

BEDFORD AREA SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
June 30, 2017

Ritchey, Ritchey & Koontz

CERTIFIED PUBLIC ACCOUNTANTS

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School Board

Bedford Area School District

We have performed the Single Audit of the Bedford Area School District for the fiscal year ended June 30, 2017, and have enclosed the Single Audit package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance. It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an examination of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the financial statements; 4. a review of compliance based on an audit of financial statements in accordance with Government Auditing Standards; and 5. a review of compliance with laws and regulations related to federal expenditures.

During the course of our audit, no conditions were discovered that required the issuance of a management letter to the District.

Very truly yours,

RITCHEY, RITCHEY & KOONTZ

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania

November 30, 2017

Ritchey, Ritchey & Koontz

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Bedford Area School District
Bedford, Pennsylvania

Please perform the following actions:

Present and approve the audit report at a School Board Meeting.

Advertise the availability of the audit report in a newspaper of general circulation.

Please distribute copies as follows:

One (1) Copy, electronically filed to

RA-BOASingleAudit@state.pa.us
Commonwealth of Pennsylvania
Bureau of Audits
Special Audit Services Division
Forum Place - 8th Floor
555 Walnut Street
Harrisburg, PA 17101

One (1) Copy, along with the Form SF-SAC, electronically filed to:

Single Audit Clearinghouse
1201 E 10th St
Jeffersonville IN 47132-0001

One (1) Copy:

To remain open for public inspection in the School District office.

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Independent Auditor's Report

School Board
Bedford Area School District
Bedford, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bedford Area School District, as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bedford Area School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, budgetary comparison information on page 46, schedule of the district's proportionate share of the net pension liability on page 49, and schedule of district contributions –Pennsylvania State Employees Retirement System on page 50 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 Bedford Area School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the Bedford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bedford Area School District's internal control over financial reporting and compliance.

Very truly yours,

RITCHEY, RITCHEY & KOONTZ

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
November 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2017**

The discussion and analysis of the Bedford Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The trends of prior years indicated that during the fiscal year 2016-2017, the Bedford Area School District would experience another year of increases in the costs for health care benefits. Contractual salary increases also played a major role in the budgeted expenditure increases. In the budgeting process, the Board of School Directors created a budget with a tax increase to our taxpayers. Millage increased from 8.9361 to 9.222. This resulted in a budget with a \$982,005 deficit. The actual results of operation showed that the budgeted expenditures were less than actual expenditures and that revenues received were in excess of the budgeted amount.

USING THE ANNUAL FINANCIAL REPORT (AFR)

The AFR consists of an Introductory Section, a Financial Section, and a Footnotes Section that provide additional information regarding the District. Within this Financial Section are the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Bedford Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

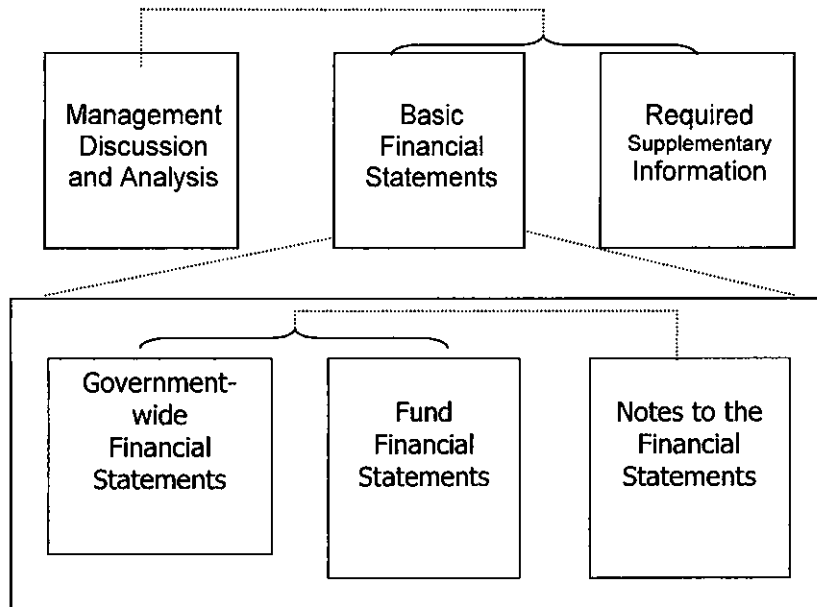
**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Bedford Area School District's
Financial Report



**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Bedford Area School District's
Government-wide and Fund Financial Statements
Fund Statements

	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Activity Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow- outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities** – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

Fiduciary funds - The District is the trustee, or fiduciary, for some student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
Fiscal Years ended June 30, 2017 and 2016
Net Position

	Governmental Activities <u>2015-2016</u>	Governmental Activities <u>2016-2017</u>	Business-type Activities <u>2015-2016</u>	Business-type Activities <u>2016-2017</u>	Total <u>2015-2016</u>	Total <u>2016-2017</u>
Current and other assets	11,851,825	12,136,722	160,736	109,212	12,012,561	12,245,934
Capital assets	<u>26,955,660</u>	<u>25,908,029</u>	<u>38,471</u>	<u>31,856</u>	<u>26,994,131</u>	<u>25,939,885</u>
Total assets	<u>38,807,485</u>	<u>38,044,751</u>	<u>199,207</u>	<u>141,068</u>	<u>39,006,692</u>	<u>38,185,819</u>
Current and other liabilities	6,749,621	6,738,232	534,838	562,578	7,284,459	7,300,810
Long-term liabilities	<u>54,997,940</u>	<u>58,668,587</u>	<u>0</u>	<u>0</u>	<u>54,997,940</u>	<u>58,668,587</u>
Total Liabilities	<u>61,747,561</u>	<u>65,406,819</u>	<u>534,838</u>	<u>562,578</u>	<u>62,282,399</u>	<u>65,969,397</u>
Net Position						
Net investment in capital assets	5,880,660	6,388,029	38,471	31,856	5,919,131	6,419,885
Restricted	2,626,343	2,298,349	0	0	2,626,343	2,298,349
Unrestricted	<u>(29,757,674)</u>	<u>(30,239,423)</u>	<u>(374,102)</u>	<u>(453,366)</u>	<u>(30,131,776)</u>	<u>(30,692,789)</u>
Total Net Position	<u>(21,250,671)</u>	<u>(21,553,045)</u>	<u>(335,631)</u>	<u>(421,510)</u>	<u>(21,586,302)</u>	<u>(21,974,555)</u>

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is undesignated amounts.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Fiscal Years ended June 30, 2017 and 2016
Changes in Net Position

	Governmental <u>Activities</u> <u>2015-2016</u>	Governmental <u>Activities</u> <u>2016-2017</u>	Business-type <u>Activities</u> <u>2015-2016</u>	Business-type <u>Activities</u> <u>2016-2017</u>	<u>Total</u> <u>2015-2016</u>	<u>Total</u> <u>2016-2017</u>
Revenues						
Program revenues						
Charges for services	90,650	89,615	462,383	423,704	553,033	513,319
Operating grants and contributions	7,295,442	7,307,181	675,303	713,973	7,970,745	8,021,154
Capital grants and contributions	0	0	0	0	0	0
General revenues	0	0	0	0	0	0
Local taxes	12,416,590	12,962,205	0	0	12,416,590	12,962,205
Investment earnings	19,440	46,947	0	0	19,440	46,947
Grants, subsidies and contributions, unrestricted	7,950,875	8,904,523	0	0	7,950,875	8,904,523
Special item	0	0	0	0	0	0
Other	<u>112,315</u>	<u>254,476</u>	<u>0</u>	<u>0</u>	<u>112,315</u>	<u>254,476</u>
Total revenues	<u>27,885,312</u>	<u>29,564,947</u>	<u>1,137,686</u>	<u>1,137,677</u>	<u>29,022,998</u>	<u>30,702,624</u>
Expenses						
Instruction	16,460,859	17,290,740	0	0	16,460,859	17,290,740
Instructional student support	1,658,750	1,890,013	0	0	1,658,750	1,890,013
Administrative and financial support	3,478,672	3,908,145	0	0	3,478,672	3,908,145
Operation and maintenance of plant	1,985,192	2,081,193	0	0	1,985,192	2,081,193
Pupil transportation	2,184,245	2,136,756	0	0	2,184,245	2,136,756
Student activities	583,664	616,585	0	0	583,664	616,585
Community services	42,796	38,427	0	0	42,796	38,427
Scholarships/Awards	0	0	0	0	0	0
Interest on long-term debt	841,241	514,591	0	0	841,241	514,591
Refund of Prior Year Receipts	24,146	9,042	0	0	24,146	9,042
Depreciation - Unallocated	1,388,473	1,381,829	0	0	1,388,473	1,381,829
Food Services	<u>0</u>	<u>0</u>	<u>1,233,746</u>	<u>1,223,556</u>	<u>1,233,746</u>	<u>1,223,556</u>
Total expenses	<u>28,648,038</u>	<u>29,867,321</u>	<u>1,233,746</u>	<u>1,223,556</u>	<u>29,881,784</u>	<u>31,090,877</u>
Increase (decrease) in net position	<u><u>(762,726)</u></u>	<u><u>(302,374)</u></u>	<u><u>(96,060)</u></u>	<u><u>(85,879)</u></u>	<u><u>(858,786)</u></u>	<u><u>(388,253)</u></u>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Years ended June 30, 2017 and 2016
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services 2015-2016</u>	<u>Total Cost of Services 2016-2017</u>	<u>Net Cost of Services 2015-2016</u>	<u>Net Cost of Services 2016-2017</u>
Instruction	16,460,859	17,290,740	12,082,541	12,939,284
Instructional student support	1,658,750	1,890,013	1,183,111	1,380,098
Administrative	3,478,672	3,908,145	2,553,402	2,924,606
Operation and maintenance	1,985,192	2,081,193	1,985,192	2,081,193
Pupil transportation	2,184,245	2,136,756	668,030	674,486
Student activities	583,664	616,585	493,014	526,970
Community services	42,796	38,427	42,796	38,427
Scholarships/Awards	0	0	0	0
Interest on long-term debt	841,241	514,591	841,241	514,591
Refund of prior year receipts	24,146	9,042	24,146	9,042
Depreciation – unallocated	<u>1,388,473</u>	<u>1,381,829</u>	<u>1,388,473</u>	<u>1,381,829</u>
Total governmental activities	<u>28,648,038</u>	<u>29,867,321</u>	21,261,946	22,470,526
Less:				
Unrestricted grants, subsidies			<u>7,950,875</u>	<u>8,904,523</u>
Total needs from local Taxes and other revenues			<u>13,311,071</u>	<u>13,566,003</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Years ended June 30, 2017 and 2016
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services 2015-2016</u>	<u>Total Cost of Services 2016-2017</u>	<u>Net Cost of Services 2015-2016</u>	<u>Net Cost of Services 2016-2017</u>
Food Services	<u>1,233,746</u>	<u>1,223,556</u>	(96,060)	(85,879)
Less:				
Investment earnings			<u>0</u>	<u>0</u>
Total business-type activities			<u>(96,060)</u>	<u>(85,879)</u>

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will further detail the actual results of operations.

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

THE DISTRICT FUNDS

At June 30, 2017, the District governmental funds reported a combined fund balance of \$6,552,879 which is an increase of \$319,529 from June 30, 2016. The primary reasons for this decrease are specific to the General Fund and the Capital Projects Fund:

General Fund:

The actual expenditures of the District were less than the budgeted amount and revenues for the year totaled more than the budgeted amount. This resulted in an increase of \$639,422 for the 2016-2017 school term. The total fund balance for the general fund is \$4,235,892.

Capital Projects Fund:

The Capital Projects Fund, fund balance decreased by a total of \$327,994. This decrease was the result of capital projects fund expenditures. The total fund balance for the capital projects fund was \$2,298,349.

Other Funds:

The athletic fund has a fund balance of \$18,638 as of June 30, 2017.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) has the ability to authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments for the Bedford Area School District are confirmed during the next fiscal year after all adjusting entries have been finalized. A minimum number of budgetary transfers occurred at the end of the 2016-2017 school term due to the structure of the budget. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased as a result of additional approved grants.

Budgeted expenditures also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

The Budgetary Reserve is an undesignated fund balance for unplanned occurrences that could not be foreseen in the budgeting process. Preparation is taking place to designate portions of the fund balance for expenditures with significant annual percentage increases, such as retirement. Designated portions of the fund balance will be used to offset these rising costs and help to avoid an additional burden to local taxpayers. For fiscal years in which actual revenues exceed actual expenditures, the excess funds will be held in fund balance or transferred to the capital reserve fund for capital projects, or shared between the two funds. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

**BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA**

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2017, the District had \$59,029,780 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions and deletions) of \$330,159 from last year.

Table A-5
Governmental Activities
Capital assets - net of depreciation

	2017	2016	2015
Land	657,390	657,390	657,390
Buildings	24,190,960	25,399,613	26,608,266
Furniture & Equipment	816,404	595,682	523,345
Site Improvements	243,275	302,975	40,375

DEBT ADMINISTRATION

As of July 1, 2016, the District had total outstanding bond principal of \$21,075,000. During the year, the District made payments against principal of outstanding bonds of \$1,555,000. Outstanding debt as of June 30, 2017 is \$19,520,000.

Table A-6
Outstanding Debt

	2017	2016	2015
General Obligation Bonds:			
- Bonds, Series of 2010A	0	0	7,965,000
- Bonds, Series of 2010B	0	0	4,130,000
- Bonds, Series of 2013	5,390,000	6,090,000	6,770,000
- Bonds, Series of 2014	2,595,000	2,930,000	3,260,000
- Bonds, Series of 2015A	8,290,000	8,295,000	0
- Bonds, Series of 2015B	3,245,000	3,760,000	0

Other obligations include accrued sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District does not expect significant growth in the near future. There is hope that the industry located in our area will provide more economic stability.

The revenue budget for the 2017-2018 year is \$28,673,009, which is \$268,932 more than the original budget for 2016-2017. The expenditure budget for the 2017-2018 year is \$29,924,974, which is \$538,982 more than the original budget for 2016-2017. The District will draw on the fund balance to satisfy the difference in expenditures and revenues.

BEDFORD AREA SCHOOL DISTRICT
BEDFORD, PENNSYLVANIA

The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	2017-2018	2016-2017	2015-2016
Local	47.84%	46.28%	46.59%
State	48.45%	48.96%	48.91%
Federal/Other	3.71%	4.76%	4.50%

BUDGETED EXPENDITURES

	2017-2018	2016-2017	2015-2016
Instruction	58.94%	58.76%	58.72%
Support Services	31.85%	32.37%	32.38%
Non-Instruction/Community	2.02%	1.60%	1.64%
Fund Transfers/Debt	7.20%	7.27%	7.27%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Christina K. Robosson, Business Manager, at Bedford Area School District, 330 East John Street, Bedford, PA 15522, (814) 623-4290.

FINANCIAL STATEMENTS

BEDFORD AREA SCHOOL DISTRICT
Statement of Net Position
As of June 30, 2017

	Government Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 9,561,572	\$ 61,315	\$ 9,622,887
Taxes receivable, net	784,417	0	784,417
Due from other governments	1,311,202	10,402	1,321,604
Other receivables	479,531	3,203	482,734
Inventories	<u>0</u>	<u>34,292</u>	<u>34,292</u>
Total current assets	<u>12,136,722</u>	<u>109,212</u>	<u>12,245,934</u>
Non Current Assets			
Land & site improvements (net of accumulated depreciation)	900,665	0	900,665
Building & building improvements (net of accumulated depreciation)	24,190,960	0	24,190,960
Furniture & equipment (net of accumulated depreciation)	<u>816,404</u>	<u>31,856</u>	<u>848,260</u>
Total non current assets	<u>25,908,029</u>	<u>31,856</u>	<u>25,939,885</u>
Total Assets	\$ <u>38,044,751</u>	\$ <u>141,068</u>	\$ <u>38,185,819</u>
DEFERRED OUTFLOWS OF RESOURCES			
	\$ <u>6,668,023</u>	\$ <u>0</u>	\$ <u>6,668,023</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Net Position
As of June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,290,895	\$ 460,516	\$ 2,751,411
Accrued interest	99,768	0	99,768
Deferred revenue	0	26,391	26,391
Current portion of long term debt	1,605,000	0	1,605,000
Accrued salaries & benefits	<u>2,742,569</u>	<u>75,671</u>	<u>2,818,240</u>
Total current liabilities	<u>6,738,232</u>	<u>562,578</u>	<u>7,300,810</u>
Non Current Liabilities			
Bonds payable	17,915,000	0	17,915,000
Net pension liability	39,447,000	0	39,447,000
Other post employment benefits payable	628,329	0	628,329
Long term portion of compensated absences	<u>678,258</u>	<u>0</u>	<u>678,258</u>
Total non current liabilities	<u>58,668,587</u>	<u>0</u>	<u>58,668,587</u>
Total Liabilities	\$ <u>65,406,819</u>	\$ <u>562,578</u>	\$ <u>65,969,397</u>
DEFERRED INFLOWS OF RESOURCES			
	\$ <u>859,000</u>	\$ <u>0</u>	\$ <u>859,000</u>
NET POSITION			
Net investment in capital assets	6,388,029	31,856	6,419,885
Restricted for: Capital projects	2,298,349	0	2,298,349
Unrestricted	(30,239,423)	(453,366)	(30,692,789)
Total net position	\$ <u>(21,553,045)</u>	\$ <u>(421,510)</u>	\$ <u>(21,974,555)</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Activities
For the year ended June 30, 2017

		Program Revenues			Net (Expense) Revenue & Changes in Net Position			
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction	\$ 17,290,740	\$ 0	\$ 0	\$ 4,351,456	\$ 0	\$(12,939,284)	\$ 0	\$(12,939,284)
Instructional student support	1,890,013	0	0	509,915	0	(1,380,098)	0	(1,380,098)
Administrative & financial support	3,908,145	0	0	983,539	0	(2,924,606)	0	(2,924,606)
Operation & maintenance of plant services	2,081,193	0	0	0	0	(2,081,193)	0	(2,081,193)
Pupil transportation	2,136,756	0	0	1,462,270	0	(674,486)	0	(674,486)
Student activities	616,585	0	89,615	0	0	(526,970)	0	(526,970)
Community services	38,427	0	0	0	0	(38,427)	0	(38,427)
Scholarships & awards	0	0	0	0	0	0	0	0
Interest on long term debt	514,591	0	0	0	0	(514,591)	0	(514,591)
Refund of prior year receipts	9,042	0	0	0	0	(9,042)	0	(9,042)
Depreciation & amortization-unallocated	<u>1,381,829</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,381,829)</u>	<u>0</u>	<u>(1,381,829)</u>
Total Governmental Activities	29,867,321	0	89,615	7,307,180	0	(22,470,526)	0	(22,470,526)
Business-type activities								
Food service	<u>1,223,556</u>	<u>0</u>	<u>423,704</u>	<u>713,973</u>	<u>0</u>	<u>0</u>	<u>(85,879)</u>	<u>(85,879)</u>
Total	<u>\$ 31,090,877</u>	<u>\$ 0</u>	<u>\$ 513,319</u>	<u>\$ 8,021,153</u>	<u>\$ 0</u>	<u>(22,470,526)</u>	<u>(85,879)</u>	<u>(22,556,405)</u>
General Revenues:								
Taxes:								
Property taxes, levied for general purposes, net						9,510,077	0	9,510,077
Other taxes						3,452,128	0	3,452,128
Grants, subsidies, & contributions, not restricted						8,904,523	0	8,904,523
Investment earnings						46,947	0	46,947
Miscellaneous income						<u>254,477</u>	<u>0</u>	<u>254,477</u>
Total General Revenues						<u>22,168,152</u>	<u>0</u>	<u>22,168,152</u>
Change in Net Position						(302,374)	(85,879)	(388,253)
Net position – beginning						<u>(21,250,671)</u>	<u>(335,631)</u>	<u>(21,586,302)</u>
Net position - ending						<u>\$(21,553,045)</u>	<u>\$(421,510)</u>	<u>\$(21,974,555)</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Balance Sheet – Governmental Funds
As of June 30, 2017

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 7,243,995	\$ 2,298,349	\$ 19,229	\$ 9,561,573
Taxes receivable, net	234,038	0	0	234,038
Due from other funds	475,106	0	0	475,106
Due from other governments	1,311,202	0	0	1,311,202
Other receivables	2,433	0	0	2,433
Prepaid expenses	<u>2,582</u>	<u>0</u>	<u>0</u>	<u>2,582</u>
Total assets	\$ <u>9,269,356</u>	\$ <u>2,298,349</u>	\$ <u>19,229</u>	\$ <u>11,586,934</u>
LIABILITIES				
Due to other funds	\$ 0	\$ 0	\$ 591	\$ 591
Accounts payable	2,290,895	0	0	2,290,895
Accrued salaries & benefits	<u>2,742,569</u>	<u>0</u>	<u>0</u>	<u>2,742,569</u>
Total liabilities	<u>5,033,464</u>	<u>0</u>	<u>591</u>	<u>5,034,055</u>
FUND BALANCE				
Restricted for:				
Capital projects	0	2,298,349	0	2,298,349
Committed for:				
Medical insurance	655,327	0	0	655,327
Retirement	700,841	0	0	700,841
Compensated absences	577,305	0	0	577,305
Athletic fund	0	0	18,638	18,638
Unassigned	<u>2,302,419</u>	<u>0</u>	<u>0</u>	<u>2,302,419</u>
Total fund balance	<u>4,235,892</u>	<u>2,298,349</u>	<u>18,638</u>	<u>6,552,879</u>
Total Liabilities & Fund Balance	\$ <u>9,269,356</u>	\$ <u>2,298,349</u>	\$ <u>19,229</u>	\$ <u>11,586,934</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

As of June 30, 2017

Total Fund Balance, Governmental Funds \$ 6,552,879

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$59,029,780 and the accumulated depreciation is \$33,121,751. 25,908,029

Taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the governmental funds. 550,379

Deferred outflows related to pension activity are applicable to future reporting periods and, therefore, are not required to be reported in the governmental funds. 6,668,023

Deferred inflows related to pension activity are applicable to future reporting periods and, therefore, are not required to be reported in the governmental funds. (859,000)

Non current liabilities, including bonds payable and net pension liability, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Non current liabilities consist of:

Bonds payable	\$(19,520,000)
Net pension liability	(39,447,000)
Accrued interest on the bonds	(99,768)
Other post employment benefits	(628,329)
Compensated absences	<u>(678,258)</u>

Total (60,373,355)

Total Net Position – Governmental Activities \$(21,553,045)

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

As of June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 13,855,299	\$ 6,204	\$ 89,615	\$ 13,951,118
State sources	13,958,865	0	0	13,958,865
Federal sources	<u>1,635,871</u>	<u>0</u>	<u>0</u>	<u>1,635,871</u>
Total revenues	<u>29,450,035</u>	<u>6,204</u>	<u>89,615</u>	<u>29,545,854</u>
Expenditures				
Instruction	16,791,497	0	0	16,791,497
Support services	9,375,314	0	0	9,375,314
Noninstructional services	495,809	0	143,209	639,018
Capital outlay	0	334,198	0	334,198
Refund of prior year receipts	9,042	0	0	9,042
Debt service (principal & interest)	<u>2,077,256</u>	<u>0</u>	<u>0</u>	<u>2,077,256</u>
Total expenditures	<u>(28,748,918)</u>	<u>(334,198)</u>	<u>(143,209)</u>	<u>(29,226,325)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>701,117</u>	<u>(327,994)</u>	<u>(53,594)</u>	<u>319,529</u>
Other Financing Sources (Uses)				
Refunding bonds issued	0	0	0	0
Payment of refunded bonds	0	0	0	0
Interfund transfers	<u>(61,695)</u>	<u>0</u>	<u>61,695</u>	<u>0</u>
Total other financing sources (uses)	<u>(61,695)</u>	<u>0</u>	<u>61,695</u>	<u>0</u>
Net Change in Fund Balances	639,422	(327,994)	8,101	319,529
Fund Balance, July 1, 2016	<u>3,596,470</u>	<u>2,626,343</u>	<u>10,537</u>	<u>6,233,350</u>
Fund Balance, June 30, 2017	\$ <u>4,235,892</u>	\$ <u>2,298,349</u>	\$ <u>18,638</u>	\$ <u>6,552,879</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities
As of June 30, 2017

Total net change in fund balances, governmental funds \$ 319,529

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$(1,381,829)	
Capital outlays	<u>334,198</u>	
Total		(1,047,631)

Because some property taxes and other accounts receivable will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues and other accounts receivable decreased by this amount.	19,092
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.	1,555,000
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An increase or decrease in long term compensated absences is treated as an increase or reduction of expenses on statement of activities. During the year long term absences increased by this amount.	(100,953)
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An increase or decrease in other post employment benefits is treated as an increase or reduction of expenses on the statement of activities. During the year other post employment benefits increased by this amount.	(336,694)
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District pension contributions are reported as expenditures in the governmental funds when made. Pension expense in the statement of activities is based on the change in the net pension liability. District pension contributions in the funds are \$3,045,023 and pension expense in the statement of activities is \$3,763,405.	(718,382)
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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. Interest expense on the statement of activities is less than the amount shown in the governmental funds by this amount.	<u>7,665</u>
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Change in Net Position of Governmental Activities	\$ <u>(302,374)</u>
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The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund – Food Service
As of June 30, 2017

ASSETS

Current Assets

Cash & cash equivalents	\$ 61,315
Due from other funds	470
Due from other governments	10,402
Other receivables	2,733
Inventory	<u>34,292</u>

Total current assets	\$ 109,212
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Non Current Assets

Furniture & equipment (net of accumulated depreciation)	<u>31,856</u>
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Total Assets	\$ <u>141,068</u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 2,462
Accrued salaries & benefits	75,671
Due to other funds	458,054
Deferred revenue	<u>26,391</u>

Total Liabilities	\$ 562,578
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NET POSITION

Net investment in capital assets	31,856
Unrestricted	<u>(453,366)</u>

Total Net Position	<u>(421,510)</u>
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Total Liabilities and Net Position	\$ <u>141,068</u>
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The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Fund – Food Service
As of June 30, 2017

Operating Revenues

Food service revenue	\$ 423,704
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Operating expenses

Salaries	\$ 387,728
Employee benefits	342,795
Purchase professional and technical service	3,366
Supplies	473,311
Depreciation	6,615
Other	<u>9,741</u>

Total operating expenses	<u>(1,223,556)</u>
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Operating income (loss)	(799,852)
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Non operating revenues

State sources	108,612
Federal sources	<u>605,361</u>

Total non operating revenues	<u>713,973</u>
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Change in Net Position	(85,879)
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Total Net Position, July 1, 2016	<u>(335,631)</u>
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Total Net Position, June 30, 2017	\$ <u>(421,510)</u>
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The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund – Food Service
As of June 30, 2017
Page 1 of 2

Cash Flows from Operating Activities

Cash from users	\$ 422,015	
Cash payment to employees for services	(704,667)	
Cash payments to suppliers for goods and services	(478,698)	
Cash payments for other operating expenses	<u>(1,985)</u>	
Net cash provided by (used for) operating activities		(763,335)

Cash Flows from Non Capital Financing Activities

State sources	108,599	
Federal sources	<u>608,268</u>	
Net cash provided by (used for) non capital financing activities		<u>716,867</u>
Net Decrease in Cash and Cash Equivalents		(46,468)
Cash and Cash Equivalents, July 1, 2016		<u>107,783</u>
Cash and Cash Equivalents, June 30, 2017		\$ <u>61,315</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund – Food Service
As of June 30, 2017
Page 2 of 2

Reconciliation of Operating Income to Cash Provided by
(Used for) Operating Activities

Operating (Loss) (799,852)

Adjustments to Reconcile Operating Income to Net Cash
Provided by Operating Activities

Depreciation	\$ 6,615
Increase in accounts receivable	(1,111)
Decrease in inventories	3,273
Increase in other accounts payable	34,118
Decrease in accrued salaries & benefits	(5,799)
Decrease in other liabilities	<u>(579)</u>

Total adjustments 36,517

(Used for) Operating Activities \$(763,335)

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
As of June 30, 2017

	Activity <u>Fund</u>	Other Agency <u>Funds</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash & cash equivalents	\$ <u>104,865</u>	\$ <u>2,332</u>	\$ <u>107,197</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 104,865	\$ 2,332	\$ 107,197
NET POSITION			
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Position	\$ <u>104,865</u>	\$ <u>2,332</u>	\$ <u>107,197</u>

The accompanying notes are an integral part of this statement.

BEDFORD AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bedford Area School District provides elementary and secondary education to approximately 2,050 students in southern Bedford County. The District is a municipal branch of the State of Pennsylvania. The District is governed by a nine member elected school board.

General

The accounts of the School District are maintained, and the accompanying financial statements have been prepared on the basis of accounting practices prescribed or permitted by the *Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems*, issued by the Pennsylvania Department of Education in accordance with the provisions of the school laws of Pennsylvania.

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

Reporting Entity

The District is controlled by a School Board which has oversight responsibility over the public education activities in the School District. The Board is not included in any other governmental reporting entity as defined by GASB Statement No. 14, because Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the District is recognized as a primary government in accordance with accounting principles generally accepted in the United States of America.

The report includes all of the services provided by the District to residents within its boundaries. These services include providing educational services to kindergarten, elementary and secondary aged children. In evaluating the District as a primary government in accordance with GASB Statement 14, Financial Reporting Entity, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the District reviews the applicability of the following criteria:

The District is financially accountable for:

1. Organizations that make up the legal municipal entity.
2. Legally separate organizations, if the District appoints a voting majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District.
 - a. Impose its Will - If the District can significantly influence the programs, projects, or activities of, or the level of services performed by, the organization.
 - b. Financial Benefit or Burden - Exists if the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the District.

Based upon the application of these criteria, no potential component units were required to be addressed in defining the government's reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and state and federal subsidies, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by programs revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, amounts due from other governments, interest and miscellaneous fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The accounts of the School District are organized on the basis of funds or account groups, each of which is considered as a separate entity. Thus, the operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The funds used by the School District include:

-- Governmental Fund Types

These are the funds through which most governmental functions are furnished. The School District's major funds included in this category are:

- * General Fund - Accounts for all financial resources except those required to be accounted for in other funds.
- * Capital Projects Fund - Accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports the following non-major governmental fund:

- * Athletic Fund -- Accounts for the revenue and expenditures of athletic activities.

-- Proprietary Fund Type -

This type of fund accounts for operations that are financed and operated in a manner similar to private business enterprises. The School District's major proprietary fund is:

- * Enterprise Fund - Accounts for all financial resources associated with the operation of food services.

-- Fiduciary Fund Type, Agency Fund --

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's agency fund is:

- * Activities Fund -- Accounts for funds held by student groups in activity accounts.
- * Other Agency Funds -- These are scholarship funds donated to the District to be awarded to worthy students to use for post secondary education.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Internally dedicated resources are reported as *general revenues* rather than program revenues. Therefore, general revenues include all taxes.

The District's proprietary fund distinguishes operating revenues from non operating items. Operating revenues and expenses generally result from the provision of services. The principle operating revenues of the District's cafeteria are from charges for food services. Operating expenses for the cafeteria include the cost of food, salaries and related costs, depreciation and administrative expenses. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Use of Estimates

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

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within ninety days of the date acquired by the District.

The School Code authorizes the District to invest in obligations of the United States, obligations of the Commonwealth of Pennsylvania or to deposit funds in federally insured banking institutions. If deposits in banking institutions exceed the federally insured amounts, the banking institution must post additional collateral to secure District deposits.

Inventories, Materials, and Supplies

Materials and supplies of the general fund are expensed as purchased. Year end inventories of these items were not material to the financial statements. The cafeteria inventory is expensed on a first-in, first-out basis and valued at the lower of cost or market.

Capital Assets

Capital assets including land, land improvements, buildings and equipment, and library and texts, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of one year. These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred (if any) during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during this fiscal year.

Land improvements, buildings and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings	20-40 years
Land improvements	20-40 years
Equipment	5-15 years

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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

Deferred Outflows and Inflows of Resources

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

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

Net Position – Statement of Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Fund Balance – Governmental Funds Balance Sheet

GASB 54 has defined fund balance classifications as follows:

Non spendable – amounts that cannot be spent because they are in a non spendable form (prepaid expenses) or legally or contractually required to be maintained intact.

Restricted – amounts limited by external parties or by law through constitutional provisions or enabling legislation.

Committed – amounts designated by the School Board as required for future use.

Assigned – amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of amounts intended for costs expected to be incurred in the future.

Unassigned – amounts available for current use, not restricted in any manner.

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,045,023 for the year ended June 30, 2017.

Property Tax Calendar

Preliminary property tax assessments are set by the School Board at the May board meeting of each fiscal year. These assessments are finalized at the meeting in June. Notices of property taxes due are mailed to residents on July 1. Taxes at discount are due on or before September 30; taxes at face value are due on or before November 30; and taxes with penalty are due to the District's tax collector on or before December 31. On that date, delinquent accounts are turned over to the County for collection.

Subsequent Events

Subsequent events have been considered through November 30, 2017, which is the date the financial statements were available to be issued.

2. BUDGETING

The District is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

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

- * Because the District intends to raise property taxes at or below a State prescribed index, the School Board passes a resolution by January 3 of the preceding year and properly notifies the State.
- * Prior to May of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- * A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget after 30 days public notice of the meeting has been given.
- * Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
- * The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

The appropriated budget is prepared by fund, function and object. The legal level of control is at the total fund expenditure level. Management is authorized to make budget transfers between functions and objects. Annual appropriations lapse at year end.

3. CASH AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. The deposit and investment policy of the District adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits, highly liquid money market funds or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT) or Pennsylvania School District Liquid Asset Fund (PSDLAF) and are captioned as "cash and cash equivalents" on the balance sheet. These investments are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

Deposits

At June 30, 2017, the deposits of the District can be categorized to indicate the level of risk assumed. Category 1 includes bank balances that are insured or collateralized by insured or registered securities held by the government or its agent in the government's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 includes bank balances collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name. The District's deposits in money market funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. At June 30, 2017, the District's deposits were as follows:

Cash and Cash Equivalents

	Fair Value\ Carrying Amount	Category 1	Uncategorized
Governmental Fund - General Fund			
Cash in banks	\$ 3,701,731	\$ 3,701,731	\$ 0
Money Market Funds:			
PSDLAF	3,534,537	0	3,534,537
PLGIT	<u>7,727</u>	<u>0</u>	<u>7,727</u>
Total	\$ <u>7,243,995</u>	\$ <u>3,701,731</u>	\$ <u>3,542,264</u>

Governmental Fund - Capital Projects Fund

Cash in banks	\$ <u>2,298,349</u>	\$ <u>2,298,349</u>	\$ <u>0</u>
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Governmental Fund - Special Revenue Fund - Athletic Fund

Cash in banks	\$ <u>19,229</u>	\$ <u>19,229</u>	\$ <u>0</u>
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Business-type Activity - Enterprise Fund – Food Service

Cash on hand	\$ <u>61,315</u>	\$ <u>61,315</u>	\$ <u>0</u>
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Fiduciary Fund – Activity Funds – Other Agency Funds

Cash in banks	\$ <u>107,197</u>	\$ <u>107,197</u>	\$ <u>0</u>
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4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Land & site improvements	\$ 2,618,112	\$ 0	\$ 2,618,112
Buildings & building improvements	\$ 49,863,428	\$ 0	\$ 49,863,428
Furniture & equipment	\$ 6,218,081	\$ 330,159	\$ 6,548,240
Food service – furniture & equipment	\$ 728,963	\$ 0	\$ 728,963

During the year ending June 30, 2017, the District had network improvements of \$218,475, HVAC improvements of \$84,600 and purchased a van for \$31,123. Retirements of obsolete equipment totaled \$4,039.

	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land & site improvements	\$ 2,618,112	\$ (1,717,447)	\$ 900,665
Buildings & building improvements	\$ 49,863,428	\$ (25,672,468)	\$ 24,190,960
Furniture & equipment	\$ 6,548,240	\$ (5,731,836)	\$ 816,404
Food service – furniture & equipment	\$ 728,963	\$ (697,107)	\$ 31,856

Depreciation expense of \$1,381,829 was charged to general government activities, and depreciation expense of \$6,615 was charged to business type activities.

5. CHANGES IN GENERAL LONG TERM DEBT

The District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District. All payments of principal and interest on General Obligation Bonds are paid by the General Fund. Changes in general long term debt for the year ending June 30, 2017 were as follows:

	<u>Bonds Payable</u>
Balance at July 1, 2016	\$ 21,075,000
Payment of General Obligation Bonds	<u>(1,555,000)</u>
Balance at June 30, 2017	19,520,000
Less: current portion	<u>(1,605,000)</u>
Long-term obligation	\$ <u>17,915,000</u>

6. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District has adopted the following policies to accrue and account for these benefits.

- * The District accrues a liability for vacation leave that was earned, but not used, during the current or prior periods and for which employees can receive compensation in a future period.
- * The District accrues a liability for sick leave as the benefits are earned, if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on an employee's termination or retirement.

Additionally, the current portion of the liability is reflected on the District's balance sheet if it is to be paid from expendable, available financial resources.

In accordance with the aforementioned, the District's compensated absences activity for the year was as follows:

Balance at July 1, 2016	\$ 577,305
Increase for the year	<u>100,953</u>
Balance at June 30, 2017	\$ <u>678,258</u>

This amount is shown as a non current liability on the statement of net position as of June 30, 2017.

7. INTERFUND TRANSACTIONS

Interfund transactions are reflected in the governmental fund statements. During the year, the general fund transferred \$61,695 to the special revenue-athletic fund to support student athletics.

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

At June 30, 2017, the District reported a liability of \$39,447,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .0796 percent, which was a decrease of .0003 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$3,763,405. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 329,000
Changes in assumptions	1,424,000	0
Net difference between projected and actual earnings	2,199,000	0
Changes in proportion	0	530,000
Contributions made subsequent to the measurement date	<u>3,045,023</u>	<u>0</u>
Total	\$ <u>6,668,023</u>	\$ <u>859,000</u>

\$3,045,023 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

2017	\$ 437,000
2018	437,000
2019	1,088,000
2020	802,000

Actuarial assumptions

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

- * Actuarial cost method – Entry Age Normal – level percent of pay

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- * The Investment Rate of Return was adjusted from 7.5 percent to 7.25 percent
- * The inflation assumption was decreased from 3 percent to 2.75 percent
- * Salary growth changed from an effective average of 5.50 percent, which was comprised of inflation of 3.00 percent, real wage growth and for merit or seniority increases of 2.5 percent, to an effective average of 5 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- * Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females was modified to 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 actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPS	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	<u>100%</u>	

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

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. 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 net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of The net pension liability	\$ <u>48,255,000</u>	\$ <u>39,477,000</u>	\$ <u>32,046,000</u>

Pension plan fiduciary net position

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

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In accordance with various labor and employment agreements, the District provides various post employment medical, pharmacy, dental and vision benefits to retirees and their spouses. In accordance with Governmental Accounting Standards Board Statement #45, Accounting and Financial reporting by Employers for Postemployment Benefit Plans Other than Pension Plans, the District is required to have a valuation performed once every two years. The District's most recent valuation was as of July 1, 2016.

The District self insures the liability for these benefits and funds them on a pay as you go basis. Benefits covered include medical, pharmacy, dental and vision benefits and some cash payments for out of network claims. Teachers are eligible upon retirement under PSERS superannuation or under early retirement with 30 years of PSERS service; administrators are eligible under PSERS superannuation or early retirement; and support staff is eligible under PSERS superannuation after having completed 15 years of District service. Retiree coverage ends at age 65, death or qualification for Medicare if earlier. For members who retired prior to July 1, 2008, spousal coverage ends at age 65, death or qualification for Medicare, if earlier. For later retirees, spousal coverage ends at age 65, death, qualification for Medicare or cessation of retiree's coverage if earlier. Surviving spouses may continue to access any unused account balance under the incentive.

The premium rates used in the most recent valuation were as follows:

<u>Plan</u>	<u>Retiree</u>	<u>Retiree/Spouse</u>
PPO Blue – QHDHP	\$509	\$1,375
PPO Blue	621	1,677
Ret & Support (Frozen)	666	1,801
Support Staff (Frozen)	679	1,837
Retirees (Frozen)	617	1,665
Dental	34	90
Vision	11	18

To value the cost of these District post employment benefits, the District contracted for an actuarial valuation in accordance with GASB 45. The significant assumptions of this valuation are contained in the actuary's report available at the District administration office.

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The actuarial report calculated a total Accumulated Postemployment Benefit Obligation for all current active employees and retired employees of \$3,752,800. When amortized based on actuarial assumptions, the District's annual OPEB cost was \$704,195 for the year ending June 30, 2017. For the year ending June 30, 2017, contributions toward the obligation were estimated at \$367,501.

The total unfunded OPEB Obligation, \$628,329, is shown as a non current liability on the District's Statement of Net Position.

10. 2013 SERIES OF GENERAL OBLIGATION BONDS

On December 13, 2012, the Bedford Area School District issued the 2013 Series of General Obligation Bonds in the principal amount of \$8,140,000. The bond proceeds were used to (1) to refund, on a current refunding basis, the District's General Obligation Bonds, Series of 2008 in the amount of \$8,080,000 and (2) pay the costs of issuance. Interest rates on the bonds vary from .35 to 3 percent.

Principal and interest payments are due on the bonds as follows:

School Year				
Ending	Principal Due	Interest Due		Total
<u>June 30,</u>	<u>10/15</u>	<u>10/15</u>	<u>4/15</u>	<u>Debt Service</u>
2018	\$ 720,000	\$ 59,519	\$ 59,519	\$ 839,038
2019	745,000	48,719	48,719	842,438
2020	755,000	41,269	41,269	837,538
2021	770,000	33,719	33,719	837,438
2022	785,000	26,019	26,019	837,038
2023 – 2024	<u>1,615,000</u>	<u>27,338</u>	<u>27,338</u>	<u>1,669,676</u>
	<u>\$ 5,390,000</u>	<u>\$ 236,583</u>	<u>\$ 236,583</u>	<u>\$ 5,863,166</u>

11. 2014 SERIES OF GENERAL OBLIGATION BONDS

On July 17, 2014, the Bedford Area School District issued the 2014 Series of General Obligation Bonds in the principal amount of \$3,450,000. The bond proceeds were used to (1) to refund, on a current refunding basis, all of the District's outstanding General Obligation Bonds, Series of 2009 and (2) pay the costs of issuance. Interest rates on the bonds vary from .3 to 2.8 percent.

Principal and interest payments are due on the bonds as follows:

School Year	Principal Due	Interest Due		Total
Ending <u>June 30,</u>	<u>10/15</u>	<u>10/15</u>	<u>4/15</u>	<u>Debt Service</u>
2018	\$ 340,000	\$ 33,072	\$ 33,071	\$ 406,143
2019	355,000	27,972	27,971	410,943
2020	365,000	22,647	22,646	410,293
2021	370,000	18,997	18,996	407,993
2022	385,000	15,297	15,296	415,593
2023 – 2024	<u>780,000</u>	<u>16,156</u>	<u>16,156</u>	<u>812,312</u>
	<u>\$ 2,595,000</u>	<u>\$ 134,141</u>	<u>\$ 134,136</u>	<u>\$ 2,863,277</u>

12. 2015A SERIES OF GENERAL OBLIGATION BONDS

On July 28, 2015, the Bedford Area School District issued the 2015A Series of General Obligation Bonds in the principal amount of \$8,295,000. The bond proceeds were used to (1) to refund, on a current refunding basis, all of the District's outstanding General Obligation Bonds, Series A of 2010 and (2) pay all the costs and expenses of issuing the Series A Bonds. Interest rates on the bonds vary from 2 percent to 3.125 percent.

Principal and interest payments are due on the bonds as follows:

School Year	Principal Due	Interest Due		Total
Ending <u>June 30,</u>	<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>Debt Service</u>
2018	\$ 10,000	\$ 119,025	\$ 119,025	\$ 248,050
2019	10,000	118,925	118,925	247,850
2020	10,000	118,825	118,825	247,650
2021	10,000	118,725	118,725	247,450
2022	70,000	118,613	118,612	307,225
2023 – 2027	7,080,000	470,428	470,425	8,020,853
2028	<u>1,100,000</u>	<u>17,188</u>	<u>17,187</u>	<u>1,134,375</u>
	<u>\$ 8,290,000</u>	<u>\$ 1,081,729</u>	<u>\$ 1,081,724</u>	<u>\$ 10,453,453</u>

13. 2015B SERIES OF GENERAL OBLIGATION BONDS

On August 18, 2015, the Bedford Area School District issued the 2015B Series of General Obligation Bonds in the principal amount of \$4,220,000. The bond proceeds were used to (1) to refund, on a current refunding basis, all of the District's outstanding General Obligation Bonds, Series B of 2010 and (2) pay all the costs and expenses of issuing the Series B Bonds. Interest rates on the bonds vary from .4 percent to 2.25 percent.

Principal and interest payments are due on the bonds as follows:

School Year	Ending <u>June 30,</u>	Principal Due <u>10/15</u>	Interest Due <u>10/15</u>	<u>4/15</u>	Total <u>Debt Service</u>
2018	\$	535,000	\$ 33,037	\$ 27,688	\$ 595,725
2019		540,000	27,687	22,288	589,975
2020		560,000	22,287	16,688	598,975
2021		565,000	16,687	11,038	592,725
2022		575,000	11,037	5,288	591,325
2023		<u>470,000</u>	<u>5,287</u>	<u>0</u>	<u>475,287</u>
		\$ <u>3,245,000</u>	\$ <u>116,022</u>	\$ <u>82,990</u>	\$ <u>3,444,012</u>

14. COMMITTED FUND BALANCE

During the year, the District committed portions of it's general fund balance for the following:

Medical insurance	\$ 655,327
Retirement	700,841
Compensated Absences	<u>577,305</u>
Total	\$ <u>1,933,473</u>

15. OPERATING SUBSIDY PAID TO BEDFORD COUNTY TECHNICAL CENTER - JOINT VENTURE WITH THE BEDFORD AREA SCHOOL DISTRICT

On December 7, 1981, Bedford Area School District and Everett Area School District entered into an article of agreement for establishment and operation of an Area Vocational-Technical School. The agreement stipulates that the current operating expenditures are allocated to and paid by the two participating School Districts on the basis of 55 percent for Bedford Area School District and 45 percent for the Everett Area School District. The Districts establish an operating budget at the beginning of each year and, accordingly, make quarterly payments to the Center. Any excess funds are refunded to the Districts at year end. The District's share of the subsidy for the year ending June 30, 2017 was \$594,234.

A summary of financial information of the Bedford County Technical Center Governmental Funds is as follows:

Current Assets	\$ <u>782,554</u>
Current Liabilities	\$ 321,255
Unreserved Fund Balance	<u>461,299</u>
Total Liabilities and Fund Balance	\$ <u>782,554</u>

Revenues	\$ 1,922,686
Expenditures	(1,864,921)
Excess of Revenues over Expenditures	57,765
Fund Balance, July 1, 2016	<u>403,534</u>
Fund Balance, June 30, 2017	\$ <u>461,299</u>

The audit report of the Center may be obtained at the Center, 195 Pennknoll Road, Everett, Pennsylvania 15537.

16. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has purchased commercial insurance to cover general liability, directors and officers' liability, unemployment compensation and workers' compensation. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

All expenditures for the District's risk management are recorded in the general fund or food service fund.

17. CONTINGENT LIABILITIES

Grant Programs

The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs.

Risk Financing

The District is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

BEDFORD AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Local sources	\$ 13,144,951	\$ 13,144,951	\$ 13,855,299	\$ 710,348
State sources	13,906,574	13,906,574	13,958,865	52,291
Federal sources	<u>1,352,552</u>	<u>1,352,552</u>	<u>1,635,871</u>	<u>283,319</u>
Total revenue	<u>28,404,077</u>	<u>28,404,077</u>	<u>29,450,035</u>	<u>1,045,958</u>
Expenditures				
Regular programs	12,381,263	12,206,126	12,064,583	141,543
Special programs	3,345,650	3,250,706	3,197,987	52,719
Vocational programs	1,119,700	1,148,901	1,143,173	5,728
Other instructional programs	419,549	413,367	380,775	32,592
Nonpublic school programs	0	4,979	4,979	0
Pupil personnel services	733,236	758,260	732,301	25,959
Instructional staff services	679,749	837,757	760,892	76,865
Administrative services	2,260,389	2,193,871	2,117,900	75,971
Pupil health	374,351	358,113	335,932	22,181
Business services	433,715	430,208	413,013	17,195
Operation & maintenance of plant services	2,122,677	2,103,440	2,039,358	64,082
Student transportation services	2,217,148	2,149,068	2,133,443	15,625
Central & other support services	300,569	359,040	340,408	18,632
Other support services	390,230	505,068	502,067	3,001
Student activities	446,404	477,404	458,028	19,376
Community services	22,500	37,781	37,781	0
Debt service	2,077,257	2,081,256	2,077,256	4,000
Refund of prior year receipts	0	9,042	9,042	0
Budgetary reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>(29,324,387)</u>	<u>(29,324,387)</u>	<u>(28,748,918)</u>	<u>575,469</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(920,310)</u>	<u>(920,310)</u>	<u>701,117</u>	<u>1,621,427</u>
Other Financing Sources (Uses)				
Refunding bonds issued	0	0	0	0
Payment of refunded bonds	0	0	0	0
Interfund transfers	<u>(61,695)</u>	<u>(61,695)</u>	<u>(61,695)</u>	<u>0</u>
Total other financing sources (uses)	<u>(61,695)</u>	<u>(61,695)</u>	<u>(61,695)</u>	<u>0</u>
Net Change in Fund Balances	(982,005)	(982,005)	639,422	1,621,427
Fund Balance, July 1, 2016	<u>3,596,470</u>	<u>3,596,470</u>	<u>3,596,470</u>	<u>0</u>
Fund Balance, June 30, 2017	\$ <u>2,614,465</u>	\$ <u>2,614,465</u>	\$ <u>4,235,892</u>	\$ <u>1,621,427</u>

See independent auditor's report on supplementary information.

BEDFORD AREA SCHOOL DISTRICT
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2017

Special Revenue
Fund
Athletic Fund

ASSETS

Current Assets

Cash	\$ <u>19,229</u>
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LIABILITIES	\$ 591
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FUND BALANCE	<u>18,638</u>
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Total Liabilities and Fund Balance	\$ <u>19,229</u>
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See independent auditor's report on supplementary information.

BEDFORD AREA SCHOOL DISTRICT
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year ending June 30, 2017

	Special Revenue Fund Athletic Fund
Revenues	
Local sources	\$ 89,615
Expenditures	
Operation of non-instructional services	(143,209)
(Deficiency) of Revenue over Expenditures	(53,594)
Other Financing Sources	
Transfers in	<u>61,695</u>
Net Change in Fund Balances	8,101
Fund Balance, July 1, 2016	<u>10,537</u>
Fund Balance, June 30, 2017	\$ <u>18,638</u>

See independent auditor's report on supplementary information.

BEDFORD AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share
Of the Net Pension Liability

<u>For the Years Ending June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.0796%	0.0799%	0.0807%	0.0820%
District's Proportionate Share of the Net Pension Liability (Asset)	\$39,447,000	\$ 34,609,000	\$ 31,942,000	\$ 33,567,000
District's Covered-Employee Payroll	\$10,305,073	\$ 10,275,631	\$ 10,302,156	\$ 10,518,094
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	382.79%	336.80%	310.05%	319.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%	54.35%	57.24%	54.49%

See independent auditor's report on supplementary information.

BEDFORD AREA SCHOOL DISTRICT

Schedule of District Contributions – Pennsylvania State Employees Retirement System

<u>For the Years Ending June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 3,045,023	\$ 2,499,405	\$ 1,648,345	\$ 1,209,580
Contributions in Relation to the Contractually Required Contribution	<u>(3,045,023)</u>	<u>(2,499,405)</u>	<u>(1,648,345)</u>	<u>(1,209,580)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's Covered-Employee Payroll	\$ <u>10,305,073</u>	\$ <u>10,275,631</u>	\$ <u>10,302,156</u>	\$ <u>10,518,094</u>
Contributions as a Percentage of Covered- Employee Payroll	<u>29.55%</u>	<u>24.32%</u>	<u>16.00%</u>	<u>11.50%</u>

See independent auditor's report on supplementary information.

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

Ritchey, Ritchey & Koontz

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RANDALL H. RITCHEY

BRUCE E. KOONTZ

BRAD M. KOONTZ

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AARON C. RITCHEY

School Board
Bedford Area School District
Bedford, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Bedford Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bedford Area School District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Very truly yours,

RITCHEY, RITCHEY & KOONTZ

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
November 30, 2017

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

Ritchey, Ritchey & Koontz

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School Board
Bedford Area School District
Bedford, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Bedford Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bedford Area School District's major federal programs for the year ended June 30, 2017. The Bedford Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bedford Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bedford Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Bedford Area School District complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Bedford Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Bedford Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bedford Area School District's internal control over compliance.

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

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

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

Very truly yours,

RITCHEY, RITCHEY & KOONTZ

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
November 30, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BEDFORD AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year ending 6/30/2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	CFDA #	Passed through Grantor's #	Award Amount	Grant Period	Total Rec'd	Req Bal	Expenditures	End Bal	Amount Passed-thru to Subrecipients
<u>US Department of Education</u>										
Passed thru PA Department of Education										
Title I Improving Basic Progr	(I)	84.010	013-160023	395,131.00	07/01/15 - 09/30/16	54,705.12	(3,603.32)	58,308.44	0.00	
Title I Improving Basic Progr	(I)	84.010	013-170023	429,504.00	07/01/16 - 09/30/17	429,504.00	0.00	415,022.40	(14,481.60)	
Striving Readers Comp Literacy	(I)	84.371	143-150023	464,353.00	10/01/15 - 09/30/16	61,323.50	(32,436.47)	181,378.23	87,618.26	
Striving Readers Comp Literacy	(I)	84.371	143-160023	280,953.00	05/30/16 - 09/30/17	210,715.00	0.00	167,766.28	(42,948.72)	
Title II Imp Teacher Quality	(I)	84.367	020-160023	109,726.00	07/01/15 - 09/30/16	14,615.32	17,458.41	(2,843.09)	0.00	
Title II Imp Teacher Quality	(I)	84.367	020-170023	108,144.00	07/01/16 - 09/30/17	101,105.10	0.00	108,144.00	7,038.90	
21st Century - Expansion (Coh 6A)	(I)	84.287	N/A	365,816.25	10/01/15 - 09/30/16	253,135.32	82,042.11	171,093.21	0.00	78,662.94
21st Century - Expansion (Coh 7) Sec	(I)	84.287	N/A	395,129.71	10/01/15 - 09/30/16	270,207.98	89,839.94	180,368.04	0.00	71,371.74
21st Century - Expansion (Coh 7) Sec	(I)	84.287	N/A	292,127.97	10/01/16 - 09/30/17	242,626.68	0.00	292,127.97	49,501.29	182,279.23
Total Passed thru PA Department of Education				<u>2,840,884.93</u>		<u>1,637,938.02</u>	<u>153,300.67</u>	<u>1,571,365.48</u>	<u>86,728.13</u>	<u>332,313.91</u>
Passed thru other Intermediate Units										
Special Education Cluster:										
IDEA - B	(I)	84.027	N/A	318,452.31	07/01/15 - 06/30/16	318,452.31	318,452.31	0.00	0.00	
IDEA - B	(I)	84.027	N/A	332,186.98	07/01/16 - 06/30/17		0.00	332,186.98	332,186.98	
IDEA 619	(I)	84.173	N/A	1,176.17	07/01/15 - 06/30/16	1,176.17	1,176.17	0.00	0.00	
IDEA 619	(I)	84.173	N/A	1,123.96	07/01/16 - 06/30/17		0.00	1,123.96	1,123.96	
Model Sites SBBH	(I)	84.027	N/A	461.23	07/01/16 - 06/30/17		<u>0.00</u>	<u>461.23</u>	<u>461.23</u>	
Total Special Education Cluster						319,628.48	319,628.48	333,772.17	333,772.17	0.00
Title IIB - SEEDS	(I)	84.366B	N/A	4,500.00	07/01/11 - 06/30/12		(1,171.91)	1,171.91	0.00	
Title IIB - SEEDS	(I)	84.366B	N/A	4,150.00	07/01/13 - 06/30/14		(2,735.92)	2,735.92	0.00	
Total Passed thru other Intermediate Units				<u>662,050.65</u>		<u>319,628.48</u>	<u>315,720.65</u>	<u>337,680.00</u>	<u>333,772.17</u>	<u>0.00</u>
Passed thru other LEA's										
21st Century - Expansion (Coh 7) Elem	(I)	84.287	N/A	51,087.74	10/01/15 - 09/30/16	85,033.07	51,087.74	33,945.33	0.00	
21st Century - Expansion (Coh 7) Elem	(I)	84.287	N/A	44,910.53	10/01/16 - 09/30/17	14,592.26	0.00	44,910.53	30,318.27	
Total Passed thru other LEA's				<u>95,998.27</u>		<u>99,625.33</u>	<u>51,087.74</u>	<u>78,855.86</u>	<u>30,318.27</u>	<u>0.00</u>
<u>Total US Department of Education</u>				<u>3,598,933.85</u>		<u>2,057,191.83</u>	<u>520,109.05</u>	<u>1,987,901.34</u>	<u>450,818.57</u>	<u>332,313.91</u>
<u>US Department of Health & Human Services</u>										
Passed thru PA Department of Health & Welfare										
Medicaid Cluster:										
Title XIX	(I)	93.778	N/A	N/A	07/01/15 - 06/30/16	4,988.54	4,988.54	0.00	0.00	
Title XIX	(I)	93.778	N/A	N/A	07/01/16 - 06/30/17	<u>1,148.51</u>	<u>0.00</u>	<u>4,494.89</u>	<u>3,346.38</u>	
Total Medicaid Cluster						6,137.05	4,988.54	4,494.89	3,346.38	0.00
Total Passed thru PA Department of Health & Welfare				<u>0.00</u>		<u>6,137.05</u>	<u>4,988.54</u>	<u>4,494.89</u>	<u>3,346.38</u>	<u>0.00</u>
<u>Total US Department of Health & Human Services</u>				<u>0.00</u>		<u>6,137.05</u>	<u>4,988.54</u>	<u>4,494.89</u>	<u>3,346.38</u>	<u>0.00</u>

BEDFORD AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year ending 6/30/2017

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Source Code</u>	<u>CFDA #</u>	<u>Passed through Grantor's #</u>	<u>Award Amount</u>	<u>Grant Period</u>	<u>Tot Rec'd</u>	<u>Bea Bal</u>	<u>Expenditures</u>	<u>End Bal</u>	<u>Amount Passed-thru to Subrecipients</u>
<u>US Department of FEMA</u>										
Passed thru PA Emergency Management Agency										
Public Assistance Grants	(I)	97.036	N/A	5,462.18	01/01/16 - 12/31/16	5,462.18	0.00	5,462.18	0.00	
Total Passed thru PA Emergency Management Agency				<u>5,462.18</u>		<u>5,462.18</u>	<u>0.00</u>	<u>5,462.18</u>	<u>0.00</u>	<u>0.00</u>
<u>Total US Department of FEMA</u>				<u>5,462.18</u>		<u>5,462.18</u>	<u>0.00</u>	<u>5,462.18</u>	<u>0.00</u>	<u>0.00</u>
<u>US Department of Agriculture</u>										
Passed thru PA Department of Education										
Child Nutrition Cluster:										
National School Breakfast	(I)	10.553	365	N/A	07/01/15 - 06/30/16	474.30	474.30		0.00	
National School Breakfast	(I)	10.553	365	N/A	07/01/16 - 06/30/17	100,297.13	0.00	100,840.35	543.22	
National School Lunch	(I)	10.555	362	N/A	07/01/15 - 06/30/16	1,967.03	1,967.03		0.00	
National School Lunch	(I)	10.555	362	N/A	07/01/16 - 06/30/17	421,683.00	0.00	423,852.30	2,169.30	
Summer Food Svc Program for Children	(I)	10.559	264	N/A	07/01/15 - 06/30/16	10,682.73	10,682.73		0.00	
Summer Food Svc Program for Children	(I)	10.559	264	N/A	07/01/16 - 06/30/17	<u>322.07</u>	<u>0.00</u>	<u>7,826.11</u>	<u>7,504.04</u>	
Total Child Nutrition Cluster						535,426.26	13,124.06	532,518.76	10,216.56	0.00
National School Breakfast	(S)	N/A	511	N/A	07/01/15 - 06/30/16	32.10	32.10		0.00	
National School Breakfast	(S)	N/A	511	N/A	07/01/16 - 06/30/17	6,726.80	0.00	6,762.30	35.50	
National School Lunch	(S)	N/A	510	N/A	07/01/15 - 06/30/16	140.48	140.48		0.00	
National School Lunch	(S)	N/A	510	N/A	07/01/16 - 06/30/17	31,355.38	0.00	31,504.66	149.28	
Total Passed thru PA Department of Education				N/A		<u>573,681.02</u>	<u>13,296.64</u>	<u>570,785.72</u>	<u>10,401.34</u>	<u>0.00</u>
Passed thru PA Department of Agriculture										
Child Nutrition Cluster:										
National School Lunch Program	(I)	10.555	2-05-05-100	N/A	07/01/16 - 06/30/17	(A) <u>72,842.29</u>	(B) <u>0.00</u>	(C) <u>72,842.29</u>	(D) <u>0.00</u>	
Total Child Nutrition Cluster						72,842.29	0.00	72,842.29	0.00	0.00
Total Passed thru PA Department of Agriculture				N/A		<u>72,842.29</u>	<u>0.00</u>	<u>72,842.29</u>	<u>0.00</u>	<u>0.00</u>
Total Child Nutrition Cluster (Both Departments)						<u>608,268.55</u>	<u>13,124.06</u>	<u>605,361.05</u>	<u>10,216.56</u>	<u>0.00</u>
<u>Total US Department of Agriculture</u>				N/A		<u>646,523.31</u>	<u>13,296.64</u>	<u>643,628.01</u>	<u>10,401.34</u>	<u>0.00</u>
<u>State Award Expenditures</u>						<u>(38,254.76)</u>	<u>(172.58)</u>	<u>(38,266.96)</u>	<u>(184.78)</u>	<u>0.00</u>
<u>Total Federal Financial Assistance</u>				<u>3,604,396.03</u>		<u>2,677,059.61</u>	<u>538,221.66</u>	<u>2,603,219.46</u>	<u>464,381.51</u>	<u>332,313.91</u>

Source Code Legend:

(D) Indicates direct funding
(I) Indicates indirect funding
(S) Indicates State matching funding

Other Code Legend:

(A) Indicates total commodities received.
(B) Indicates beginning commodity inventory at July 1, 2016.
(C) Indicates commodities used.
(D) Indicates ending commodity inventory at June 30, 2017.

Reconciliation with Federal subsidy confirmation:

Per above \$2,677,059.61
Monies passed directly to BASD (765,969.98)
Monies passed thru Intermediate Units (319,628.48)
Monies passed thru other LEA's (99,625.33)
Title XIX admin (6,137.05)
Monies passed thru other State Dept's (5,462.18)
Donated commodities (72,842.29)
State \$ in Fed section on confirm 136,283.36
School Lunch/Breakfast matching subsidy 38,254.76
Title I grant \$ overpd & sent back 15,202.00
Per confirmation \$1,597,134.43

BEDFORD AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The schedule of expenditures of federal awards includes the federal grant activity of the Bedford Area School District and is prepared under the accrual basis of accounting. 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)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect Cost Rate

Bedford Area School District has not elected to use the 10% *de minimis* indirect cost rate.

Inventory Valuation

Inventories are accounted for under the first-in, first-out method. Purchased commodities are valued at the lower of cost or market. Donated commodities are based on USDA valuations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BEDFORD AREA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Section I – Summary of Auditor's Results For the Year Ending June 30, 2017

Financial Statements

Type of auditor's report: Unqualified.

Internal over financial reporting

- * Material weakness(es) identified? ☐ Yes ☒ No
- * Significant deficiency(ies) identified ☐ Yes ☒ None Reported
- * Non compliance material to financial
noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? ☐ Yes ☒ No
- * Significant deficiency(ies) identified ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance
for major programs: Unqualified.

Any audit findings disclosed that are
required to be reported in accordance
with the Uniform Guidance? ☐ Yes ☒ No

Identification of Major Programs:

CFDA Numbers

10.553, 10.555, 10.559

Dollar threshold used to distinguish between
type A & type B programs

Federal Program

Child Nutrition

\$750,000

The District qualified as a low risk auditee? ☒ Yes ☐ No