are normally budgeted for technology and maintenance, due to the need to replace equipment, volatility of fuel prices and unforeseen repairs.

### Capital Assets

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 is summarized below.

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Totals</u>
Land, buildings and improvements	\$ 28,863,408	\$ -	\$ 28,863,408
Equipment and other capital assets	3,339,673	129,396	3,469,069
Total	32,203,081	129,396	32,332,477
Accumulated depreciation	<u>(15,598,047)</u>	<u>(111,251)</u>	<u>(15,709,298)</u>
Net	<u>\$ 16,605,034</u>	<u>\$ 18,145</u>	<u>\$ 16,623,179</u>

### Long-Term Liabilities

At June 30, 2018, the District's long-term debt was \$33,787,735. This includes net other postemployment benefit liability of \$2,300,346, compensated absences of \$165,515, general obligation bonds of \$13,705,000, unamortized bond discount of \$64,126 and net pension liability of \$17,681,000.

## **Moshannon Valley School District**

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Management's Discussion and Analysis (Unaudited)

June 30, 2018

### **Factors Expected to Have an Effect on Future Operations**

#### **Labor Relations**

The professional staff of the District is represented by the Moshannon Valley Education Association, an affiliation of the Pennsylvania State Education Association ("PSEA"). This group represents approximately 73 employees including teachers, librarians, counselors, nurses and psychologists. The four-year contract runs from 2016 to 2020 with average annual salary increases of 2.95%, service increments that range from \$200 - \$1,400 depending on years of service, extra pay for out of class activities such as athletic events, mileage reimbursement, health insurance for employees and families, retirement benefits, tuition refund, personal leave, emergency leave, bereavement leave, long-term disability insurance and life insurance. The District negotiated a Qualified High Deductible Health Insurance plan ("QHDHP") with a health savings account for all staff. The District contracts substitute staff through Source4Teachers. Contracting substitutes relieves the District from PSERS contributions and possible affordable care act obligations for substitute employees.

The support staff of the District is represented by the American Federation of State, County and Municipal Employees, AFL-CIO District Council 85 ("AFSCME"). AFSCME represents approximately 16 employees. This group includes custodians and cafeteria personnel. The 4 year contract runs from 2016 through 2020. The contract provides average annual hourly increases of \$.36 per hour \$.38 per hour for AFSCME employees and service increments of \$150 every 5 years for custodians, \$112.50 for full-time cafeteria employees and \$75 for part-time cafeteria employees along with health insurance for employee and family, personal days, bereavement, emergency, vacation, long term disability, life insurance and sick leave. The District contracts with The Nutrition Group to operate the cafeteria. The Nutrition Group services include: extra resources to meet regulations, increased demand from customers (students) for variety and high quality food. Staff openings are filled by Nutrition employees.

The remaining administrative and non-instructional personnel of the District are represented under ACT 93 Compensation plan for principals, head custodian, and Facilities Maintenance Employee. The Business Manager/Food Service Director has a separate plan that mirrors the ACT 93 plan. The support staff is represented by a collective bargaining agreement between the District and the MVESPA, which represents approximately 27 employees. The plans and agreement with the District run from 2016 until 2019. The annual average salary increase is approximately \$.36 per hour for the MVESPA. These groups also changed to the QHDHP. Other benefits are similar to other district employees.

New contracts for all 3 union groups were negotiated during 15-16 and took effect July 1, 2016. The new contracts all maintain similar wage increases as prior contracts, eliminated most post-employment benefits and implement a Qualified High Deductible Health plan for all eligible employees.

# **Moshannon Valley School District**

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Management's Discussion and Analysis (Unaudited)

June 30, 2018

## **Facilities**

During the 2017-18 school year, the District invested in replacing the kindergarten floor, the District utility vehicle, resurfaced the gym floor and installed additional fencing at the elementary school. The District also committed to purchase chrome-books for high school students in grades 9-12 starting with the school year 2016-17, and continued to invest in chrome-books in 2017-18.

## **Requests for Information**

Questions concerning any of the information in this report or requests for additional information should be addressed to the Business Manager, Moshannon Valley School District, Houtzdale, Pennsylvania.

**Moshannon Valley School District**

## Statement of Net Deficit

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 10,683,595	\$ 135,777	\$ 10,819,372
Taxes receivable, net	456,964	-	456,964
Due from other governments	736,060	15,235	751,295
Other receivables	7,124	-	7,124
Inventories	-	7,611	7,611
	<u>11,883,743</u>	<u>158,623</u>	<u>12,042,366</u>
<b>Noncurrent Assets</b>			
Land, buildings and improvements	28,863,408	-	28,863,408
Equipment and other capital assets	3,339,673	129,396	3,469,069
Accumulated depreciation	(15,598,047)	(111,251)	(15,709,298)
	<u>16,605,034</u>	<u>18,145</u>	<u>16,623,179</u>
Total assets	<u>28,488,777</u>	<u>176,768</u>	<u>28,665,545</u>
<b>Deferred Outflows of Resources</b>			
Other postemployment benefits (OPEB)	399,646	5,674	405,320
Pension	3,646,081	51,770	3,697,851
	<u>4,045,727</u>	<u>57,444</u>	<u>4,103,171</u>
Total	<u>\$ 32,534,504</u>	<u>\$ 234,212</u>	<u>\$ 32,768,716</u>
<b>Liabilities, Deferred Inflows of Resources and Net Deficit</b>			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 278,388	\$ 11,708	\$ 290,096
Current portion of bonds payable	875,000	-	875,000
Accrued salaries and benefits	1,312,701	6,750	1,319,451
Deferred revenue	-	9,294	9,294
Internal balances	56,238	(56,238)	-
Accrued interest	32,677	-	32,677
	<u>2,555,004</u>	<u>(28,486)</u>	<u>2,526,518</u>
Total current liabilities	<u>2,555,004</u>	<u>(28,486)</u>	<u>2,526,518</u>
<b>Noncurrent Liabilities</b>			
General obligation bonds payable	12,765,874	-	12,765,874
Net other postemployment benefits liability (OPEB)	2,268,141	32,205	2,300,346
Net pension liability	17,433,466	247,534	17,681,000
Compensated absences	165,515	-	165,515
	<u>32,632,996</u>	<u>279,739</u>	<u>32,912,735</u>
Total noncurrent liabilities	<u>32,632,996</u>	<u>279,739</u>	<u>32,912,735</u>
Total liabilities	<u>35,188,000</u>	<u>251,253</u>	<u>35,439,253</u>
<b>Deferred Inflows of Resources</b>			
Other postemployment benefits (OPEB)	74,936	1,064	76,000
Pension	1,314,338	18,662	1,333,000
	<u>1,389,274</u>	<u>19,726</u>	<u>1,409,000</u>
Total deferred inflows of resources	<u>1,389,274</u>	<u>19,726</u>	<u>1,409,000</u>
<b>Net Position (Deficit)</b>			
Restricted	1,824,816	-	1,824,816
Net investment in capital assets	2,931,483	18,145	2,949,628
Unrestricted deficit	(8,799,069)	(54,912)	(8,853,981)
	<u>(4,042,770)</u>	<u>(36,767)</u>	<u>(4,079,537)</u>
Total net deficit	<u>(4,042,770)</u>	<u>(36,767)</u>	<u>(4,079,537)</u>
Total	<u>\$ 32,534,504</u>	<u>\$ 234,212</u>	<u>\$ 32,768,716</u>

See notes to financial statements

# Moshannon Valley School District

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instruction	\$ (8,726,757)	\$ -	\$ 2,633,987	\$ -	\$ (6,092,770)		\$ (6,092,770)
Instructional student support	(806,375)	-	150,232	-	(656,143)		(656,143)
Administration and financial support services	(1,365,974)	-	128,453	-	(1,237,521)		(1,237,521)
Operation and maintenance of plant services	(1,279,264)	-	71,378	-	(1,207,886)		(1,207,886)
Pupil transportation	(961,911)	-	624,099	-	(337,812)		(337,812)
Student activities	(416,773)	29,972	7,901	-	(378,900)		(378,900)
Community service	-	-	953	-	953		953
Interest on long-term debt	(404,890)	-	274,623	-	(130,267)		(130,267)
Total governmental activities	(13,961,944)	29,972	3,891,626	-	(10,040,346)		(10,040,346)
<b>Business-Type Activity</b>							
Food service	(512,578)	182,421	372,991	15,235	-	\$ 58,069	58,069
Total	\$ (14,474,522)	\$ 212,393	\$ 4,264,617	\$ 15,235	(10,040,346)	58,069	(9,982,277)
<b>General Revenues</b>							
Property taxes, levied for general purposes, net					3,641,350	-	3,641,350
Grants, subsidies and contributions not restricted					7,258,357	-	7,258,357
Investment earnings					68,530	-	68,530
Miscellaneous income					98,499	-	98,499
Total general revenues					11,066,736	-	11,066,736
Change in net position					1,026,390	58,069	1,084,459
<b>Net Position (Deficit), Beginning</b>							
As previously reported					(5,194,479)	149,315	(5,045,164)
Effect of adoption of GASB No. 75					(84,119)	(34,713)	(118,832)
Effect of prior period adjustment					209,438	(209,438)	-
As restated					(5,069,160)	(94,836)	(5,163,996)
<b>Net Deficit, Ending</b>					\$ (4,042,770)	\$ (36,767)	\$ (4,079,537)

See notes to financial statements

# Moshannon Valley School District

Balance Sheet - Governmental Funds

June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 9,238,179	\$ 1,445,416	\$ 10,683,595
Taxes receivable, net	456,964	-	456,964
Due from other funds	-	379,400	379,400
Due from other governments	736,060	-	736,060
Other receivables	7,124	-	7,124
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 10,438,327</u>	<u>\$ 1,824,816</u>	<u>\$ 12,263,143</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 278,388	\$ -	\$ 278,388
Due to other funds	435,638	-	435,638
Accrued salaries and benefits	1,312,701	-	1,312,701
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,026,727</u>	<u>-</u>	<u>2,026,727</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenues, taxes	335,109	-	335,109
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balances</b>			
Restricted	-	1,824,816	1,824,816
Committed	6,538,315	-	6,538,315
Unassigned	1,538,176	-	1,538,176
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>8,076,491</u>	<u>1,824,816</u>	<u>9,901,307</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 10,438,327</u>	<u>\$ 1,824,816</u>	<u>\$ 12,263,143</u>

See notes to financial statements

## Moshannon Valley School District

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Deficit

June 30, 2018

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 9,901,307</b>
Amounts reported for governmental activities in the statement of net deficit are different because:	
Capital assets used in governmental activities are financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$32,203,081 and the accumulated depreciation is \$15,598,047.	16,605,034
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unearned in the governmental funds.	335,109
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net deficit.	3,646,081
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net deficit.	(1,314,338)
Deferred outflows related to net OPEB liability are not reported in the governmental funds, however are reported in the statement of net deficit.	399,646
Deferred inflows related to net OPEB liability are not reported in the governmental funds, however are reported in the statement of net deficit.	(74,936)
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:	
Bonds payable	(13,705,000)
Unamortized bond discount, net	64,126
Accrued interest on bonds	(32,677)
Net other postemployment benefits liability (OPEB)	(2,268,141)
Net pension liability	(17,433,466)
Compensated absences	(165,515)
<b>Total Net Deficit - Governmental Activities</b>	<b>\$ (4,042,770)</b>

See notes to financial statements

# Moshannon Valley School District

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 3,838,183	\$ 7,702	\$ 3,845,885
State sources	10,624,883	-	10,624,883
Federal sources	381,889	-	381,889
	<hr/>	<hr/>	<hr/>
Total revenues	14,844,955	7,702	14,852,657
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Instruction	8,187,193	-	8,187,193
Support services	4,393,070	-	4,393,070
Noninstructional services	416,773	-	416,773
Facilities acquisition, construction and improvement services	208,022	-	208,022
Debt service	1,251,374	-	1,251,374
	<hr/>	<hr/>	<hr/>
Total expenditures	14,456,432	-	14,456,432
	<hr/>	<hr/>	<hr/>
<b>Other Financing (Uses) Sources</b>			
Transfer in	-	379,400	379,400
Transfer out	(379,400)	-	(379,400)
	<hr/>	<hr/>	<hr/>
Total other financing (uses) sources	(379,400)	379,400	-
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	9,123	387,102	396,225
	<hr/>	<hr/>	<hr/>
<b>Fund Balance, Beginning</b>	8,067,368	1,437,714	9,505,082
	<hr/>	<hr/>	<hr/>
<b>Fund Balance, Ending</b>	<u>\$ 8,076,491</u>	<u>\$ 1,824,816</u>	<u>\$ 9,901,307</u>

See notes to financial statements

## Moshannon Valley School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities  
Year Ended June 30, 2018

**Total Net Changes in Fund Balances - Governmental Funds** \$ 396,225

Amounts reported for governmental activities  
in the statement of net deficit are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period:

Capital outlays	223,409	
Depreciation expense	<u>(745,839)</u>	(522,430)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.

135,677

The issuance of long term debt (bond) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. The transaction, however, does not have an effect on net assets. Also, governmental funds report the effect of premiums, discounts, and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Reconciling items related to long-term debt activity for the year ended June 30, 2018 are as follows,  
Scheduled principal payments on long-term debt

850,000

Amortization of bond premiums are reported in the statement of activities but do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

(4,933)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The net additional interest accrued in the statement of activities over the amount due is shown here.

1,417

Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported with in the statement of net deficit, and changes in the liability is reflected within the statement of net deficit. This represents the change in pension liability and the deferred outflows and inflows related to the pension.

(351,324)

Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported with in the statement of net deficit, and changes in the liability is reflected within the statement of net deficit. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB.

501,330

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

20,428

**Changes in Net Position of Governmental Activities**

\$ 1,026,390

**Moshannon Valley School District**

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Year Ended June 30, 2018

	<b>Budgeted Amount Original and Final</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>			
Local sources	\$ 3,608,826	\$ 3,838,183	\$ 229,357
State sources	10,306,755	10,624,883	318,128
Federal sources	353,600	381,889	28,289
Total revenues	<u>14,269,181</u>	<u>14,844,955</u>	<u>575,774</u>
<b>Expenditures</b>			
Instruction:			
Regular programs	5,685,414	5,546,972	138,442
Special programs	1,656,963	1,836,919	(179,956)
Vocational education programs	765,034	724,514	40,520
Other instructional programs	81,700	78,788	2,912
Total instruction	<u>8,189,111</u>	<u>8,187,193</u>	<u>1,918</u>
Support services:			
Pupil personnel	303,689	310,222	(6,533)
Instructional staff	700,811	507,229	193,582
Administration	981,365	979,242	2,123
Pupil health	138,824	149,177	(10,353)
Business	179,254	178,041	1,213
Operation and maintenance of plant services	1,291,199	1,307,248	(16,049)
Student transportation services	896,000	961,911	(65,911)
Total support services	<u>4,491,142</u>	<u>4,393,070</u>	<u>98,072</u>
Noninstructional services:			
Scholarships	-	3,000	(3,000)
Student activities	390,230	413,773	(23,543)
Total noninstructional services	<u>390,230</u>	<u>416,773</u>	<u>(26,543)</u>
Facilities acquisition, construction and improvement services	<u>250,000</u>	<u>208,022</u>	<u>41,978</u>
Debt service	<u>1,283,250</u>	<u>1,251,374</u>	<u>31,876</u>
Total expenditures	<u>14,603,733</u>	<u>14,456,432</u>	<u>147,301</u>
<b>(Deficit) Excess of Revenues Over Expenditures Before Other Financing Uses</b>	<b>(334,552)</b>	<b>388,523</b>	<b>723,075</b>
<b>Other Financing Uses</b>			
Transfer out	-	(379,400)	(379,400)
Net changes in fund balances	<u>\$ (334,552)</u>	<u>9,123</u>	<u>\$ 343,675</u>
<b>Fund Balance, Beginning</b>		<u>8,067,368</u>	
<b>Fund Balance, Ending</b>		<u>\$ 8,076,491</u>	

See notes to financial statements

## Moshannon Valley School District

Balance Sheet - Proprietary Fund - Food Service

June 30, 2018

### Assets and Deferred Outflows of Resources

Current assets:	
Cash	\$ 135,777
Due from other governments	15,235
Due from other funds	56,238
Inventories	7,611
	<hr/>
Total current assets	214,861
Noncurrent assets:	
Machinery and equipment	129,396
Accumulated depreciation	(111,251)
	<hr/>
Total noncurrent assets	18,145
	<hr/>
Total assets	233,006
Deferred Outflows of Resources:	
Other postemployment benefits	5,674
Pension	51,770
	<hr/>
Total deferred outflows of resources	57,444
	<hr/>
Total	\$ 290,450

### Liabilities, Deferred Inflows of Resources and Net Deficit

#### Liabilities

Current liabilities:	
Accounts payable	\$ 11,708
Accrued benefits	6,750
Unearned revenue	9,294
	<hr/>
Total current liabilities	27,752
Noncurrent liabilities:	
Net OPEB liability	32,205
Net pension liability	247,534
	<hr/>
Total noncurrent liabilities	279,739
	<hr/>
Total liabilities	307,491

#### Deferred Inflows of Resources

Other postemployment benefits	1,064
Pension	18,662
	<hr/>
Total deferred inflows of resources	19,726

#### Net Position

Net investment in capital assets	18,145
Unrestricted (deficit)	(54,912)
	<hr/>
Total net deficit	(36,767)
	<hr/>
Total liabilities and net deficit	\$ 290,450

See notes to financial statements

## Moshannon Valley School District

Statement of Revenues, Expenses and Change in Net Deficit - Proprietary Fund -

Food Service

Year Ended June 30, 2018

### Operating Revenues

Food service revenues	\$ 182,421
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### Operating Expenses

Purchased services	348,447
Salaries	73,056
Fringe benefits	52,989
Food costs	35,302
Supplies	1,270
Miscellaneous	1,129
Depreciation	385

Total operating expenses	<u>512,578</u>
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### Operating Loss

	<u>(330,157)</u>
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### Nonoperating Revenues

Capital grant	15,235
State sources	33,754
Federal sources	339,237

Total nonoperating revenues	<u>388,226</u>
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Net income	<u>58,069</u>
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### Net Position, Beginning

As previously reported	149,315
Effect of adoption of GASB No. 75	(34,713)
Effect of prior period adjustment	(209,438)

As restated	<u>(94,836)</u>
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### Net Deficit, Ending

	<u><u>\$ (36,767)</u></u>
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## Moshannon Valley School District

Statement of Cash Flows - Proprietary Fund - Food Service  
Year Ended June 30, 2018

### Cash Flows from Operating Activities

Cash received from customers	\$ 179,299
Cash paid to employees and vendors	(559,272)

Net cash used in operating activities (379,973)

### Cash Flows Used in Capital and Related Financing Activities

Purchases of property and equipment	<u>(15,235)</u>
-------------------------------------	-----------------

### Cash Flows from Noncapital Financing Activities

State sources	34,245
Federal sources	<u>354,776</u>

Net cash provided by noncapital financing activities 389,021

Decrease in cash (6,187)

Cash, Beginning 141,964

Cash, Ending \$ 135,777

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (330,157)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	385
Pension changes	4,988
OPEB changes	(7,118)
Changes in assets and liabilities resulting in the provisions (use) of cash:	
Inventory	2,798
Due from other funds	(8,355)
Accounts payable	(37,716)
Accrued salaries and benefits	(1,676)
Unearned revenue	<u>(3,122)</u>

Net Cash Used in Operating Activities \$ (379,973)

# Moshannon Valley School District

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Statement of Net Position - Fiduciary Fund - Agency

June 30, 2018

## Assets

Cash and Cash Equivalents

\$ 53,653

## Liabilities

Due to Student Groups

\$ 53,653

See notes to financial statements

# **Moshannon Valley School District**

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Notes to Financial Statements

June 30, 2018

## **1. Nature of Operations and Summary of Significant Accounting Policies**

The financial statements of the Moshannon Valley School District (the "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.

### **Nature of Operations**

The District is comprised of the Townships of Bigler, Gulich, Jordan and Woodward and the Boroughs of Brisbin, Glen Hope, Houtzdale and Ramey. The District provides basic elementary and secondary educational services.

### **Reporting Entity**

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14 as amended by GASB Nos. 39, 61 and 80. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

### **Basic Financial Statements - Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's General and Capital Projects Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

In the government-wide Statement of Net Deficit, both the governmental and business-type activity columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The District's net position is reported in three parts-net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activity. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

# **Moshannon Valley School District**

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## Notes to Financial Statements

June 30, 2018

The net costs (by function or business-type activity) are normally covered by general revenue.

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

### **Basic Financial Statements - Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

#### **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

##### **General Fund**

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, per capita and occupation taxes, and state and federal appropriations. Many of the more significant activities of the District, including instruction, administration of the District, and certain non-instructional services are accounted for in this fund. The General Fund is reported as a major fund.

##### **Capital Projects Fund**

The Capital Project Fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund is a major fund.

##### **Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The applicable accounting principles generally accepted in the United States of America are those similar to businesses in the private sector.

# **Moshannon Valley School District**

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Notes to Financial Statements

June 30, 2018

## **Food Service Fund**

The Food Service Fund accounts for all revenues and expenditures pertaining to cafeteria operations since such operations are financed and operated in a manner similar to private business enterprises. It is the intent of the government body that the cost of providing such goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

## **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

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 government, these funds are not incorporated into the government-wide statements.

## **Agency Funds**

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units and/or other funds. The Agency fund includes a central payroll account and activity account.

## **Activity Fund**

The Activity Fund accounts for the monies authorized by Section 511, of the Public School Code of 1949, for school publications and organizations. Activity funds are Agency Funds but are separated from other Agency Funds because of legal requirements.

## **Measurement Focus**

### **Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net deficit. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's net position.

### **Fund Financial Statements**

Government funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

# Moshannon Valley School District

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## Notes to Financial Statements

June 30, 2018

### **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### **Accrual**

Both governmental activities and business-type activity in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Inventories are valued on a first-in, first-out basis.

#### **Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

### **Budgets and Budgetary Accounting**

The District adopts an annual budget for the General Fund in accordance with law.

The budget is maintained on a modified accrual basis by fund, function and object, with expenditures controlled by line item. Appropriations lapse at the end of each year and must be reappropriated.

The School Board approves budget transfers between departments within District funds. Budgeted amounts are reported as most recently adopted by the School Board.

### **Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Equipment and other capital assets	5 - 20 years

The District does not have any infrastructure capital assets.

# Moshannon Valley School District

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Notes to Financial Statements

June 30, 2018

## Compensated Absences

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

## Governmental Fund Balances

The District classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the School Board which do not lapse at year-end
  - The School Board of the District is its highest level of decision-making authority, and
  - The School Board commits funds through a formal board motion.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through a formal action of the School Board
  - The School Board of the District authorized the District Business manager to assign funds to specific purposes.
  - The School Board passed a board motion authorizing assignments for activities as contemplated by the Board.
- *Unassigned* - includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

## Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

# **Moshannon Valley School District**

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Notes to Financial Statements

June 30, 2018

## **Deferred Outflows/Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

## **Pension**

The District provides eligible employees with retirement benefits through the Public School Employer's Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

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 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 and investments are reported at fair value.

## **Other Postemployment Benefits ("OPEB")**

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 PSERS and the Moshannon Valley School District Postemployment Benefits Plan (the "Moshannon Valley OPEB Plan") and additions to/deductions from PSERS and the Moshannon Valley OPEB plans' fiduciary net position have been determined on the same basis as they are reported by PSERS and the Moshannon Valley OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 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.

## **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Moshannon Valley School District

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Notes to Financial Statements

June 30, 2018

## New Accounting Principles

The District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which replaces the requirements of GASB Statement No. 45, for the year ended June 30, 2018. Statement No. 75 establishes that governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Additionally, Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures, including a sensitivity analysis of the discount rate and a healthcare cost trend rate assumptions used for the valuation, and required supplementary information about their OPEB liabilities. The effect of this adoption decreased the District's governmental activities net position at July 1, 2017 by \$84,119, decreased the District's business-type activities by \$34,713 and expanded note disclosures and required supplementary information.

The District adopted GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* for the year ended June 30, 2018. Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Statement No. 68, and Statement No. 73. Specifically, Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this standard did not have any impact on the District's financial statements.

The District adopted GASB Statement No. 85, *Omnibus 2017* for the year ended June 30, 2018. GASB 85 enhances consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of this standard did not have a significant impact on the District's financial statements.

The District adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues* for the year ended June 30, 2018. Statement No. 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. The adoption of this standard did not have any impact on the District's financial statements.

## 2. Cash and Cash Equivalents

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk. At June 30, 2018, \$9,745,798 of the District's bank balances were exposed to custodial credit risk, as these deposits were not covered by depository insurance. The entire \$9,745,798 was collateralized with securities held by the pledging financial institution, but not in the District's name.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### 3. Property Taxes

Property taxes for the District are collected from the Boroughs of Brisbin, Glen Hope, Houtzdale, Ramey and the Townships of Bigler, Gulich, Jordan and Woodward. The tax on real estate in these municipalities for public school purposes for fiscal 2018 was 90.8 mills (\$90.80 per \$1,000 of assessed valuation) as levied by the board.

Assessed valuations of property are determined by Clearfield County and the elected tax collectors are responsible for collection. The schedule for property taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - September 30	2% Discount period
October 1 - November 30	Face payment period
December 1 and thereafter	10% Penalty period

### 4. Taxes Receivable, Net

A summary of the taxes receivable and related amounts at June 30, 2018 follows:

Property taxes receivable	\$ 1,900,596
Real estate transfer taxes receivable	3,700
Per capita taxes receivable	<u>1,243</u>
Total	1,905,539
Estimated uncollectible taxes at June 30, 2018	<u>(1,448,575)</u>
Total	<u>\$ 456,964</u>

### 5. Due from Other Governments

The amount reported in the funds at June 30, 2018 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 283,381	\$ 452,679	\$ 736,060
Food Service Fund	-	15,235	<u>15,235</u>
Total	<u>\$ 283,381</u>	<u>\$ 467,914</u>	<u>\$ 751,295</u>

State sources receivables consist of social security, retirement, other subsidy reimbursements due from the Pennsylvania Department of Education ("PDE") and an equipment grant. Federal source receivables consist of federal programs passed through PDE, wherein the District incurred related expenditures prior to June 30, 2018, but had yet to be reimbursed at year end.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### 6. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Increases	Transfer/ Decreases	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital assets, not being depreciated,				
Land	\$ 7,100	\$ -	\$ -	\$ 7,100
Capital assets, being depreciated:				
Buildings and improvements	28,671,408	184,900	-	28,856,308
Equipment and other capital assets	3,323,208	38,509	(22,044)	3,339,673
Total capital assets, being depreciated	31,994,616	223,409	(22,044)	32,195,981
Accumulated depreciation for:				
Buildings and improvements	(12,027,588)	(677,684)	-	(12,705,272)
Equipment and other capital assets	(2,846,664)	(68,155)	22,044	(2,892,775)
Total accumulated depreciation	(14,874,252)	(745,839)	22,044	(15,598,047)
Total capital assets being depreciated, net	17,120,364	(522,430)	-	16,597,934
Governmental activities capital assets, net	<u>\$ 17,127,464</u>	<u>\$ (522,430)</u>	<u>\$ -</u>	<u>\$ 16,605,034</u>
<b>Business-Type Activity</b>				
Capital assets being depreciated,				
Equipment and other capital assets	\$ 114,161	\$ 15,235	\$ -	\$ 129,396
Accumulated depreciation,				
Equipment and other capital assets	(110,866)	(385)	-	(111,251)
Business-type activity capital assets, net	<u>\$ 3,295</u>	<u>\$ 14,850</u>	<u>\$ -</u>	<u>\$ 18,145</u>
Depreciation was allocated as follows:				
Instruction	\$ 666,007			
Administration and financial support services	79,832			
Total depreciation expense	<u>\$ 745,839</u>			

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### 7. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$1,312,701 represent salaries of \$638,007, the District's share of Social Security taxes of \$44,449 for teachers' services during the 2017-2018 school term, which are paid during July and August 2018, and retirement plan expense of \$630,245 applicable to the accrued salaries at June 30, 2018.

### 8. Interfund Receivables, Payables and Transfers

At June 30, 2018, the following interfund balances were unpaid:

Amounts due from other funds:	
Capital projects fund	\$ 379,400
Food service fund	56,238
	<hr/>
Total	\$ 435,638
	<hr/> <hr/>
Amounts due to other funds,	
General fund	\$ 435,638
	<hr/> <hr/>

Interfund balances primarily arise between the General Fund and other funds due to expenses being paid out of the General Fund and reimbursed by the applicable fund.

The composition of interfund transfers, used to move cash between funds at June 30, 2018 is as follows:

Transfers in,	
Capital projects fund	\$ 379,400
	<hr/> <hr/>
Transfers out,	
General fund	\$ 379,400
	<hr/> <hr/>

The General Fund transferred \$379,400 to the Capital Projects Fund to fund future capital projects.

### 9. Compensated Absences

#### Vacation

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification.

Vacation (for most employee categories) may be taken or accumulated within certain limits and are paid prior to retirement or termination at the employee's current rate of pay.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

The liability for compensated absences, including early retirement incentives, recorded in the governmental activities column on the statement of net position was \$165,515 at June 30, 2018. The change in the District's compensated absences in 2018 are summarized as follows:

	<b>Governmental Activities</b>
Balance July 1, 2017	\$ 185,943
Increase	165,515
Decrease	<u>(185,943)</u>
Balance June 30, 2018	<u>\$ 165,515</u>

## 10. Retirement Plan

### Plan Description

The Public School Employees' Retirement System ("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 PSERS 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-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum 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 on membership class, of the member's final average salary (as defined in the Code) multiplied times 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 10 years of service.

# **Moshannon Valley School District**

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## Notes to Financial Statements

June 30, 2018

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 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.

### **Member Contributions**

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS 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 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 31.74% 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 PSERS from the District were \$1,560,851 for the year ended June 30, 2018.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2018, the District reported a liability of \$17,681,000 for its proportionate share of the PSERS net pension liability. The PSERS 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 PSERS total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the PSERS 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's proportion was .0358%, which was a decrease of .0023% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$1,869,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 184,000	\$ 107,000
Net difference between projected and actual earnings on pension plan investments	410,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,063,000	1,226,000
Change in assumptions	480,000	-
District contributions subsequent to the measurement date	<u>1,560,851</u>	<u>-</u>
Total	<u>\$ 3,697,851</u>	<u>\$ 1,333,000</u>

\$1,560,851 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2019	\$ 272,000
2020	396,000
2021	403,000
2022	<u>(267,000)</u>
Total	<u>\$ 804,000</u>

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### Changes in Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, comprised of 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

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	20.0 %	5.1 %
Fixed income	36.0	2.6
Commodities	8.0	3.0
Absolute return	10.0	3.4
Risk parity	10.0	3.8
Infrastructure/MLPs	8.0	4.8
Real estate	10.0	3.6
Alternative investments	15.0	6.2
Cash	3.0	.6
Financing (LIBOR)	(20.0)	1.1
	<u>100.00 %</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.

# Moshannon Valley School District

Notes to Financial Statements

June 30, 2018

## 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.

## Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-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	\$ 21,764,000	\$ 17,681,000	\$ 14,234,000

## Pension Plan Fiduciary Net Position

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

## 11. Other Postemployment Benefits ("OPEB")

### Moshannon Valley School District Postemployment Benefits Plan

#### General Information about the OPEB Plan

##### Plan Description

The District's defined benefit OPEB plan, Moshannon Valley School District Postemployment Benefits Plan (the "Moshannon Valley OPEB Plan"), provides postemployment benefits for all employees of the District. The minimum requirements of the Moshannon Valley OPEB Plan are established by Pennsylvania Act 110 of 1988 and Act 43 of 1989. The School Board could choose to improve upon the minimum requirements in the future. The Moshannon Valley OPEB Plan is unfunded and no financial report is prepared. The Moshannon Valley OPEB Plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

# Moshannon Valley School District

Notes to Financial Statements

June 30, 2018

## Benefits Provided

The Moshannon Valley OPEB Plan provides the opportunity to purchase postemployment health insurance benefits to employees upon retirement with 30 years of PSERS service or through COBRA. Retired employees are allowed to continue coverage for themselves and their eligible dependents in the group health care plan until the retired employee reaches Medicare age, generally 65, as per their contracts.

## Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>123</u>
Total	<u><u>148</u></u>

## Total OPEB Liability

The District's total OPEB liability of \$1,570,346 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

## Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Interest rate	3.13%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	3.13%
Healthcare cost trend rates	6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term rate caps

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017.

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period November 2017.

### Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ 1,705,247
Changes for the year:	
Service cost	78,499
Interest	40,362
Changes in assumptions or other inputs	46,774
Benefit payments	<u>(300,536)</u>
Net changes	<u>(134,901)</u>
Balance at June 30, 2018	<u>\$ 1,570,346</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 2.49% in 2016 to 3.13% in 2017.

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

The following presents the total OPEB liability of the District, as well as what the District's total 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 discount rate:

	<u>1% Decrease (2.13%)</u>	<u>Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Total OPEB Liability	\$ 1,647,737	\$ 1,570,346	\$ 1,497,450

# Moshannon Valley School District

Notes to Financial Statements

June 30, 2018

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

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,457,077	\$ 1,570,346	\$ 1,705,143

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$122,202. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments subsequent to the measurement date (July 1, 2017)	\$ 320,071	\$ -
Changes of assumptions or other inputs	43,433	-
Total	<u>\$ 363,504</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2019	\$ 3,341
2020	3,341
2021	3,341
2022	3,341
2023	3,341
Thereafter	<u>26,728</u>
Total	<u>\$ 43,433</u>

### **PSERS Health Insurance Premium Assistance Program**

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

PSERS provides Premium Assistance which is a governmental cost sharing, multiple-employer OPEB plan 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 ("HOP"). As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

#### **Premium Assistance Eligibility Criteria**

Retirees of PSERS 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.

#### **Employer Contributions**

The District's 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 \$41,816 for the year ended June 30, 2018.

#### **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 \$730,000 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 PSERS' 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 .0358%, which was a decrease of .0023% from its proportion measured as of June 30, 2017.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

For the year ended June 30, 2018, the District recognized OPEB expense of \$24,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 34,000
Net differences between projected and actual investment earnings	1,000	-
Changes in proportion	-	42,000
Contributions subsequent to the measurement date	41,816	-
	<u>\$ 42,816</u>	<u>\$ 76,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2019	\$ (13,000)
2020	(13,000)
2021	(13,000)
2022	(13,000)
2023	(23,000)
	<u>                    </u>
Total	<u>\$ (75,000)</u>

### Actuarial Assumptions

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

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

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

The following assumptions were used to determine the contribution rate:

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

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### Discount Rate

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

### Sensitivity of PSERS 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. 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 PSERS net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what PSERS 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>Healthcare Trends Cost</u>	<u>1% Increase</u>
PSERS Net OPEB Liability	\$ 729,000	\$ 730,000	\$ 730,000

### 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>Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB liability	\$ 829,000	\$ 730,000	\$ 647,000

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### 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).

## 12. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2018 are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Bond Series of 2012	\$ 14,555,000	\$ -	\$ (850,000)	\$ 13,705,000	<u>\$ 875,000</u>
Bond premium/discount, net	<u>(69,059)</u>	<u>-</u>	<u>4,933</u>	<u>(64,126)</u>	
Total long-term debt	<u>\$ 14,485,941</u>	<u>\$ -</u>	<u>\$ (845,067)</u>	<u>\$ 13,640,874</u>	

Long-term debt at June 30, 2018 consists of the following:

\$16,610,000 General Obligation Bonds Series of 2012, due in varying annual installments through December 2031, interest rates of 2.0% to 3.85%	\$ 13,705,000
Unamortized bond premium/discount, net	<u>(64,126)</u>
Total	13,640,874
Current portion	<u>875,000</u>
Long-term debt	<u>\$ 12,765,874</u>

Debt service requirements at June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2019	\$ 875,000	\$ 383,374	\$ 1,258,374
2020	885,067	365,724	1,250,791
2021	905,067	347,155	1,252,222
2022	925,067	326,442	1,251,509
2023	950,067	303,461	1,253,528
2024 - 2028	5,170,336	1,092,877	6,263,213
2029 - 2032	<u>3,930,269</u>	<u>239,751</u>	<u>4,170,020</u>
Total	<u>\$ 13,640,873</u>	<u>\$ 3,058,784</u>	<u>\$ 16,699,657</u>

# Moshannon Valley School District

Notes to Financial Statements

June 30, 2018

## 13. Fund Balance Classifications

The District presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Committed for, PSERS, health care and utilities	<u>\$ 6,538,315</u>	<u>\$ -</u>	<u>\$ 6,538,315</u>
Restricted for, Capital projects	<u>\$ -</u>	<u>\$ 1,824,816</u>	<u>\$ 1,824,816</u>

## 14. Nonmonetary Transactions

The District receives USDA Donated Commodities in the enterprise (food service) fund, which is a proprietary fund type. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total food commodities donated by the federal government and used by the District for fiscal year 2018 totaled \$41,328.

## 15. Other Related Local Educational Units

The District is a member of Central Intermediate Unit 10. Through the membership, the District is able to secure various special services, including special education, curriculum development, and certain internal service functions.

The District is served by the Clearfield County Career and Technology Center. Students of the District have available at the Technology Center courses and curriculum related to various technical training fields. Costs of the Technology Center are shared with other local school districts.

## 16. Contingencies

The District is involved in various litigation matters arising in the normal course of business which are still pending. The ultimate outcome of these cases or the District's exposure to liability, if any, cannot be determined at this time. Consequently, no provision has been made in these financial statements for this uncertainty. It is the opinion of management that the amount of potential claims not covered by insurance resulting from claims against the District would materially affect the financial position of the District at June 30, 2018.

# Moshannon Valley School District

## Notes to Financial Statements

June 30, 2018

### 17. Effect of Adoption of GASB Statement No. 75

The District adopted GASB Statement No. 75 for its fiscal year ended June 30, 2018 which requires that the effects be applied to the earliest period presented. The changes within the District's June 30, 2018 governmental and business-type activities net deficit are as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Net deficit, as previously reported, at July 1, 2017	\$ (5,194,479)	\$ 149,315	\$ (5,045,164)
Effect of adoption of GASB No. 75	<u>(84,119)</u>	<u>(34,713)</u>	<u>(118,832)</u>
Restated net deficit at July 1, 2017	<u>\$ (5,278,598)</u>	<u>\$ 114,602</u>	<u>\$ (5,163,996)</u>

### 18. Prior Period Adjustment

Prior to July 1, 2017, the District did not allocate a relative portion of its PSERS net pension liability and associated deferred outflows and inflows of resources to its Food Service Fund/business-type activity. Effective July 1, 2017, the District restated its beginning governmental activities net position by \$209,438 and the net position of its Food Service Fund/business-type activity by \$(209,438) to correct this error.

Proprietary Fund - Food Service, Net Position as previously reported, at July 1, 2017	\$ 149,315
Net pension liability, deferred outflows, deferred inflows, net	<u>(209,438)</u>
Restated Proprietary - Food Service Net Position at July 1, 2017	<u>\$ (60,123)</u>
Governmental Activities, Net Position, as previously reported, at July 1, 2017	\$ (5,194,479)
Net pension liability, deferred outflows, deferred inflows, net	<u>209,438</u>
Restated Governmental Activities, Net Position at July 1, 2017	<u>\$ (4,985,041)</u>

Management believes the effects of these corrections on revenue and expenses previously reported for the year ended June 30, 2017 would have not been material.

## 19. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The District is required to adopt Statement No. 84 for its 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. Statement No. 87 improves recognition of certain lease assets and liabilities for leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. To the extent applicable, the District is required to adopt Statement No. 87 for its 2021 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District required to adopt Statement No. 88 for its 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The District is required to adopt Statement No. 89 for its 2021 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

## Moshannon Valley School District

### Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0358%	0.0381%	0.0347%	0.0370%	0.0351%
District's proportionate share of the net pension liability	\$ 17,681,000	\$ 18,889,000	\$ 15,036,000	\$ 14,645,000	\$ 14,369,000
District's covered-employee payroll	\$ 4,859,568	\$ 4,762,673	\$ 4,931,683	\$ 4,746,332	\$ 4,718,905
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363.84%	396.61%	304.89%	308.55%	304.50%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Data is not available for years prior to June 30, 2014

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, for the year ended June 30, 2015. Therefore, information for years prior to 2014 is not available for reporting.

**Moshannon Valley School District**

## Schedule of District's Pension Contributions (Unaudited)

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,560,851	\$ 1,384,347	\$ 1,236,754	\$ 990,208	\$ 766,112	\$ 526,562	\$ 397,026	\$ 208,507	\$ 193,402	\$ 179,374
Contributions in relation to the contractually required contribution	<u>(1,560,851)</u>	<u>(1,384,347)</u>	<u>(1,236,754)</u>	<u>(990,208)</u>	<u>(766,112)</u>	<u>(526,562)</u>	<u>(397,026)</u>	<u>(208,507)</u>	<u>(193,402)</u>	<u>(179,374)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,859,568	\$ 4,762,673	\$ 4,931,683	\$ 4,746,332	\$ 4,718,905	\$ 4,581,122	\$ 5,016,440	\$ 4,883,481	\$ 4,812,835	\$ 4,485,220
Contributions as a percentage of covered-employee payroll	32.12%	29.07%	25.08%	20.86%	16.23%	11.49%	7.91%	4.27%	4.02%	4.00%

## Moshannon Valley School District

### Schedule of the District's Proportionate Share of the OPEB Liability (Unaudited)

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0358%	0.0381%
District's proportionate share of the net OPEB liability	\$ 730,000	\$ 821,000
District's covered-employee payroll	4,859,568	4,762,673
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.0%	17.2%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

Note: Data is not available for years prior to June 30, 2017

Note: Covered-employee payroll above represents the amount for the year coinciding with the measurement date

**Moshannon Valley School District**

Schedule of District's OPEB Contributions (Unaudited)

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 41,816	\$ 42,815	\$ 38,250	\$ 41,259	\$ 40,322	\$ 39,634	\$ 34,524	\$ 42,706	\$ 36,839	\$ 34,166
Contributions in relation to the contractually required contribution	<u>(41,816)</u>	<u>(42,815)</u>	<u>(38,250)</u>	<u>(41,259)</u>	<u>(40,322)</u>	<u>(39,634)</u>	<u>(34,524)</u>	<u>(42,706)</u>	<u>(36,839)</u>	<u>(34,166)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 4,859,568	\$ 4,762,673	\$ 4,931,683	\$ 4,746,332	\$ 4,718,905	\$ 4,581,122	\$ 5,016,440	\$ 4,883,481	\$ 4,812,835	\$ 4,485,220
Contributions as a percentage of covered-employee payroll	0.86%	0.90%	0.78%	0.87%	0.85%	0.87%	0.69%	0.87%	0.77%	0.76%

## Moshannon Valley School District

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
Year Ended June 30, 2018

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 78,499
Interest cost	40,362
Changes of assumptions	46,774
Benefit payments, including refunds of member contributions	<u>(300,536)</u>
Net change in total OPEB liability	(134,901)
<b>Total OPEB Liability, Beginning</b>	<u>1,705,247</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 1,570,346</u>
<b>Covered-employee Payroll</b>	<u>\$ 4,694,558</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>33.45%</u>

The District implemented GASB Statement No. 75 during its year ended June 30, 2018. Information prior to 2018 year is not available.

### Notes:

#### Changes of Assumptions

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

#### Changes in Benefit Terms

Each year's loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

# Moshannon Valley School District

General Fund - Schedule of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2018

## Revenues

### Local sources:

#### Taxation:

##### Current taxation:

Real estate	\$ 2,527,721
Per capita tax	27,204
Earned income tax	573,412
Real estate transfers	37,782
Public utility realty tax	3,326

Total current taxation 3,169,445

Delinquent taxation 336,228

Total from taxation 3,505,673

Earnings from temporary investments and deposits 60,828

Miscellaneous revenue 128,471

IDEA Subsidy 143,211

Total local sources 3,838,183

### State sources:

Basic instructional subsidy	6,932,467
Tuition for orphans	46,688
Special education	735,412
Transportation	593,178
Rental payments	274,623
Medical and dental services	15,922
State property tax	325,890
Ready to Learn grant	216,577
Other grants	121,955
Social security subsidy	251,528
Retirement subsidy	1,110,643

Total state sources 10,624,883

### Federal sources:

ECIA Title I	277,007
Title II	29,132
Title IV	10,000
Other grants	65,750

Total federal sources 381,889

Total revenues 14,844,955

# Moshannon Valley School District

General Fund - Schedule of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2018

## Expenditures

### Instruction:

Regular programs	\$ 5,546,972
Special programs	1,836,919
Vocational education programs	724,514
Other instructional programs	<u>78,788</u>
Total instruction	<u>8,187,193</u>

### Support services:

Pupil personnel	310,222
Instructional staff	507,229
Administration	979,242
Pupil health	149,177
Business	178,041
Operation and maintenance of plant services	1,307,248
Student transportation	<u>961,911</u>
Total support services	<u>4,393,070</u>

### Non instructional services

416,773

### Facilities acquisition, construction and improvement services

208,022

### Debt service

1,251,374

### Total expenditures

14,456,432

## Excess of Revenues Over Expenditures Before Other Financing Uses

388,523

## Other Financing Uses

### Transfer out

(379,400)

### Excess of revenues over expenditures

9,123

## Fund Balance, Beginning

8,067,368

## Fund Balance, Ending

\$ 8,076,491

## Moshannon Valley School District

### Student Activities Fund - Schedule of Changes in Cash

Year Ended June 30, 2018

	<b>Beginning Balance July 1, 2017</b>	<b>Increase (Decrease)</b>	<b>Ending Balance June 30, 2018</b>
<b>Club</b>			
Interest (undistributed)	\$ 1	\$ -	\$ 1
Class of 2017	4,388	(4,388)	-
Class of 2018	1,306	5,002	6,308
Class of 2019	2,162	(1,988)	174
Class of 2020	2,173	933	3,106
Class of 2021	3,383	1,083	4,466
Class of 2022	2,075	1,067	3,142
Class of 2023	-	2,432	2,432
Art Club	801	368	1,169
Band	1,419	300	1,719
Cheerleading	1,038	(190)	848
Choral	3,006	(1,058)	1,948
Drama	6,324	5,370	11,694
French Club	1,265	-	1,265
History Club	4,170	(4,081)	89
Literature Club	66	(51)	15
Math Club	116	17	133
No Hate Club	131	-	131
National Honor Society	1,145	(35)	1,110
Reading Team	964	-	964
Ski Club	1,334	(947)	387
Spanish Club	2,365	(50)	2,315
Student Council	1,749	(140)	1,609
Strength and Conditioning	110	-	110
Varsity Club	1,062	250	1,312
Yearbook	10,014	(2,808)	7,206
<b>Total</b>	<b>\$ 52,567</b>	<b>\$ 1,086</b>	<b>\$ 53,653</b>

**Moshannon Valley School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass- through Grantors Number	Grant Period Code	Program or Award Amount	Total Received for Year	Accrued (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	(Deferred) Revenue at June 30, 2018	Expenditures to Subrecipients
<b>U.S. Department of Education</b>											
Passed through PA Department of Education:											
Title I, Part A:											
Title I	I	84.010	013-170268	A	\$ 238,284	\$ 125,796	\$ 125,796	\$ -	\$ -	\$ -	\$ -
Title I	I	84.010	013-180268	B	307,682	139,318	-	277,007	277,007	137,689	-
Total Title I, Part A						265,114	125,796	277,007	277,007	137,689	-
Title II	I	84.367	020-170268	A	51,764	10,822	10,822	-	-	-	-
Title II	I	84.367	020-180268	B	45,602	30,673	-	29,132	29,132	(1,541)	-
Total Title II						41,495	10,822	29,132	29,132	(1,541)	-
Title IV	I	84.424	144-180268	B	10,000	5,000	-	10,000	10,000	5,000	-
Total PA Department of Education						311,609	136,618	316,139	316,139	141,148	-
Passed through Central Intermediate Unit #10:											
Special Education Cluster (IDEA):											
Special Education - Grants to States	I	84.173	131-16-0-010	A	679	679	679	-	-	-	-
Special Education - Grants to States	I	84.173	131-17-0-010	B	978	978	-	978	978	-	-
Special Education - Grants to States	I	84.027	062-17-0-010	A	150,352	150,352	150,352	-	-	-	-
Special Education - Grants to States	I	84.027	062-18-0-010	B	142,233	-	-	142,233	142,233	142,233	-
Special Education - Grants to States	I	84.173	062-17-0-032	A	7,500	7,500	7,500	-	-	-	-
Total Special Education Cluster (IDEA)						159,509	158,531	143,211	143,211	142,233	-
Total U.S. Department of Education						471,118	295,149	459,350	459,350	283,381	-

**Moshannon Valley School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass- through Grantors Number	Grant Period Code	Program or Award Amount	Total Received for Year	Accrued (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	(Deferred) Revenue at June 30, 2018	Expenditures to Subrecipients
<b>U.S. Department of Health and Human Services</b>											
Passed through Pennsylvania Department of Public Welfare, Medicaid Cluster											
Administrative Claiming Quarterly Program	I	93.778	044-007268	B	\$ 750	\$ 750	\$ -	\$ 750	\$ 750	\$ -	\$ -
<b>U.S. Department of Agriculture</b>											
Passed Through Pa Department of Education:											
Child Nutrition Cluster											
National School Lunch Program	I	10.555	362-0000	A	Note 5	5,400	5,400	-	-	-	-
National School Lunch Program	I	10.555	362-0000	B	Note 5	216,889	-	216,889	216,889	-	-
National School Lunch Program	I	10.553	365-0000	A	Note 5	2,062	2,062	-	-	-	-
National School Lunch Program	I	10.553	365-0000	B	Note 5	81,021	-	81,021	81,021	-	-
Total PA Department of Education						305,372	7,462	297,910	297,910	-	-
Passed Through PA Department of Agriculture,											
National School Lunch Program	I	10.555	110-17-500-3	B	N/A	37,937	(7,136)	41,328	41,328	(3,745)	-
Total Child Nutrition Cluster						343,309	326	339,238	339,238	(3,745)	-
Fresh Fruit and Vegetable Program											
	I	10.582	362-0000	A	N/A	8,078	8,078	-	-	-	-
Total U.S. Department of Agriculture						351,387	8,404	339,238	339,238	(3,745)	-
Total						\$ 823,255	\$ 303,553	\$ 799,338	\$ 799,338	\$ 279,636	\$ -

See notes to schedule of expenditures of federal awards

# **Moshannon Valley School District**

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

## **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of the Moshannon Valley School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the 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"). Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

## **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## **3. Access Reimbursements**

Access reimbursements for direct medical services are classified as fee-for-service revenues and are not considered federal awards. The General Fund federal revenues include \$65,000 of Access reimbursements for direct medical services.

## **4. Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

## **5. National School Lunch Program**

The program amount for the national school lunch program is based on a set per meal reimbursement rate.

## **Moshannon Valley School District**

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

### **6. Source Code and Grant Period Code**

Source codes used in the schedule of expenditures of federal awards are as follows:

I = Indirect funding

Grant period codes used in the schedule of expenditures of federal awards are as follows:

A = 07/01/16 - 06/30/17

B = 07/01/17 - 06/30/18

### **7. Indirect Cost Rate**

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Governmental Auditing Standards***

Board of Directors  
Moshannon Valley School District

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 activity, each major fund, and the aggregate remaining fund information of Moshannon Valley School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2018. In our report, an emphasis of a matter paragraph was included, as more fully disclosed in Notes 1, 17

and 18 to the financial statements, to address the District's adoption of a new accounting principle and the correction of an error. Our opinion was not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness on the 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 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**

This 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.

*Baker Tilly Virchow Krause, LLP*

State College, Pennsylvania  
November 6, 2018

**Independent Auditors' Report on Compliance  
for the Major Federal Program and on  
Internal Control Over Compliance  
Required by the Uniform Guidance**

Board of Directors  
Moshannon Valley School District

**Report on Compliance for the Major Federal Program**

We have audited Moshannon Valley School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

## Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

*Baker Tilly Virchow Krause, LLP*

State College, Pennsylvania  
November 6, 2018

# Moshannon Valley School District

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

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## Section I - Summary of Auditors' Results

### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes     X  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes     X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes     X  no

### Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? \_\_\_\_\_ yes     X  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes     X  none reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes     X  no

Identification of major federal program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  X  yes    \_\_\_\_\_ no

## **Moshannon Valley School District**

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Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

### **Section II - Financial Statement Findings**

None.

### **Section III - Federal Award Findings and Questioned Costs**

None.

### **Section IV - Summary Schedule of Prior Year Audit Findings**

None.