

Audited  
Financial  
Statements

June 30,  
2018

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# Fairfield Area School District

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Fairfield Area School District  
Fairfield, Pennsylvania

### ***REPORT ON THE FINANCIAL STATEMENTS***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Fairfield Area School District, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis-of-Matter***

As discussed in Note 10 and 15 to the financial statements, the School District adopted new accounting guidance, *Government Accounting Standards Board ("GASB") Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion has not been modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, the General Fund Budgetary Comparison Schedule on page 53, and the schedules related to pension and OPEB liabilities on pages 54 - 58 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 Fairfield Area School District's basic financial statements. The detailed original budget comparison schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The detailed original budget comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed original budget comparison schedule is fairly stated in all material respects, in relation to the basic financial statements as a whole.



Chambersburg, Pennsylvania  
November 27, 2018

# **FAIRFIELD AREA SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

### **June 30, 2018**

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The Management's Discussion and Analysis (MD&A) of the Fairfield Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The MD&A is to provide the reader simpler insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review, in detail, the Independent Auditor's Report, financial statements and notes to the financial statements to augment their understanding of the School District's financial performance.

Components of the School District's financial report include this report, basic financial statements outlining the government wide reporting, fund financial statements to include the reconciliatory statements, financial statement footnotes, and other required supplementary information as presented. The notes to the financial statements provide a wealth of information to the reader relative to funds, descriptions and explanations.

## ***OVERVIEW OF FINANCIAL STATEMENTS***

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### ***Government-wide Statements***

The government-wide statements report information about the School District as a whole using the accrual method of accounting which is used by private-sector companies. The accrual method recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The Statement of Net Position includes all of the School District's assets and liabilities.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's financial health or position.

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

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

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

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

### ***Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law, while many other funds are established by the District to help manage money for particular purposes.

**Governmental funds** – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position,

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**Management's Discussion and Analysis**  
**June 30, 2018**

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 be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the School 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 School District activities that are similar to business operations in the private sector; or where the reporting is concentrated on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School 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.

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

The Statement of Net Position provides a consolidation of all governmental funds into one statement with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the School District which, in the case of Fairfield, is the Food Service Fund. It is presented using the accrual basis for accounting.

**Fiscal Years Ended June 30, 2018 and 2017**  
**Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>						
Current and Other Assets	\$ 9,946,187	\$ 8,843,545	\$ 40,934	\$ 44,196	\$ 9,987,121	\$ 8,887,741
Capital Assets, Net	9,646,075	10,273,827	-	-	9,646,075	10,273,827
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Bond Refunding	403,925	458,221	-	-	403,925	458,221
Deferred Outflows Related to Pension Liability	3,715,579	4,470,200	108,013	111,685	3,823,592	4,581,885
Deferred Outflows Related to OPEB Liability	99,938	-	1,785	-	101,723	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 23,811,704</b>	<b>\$ 24,045,793</b>	<b>\$ 150,732</b>	<b>\$ 155,881</b>	<b>\$ 23,962,436</b>	<b>\$ 24,201,674</b>
<b>Liabilities</b>						
Current Liabilities	\$ 3,476,826	\$ 3,234,195	\$ 11,196	\$ 11,429	\$ 3,488,022	\$ 3,245,624
Non-Current Liabilities	41,214,662	41,295,117	576,833	541,991	41,791,495	41,837,108
<b>Total Liabilities</b>	<b>44,691,488</b>	<b>44,529,312</b>	<b>588,029</b>	<b>553,420</b>	<b>45,279,517</b>	<b>45,082,732</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows Related to Pension Liability	918,619	538,025	20,195	11,359	938,814	549,384
Deferred Inflows Related to OPEB Liability	177,019	-	2,907	-	179,926	-
<b>Total Deferred Inflows of Resources</b>	<b>1,095,638</b>	<b>538,025</b>	<b>23,102</b>	<b>11,359</b>	<b>1,118,740</b>	<b>549,384</b>
<b>Net Position</b>						
Net Investment in Capital Assets	(6,130,281)	(6,631,307)	-	-	(6,130,281)	(6,631,307)
Restricted	142,356	588,059	-	-	142,356	588,059
Unrestricted	(15,987,497)	(14,978,296)	(460,399)	(408,898)	(16,447,896)	(15,387,194)
<b>Total Net Position</b>	<b>\$ (21,975,422)</b>	<b>\$ (21,021,544)</b>	<b>\$ (460,399)</b>	<b>\$ (408,898)</b>	<b>\$ (22,435,821)</b>	<b>\$ (21,430,442)</b>

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The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two categories of program and general. It identifies program revenue as charges for services, operating grants and contributions, and capital grants and contributions and then allocates them to particular expense categories where appropriate.

**Fiscal Years Ended June 30, 2018 and 2017**  
**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 137,954	\$ 161,400	\$ 264,059	\$ 258,580	\$ 402,013	\$ 419,980
Operating Grants and Contributions	3,031,518	2,887,465	159,205	166,085	3,190,723	3,053,550
Capital Grants and Contributions	177,792	178,059	-	-	177,792	178,059
<b>General Revenues</b>						
Property and Other Levied Taxes	10,881,399	10,447,850	-	-	10,881,399	10,447,850
Grants, Subsidies and Contributions	3,959,799	3,928,039	-	-	3,959,799	3,928,039
<b>Unrestricted</b>						
Interest and Investment Earnings	43,169	28,989	-	-	43,169	28,989
Other	25,314	20,668	-	-	25,314	20,668
<b>Total Revenues</b>	<u>18,256,945</u>	<u>17,652,470</u>	<u>423,264</u>	<u>424,665</u>	<u>18,680,209</u>	<u>18,077,135</u>
<b>EXPENSES</b>						
Instruction	10,854,215	10,898,512	-	-	10,854,215	10,898,512
Instructional Student Support	991,082	988,690	-	-	991,082	988,690
Administrative/Financial Support	2,018,177	2,006,639	-	-	2,018,177	2,006,639
Operation and Maintenance of Plant	1,495,599	1,421,365	-	-	1,495,599	1,421,365
Pupil Transportation	981,345	888,675	-	-	981,345	888,675
Student Activities	519,182	536,240	-	-	519,182	536,240
Community Services	8,742	-	-	-	8,742	-
Interest on Long-Term Debt	503,742	524,324	-	-	503,742	524,324
Food Services	-	-	448,533	446,347	448,533	446,347
<b>Total Expenses</b>	<u>17,372,084</u>	<u>17,264,445</u>	<u>448,533</u>	<u>446,347</u>	<u>17,820,617</u>	<u>17,710,792</u>
<b>Excess(Deficiency)Before Transfers</b>	<u>884,861</u>	<u>388,025</u>	<u>(25,269)</u>	<u>(21,682)</u>	<u>859,592</u>	<u>366,343</u>
Transfers	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in Net Position</b>	<u>\$ 874,861</u>	<u>\$ 388,025</u>	<u>\$ (15,269)</u>	<u>\$ (21,682)</u>	<u>\$ 859,592</u>	<u>\$ 366,343</u>

***Significant Accounting Pronouncements Adopted***

GASB recently adopted a standard that significantly changed the accounting and reporting for pension plans. Known as GASB 68, it wanted to improve the calculation and reporting of pension costs to make it more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position and not just as a footnote. **There is an immediate recognition of more components of the pension expense and more extensive disclosures that have a significant negative impact on the Government Wide Statement of Net Position and the Proprietary Fund - Statement of Net Position (Food Service).** The district also implemented GASB 75 in the current year which required a retroactive adjustment of net position, for Other Post-Employment Benefits (OPEB).

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**Management's Discussion and Analysis**  
**June 30, 2018**

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***Financial Highlights***

The 2017-2018 actual results reflected 62.0% in local revenues, 37.1% in state revenues, .90% in federal revenues, for the General Fund, which reflects no change, from the previous year, in the decreased state and federal funding for districts.

**Balance Sheet/Fund Balances:**

- **General Fund/Budget** – Total fund balance is \$ 6,895,696; the unassigned portion is currently \$ 2,805,259; assigned equals the portion needed to balance the 2018-2019 budget or \$ 341,672, and the remaining amount of \$ 3,748,765 is committed for capital expenditures as outlined during the 2018-2019 budget process. Some of those items include but are not limited to, textbooks, carpeting, vehicles, library renovation, bleachers, gym flooring, roofing, HVAC, technology, and lockers. The fund balance was positively impacted during the 2017-2018 fiscal year by \$ 1,382,989 but will be greatly reduced by the dollars needed for the mold remediation in early 2018-2019 bringing it in line with the required fund balance limitations. We originally intended to balance the budget with \$ 214,524 from the existing fund balance. Total revenues overall were \$ 771,041 favorable to the original budget mainly due to increased tax collections and a one-time receipt of transportation subsidy dollars totaling \$ 100,808. Donations and miscellaneous revenues were also up but those are offset by a corresponding expense. Overall, we matched our revenue predictions within 4.4% of original budget. Expenditures and transfers were favorable to the original budget by \$ 826,472. Instructional salaries were favorable by \$ 239,010 and overall health benefits were favorable by \$ 241,418 with the applicable retirement benefit favorable by \$ 123,974. The budget was completed prior to the ratification of the Collective Bargaining Agreement. Assumptions had to be made relative to costs that did not materialize due to benefit changes and also attritional savings. This savings is one-time in nature and salaries and benefits are captured correctly in the 2018-2019 budget. Other one-time savings were in equipment purchases and outside tuition costs. Other line items such as transportation and special education were significantly over budget.
- **Capital Reserve Fund** – A fund balance of \$ 142,356 exists to be used for future capital projects and building needs. A fund transfer of \$ 322,000 was made during 2017-2018 as budgeted and HVAC units were purchased and repairs were made to the elementary roof. In the 2018-2019 budget \$ 344,000 was budgeted to be transferred into Capital Reserve for specified expenditures.
- **Food Service Fund** – From a strictly operational perspective, with revenues, not including a transfer from the general fund, totaling \$ 423,264 and expenses totaling \$ 432,739 the food service fund had a deficit of \$ 9,475 and a transfer of \$ 10,000 was made from the general fund as a result. Entries totaling \$ 15,794 in non-cash expenditures were made due to GASB requirements for compensated absences, PSERS and OPEB liability. Due to the requirements set forth by GASB 68 and because the food service is treated as a proprietary fund, the financials reflect a negative net position of \$ 460,399. This is all non-cash expense and should not be misconstrued as an operating loss beyond the approximate \$ 10,000 as noted above.
- Private Purpose Trust Fund (Memorial and Scholarship) Net Position of \$ 10,696.
- Agency Fund Assets (Student Activities) of \$ 74,963.



**FAIRFIELD AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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***Capital Asset and Debt Administration***

**Capital Assets**

As of June 30, 2018, the School District had \$ 34,500,456 invested in capital assets including land, buildings, furniture, and equipment. Accumulated depreciation on the capital assets currently totals \$ 24,854,381, for a net \$ 9,646,075. Food service machinery and equipment is fully depreciated at \$ 260,343.

Net capital assets breakdown is as follows:

	2018	2017
<b>Capital Assets, Net of Depreciation</b>		
Land	\$ 422,050	\$ 422,050
Site Improvements	70,594	87,631
Building and Building Improvements	8,106,303	9,142,501
Furniture & Equipment	1,047,128	429,467
Construction In Progress	-	192,175
	<u>          </u>	<u>          </u>
Net Capital Assets	<u>\$ 9,646,075</u>	<u>\$ 10,273,824</u>

Outstanding Debt on June 30, 2018 and 2017:

	2018	2017
<b>General Obligation Bonds</b>		
Series of 2012A	\$ 3,970,000	\$ 3,970,000
Series of 2012B	2,325,000	2,415,000
Series of 2015	6,200,000	6,235,000
Series of 2016	3,570,000	4,405,000
	<u>          </u>	<u>          </u>
	<u>\$ 16,065,000</u>	<u>\$ 17,025,000</u>

***Currently Known Facts, Decisions or Conditions – Future Economic Factors***

Obviously, the School District is concerned about many factors such as future Public School Employees' Retirement System (PSERS) requirements, potential tax appeals, facility and technology needs with very large price tags, safety expenditures, and the continuing uncertainty regarding state and federal revenues accompanied by an increase in mandates.

The PSERS percentage for fiscal year 2017-2018 was 32.57 and the percentage for 2018-2019 is 33.43. Estimates for 2019-2020 fiscal year reflect a percentage of 34.79.

In August of 2018, the district discovered mold in the buildings as a result of a significantly humid summer and mechanicals that do not have the ability to dehumidify. The district entered into an exhaustive remediation project including all classrooms and ductwork. Costs for the remediation, the air quality testing and scope of work, massive equipment rental, and replacement equipment purchases, are approximately \$2.3 million. The district is currently in the process of engineering new mechanicals with the ability to dehumidify and will finance the project with a bond issue of \$10.3 million. The bond issue will occur in the 2018-2019 fiscal year with the bulk of the work being started in that year and completed in 2019-2020.

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For the 17-18 fiscal year the Board authorized a millage increase allowed by the maximum index percentage of 3.1% and for the 18-19 the millage authorized was less than the maximum allowable at 1.75%. They have authorized a resolution for the 19-20 fiscal year to not raise taxes beyond the adjusted base index which is 2.7%.

At this time, the District knows of no significant potential litigation.

***CONTACTING THE SCHOOL DISTRICT REGARDING FINANCIAL MANAGEMENT***

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Our financial reporting is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and show the Board's accountability for the revenue it receives. If you have questions about this report or wish to request additional financial information, please contact Caroline Royer, Business Manager at Fairfield Area School District, 4840 Fairfield Rd, Fairfield, Pennsylvania 17320.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,561,896	\$ 18,312	\$ 7,580,208
Receivables:			
Taxes	875,093	-	875,093
Intergovernmental	1,448,388	-	1,448,388
Other	4,943	246	5,189
Internal balances	(670)	670	-
Prepaid expenses	14,134	-	14,134
Inventories	-	21,706	21,706
Total current assets	<u>9,903,784</u>	<u>40,934</u>	<u>9,944,718</u>
<b>Noncurrent Assets</b>			
Prepaid bond insurance, net	42,403	-	42,403
Capital assets not being depreciated:			
Land	422,050	-	422,050
Capital assets net of accumulated depreciation:			
Site improvements, net	70,594	-	70,594
Buildings and building improvements, net	8,106,303	-	8,106,303
Furniture and equipment, net	1,047,128	-	1,047,128
Total noncurrent assets	<u>9,688,478</u>	<u>-</u>	<u>9,688,478</u>
<b>TOTAL ASSETS</b>	<u>19,592,262</u>	<u>40,934</u>	<u>19,633,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension liability	3,715,579	108,013	3,823,592
Deferred outflows related to OPEB liability	99,938	1,785	101,723
Deferred charge on bond refunding	403,925	-	403,925
Total deferred outflows of resources	<u>4,219,442</u>	<u>109,798</u>	<u>4,329,240</u>
Total assets and deferred outflow of resources	<u>\$ 23,811,704</u>	<u>\$ 150,732</u>	<u>\$ 23,962,436</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 249,476	\$ 10,796	\$ 260,272
Accrued salaries and benefits/withholdings	1,912,551	-	1,912,551
Due to other governments	189,348	-	189,348
Accrued interest	36,026	-	36,026
Unearned revenues	31,728	-	31,728
Portion due or payable within one year:			
General obligation bonds payable	1,006,045	-	1,006,045
Capital lease payable	20,566	-	20,566
Compensated absences	31,086	400	31,486
Total current liabilities	<u>3,476,826</u>	<u>11,196</u>	<u>3,488,022</u>
<b>Noncurrent liabilities</b>			
Portion due or payable after one year:			
General obligation bonds payable	15,125,110	-	15,125,110
Capital lease payable	28,560	-	28,560
Compensated absences	76,234	1,606	77,840
Net pension liability	23,907,499	539,762	24,447,261
OPEB liability	2,077,259	35,465	2,112,724
Total noncurrent liabilities	<u>41,214,662</u>	<u>576,833</u>	<u>41,791,495</u>
<b>TOTAL LIABILITIES</b>	<u>44,691,488</u>	<u>588,029</u>	<u>45,279,517</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	918,619	20,195	938,814
Deferred inflows related to OPEB liability	177,019	2,907	179,926
Total deferred inflows of resources	<u>1,095,638</u>	<u>23,102</u>	<u>1,118,740</u>
<b>NET POSITION</b>			
Net investment in capital assets	(6,130,281)	-	(6,130,281)
Restricted	142,356	-	142,356
Unrestricted	(15,987,497)	(460,399)	(16,447,896)
TOTAL NET POSITION	<u>(21,975,422)</u>	<u>(460,399)</u>	<u>(22,435,821)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,811,704</u>	<u>\$ 150,732</u>	<u>\$ 23,962,436</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 10,854,215	\$ 90,923	\$ 1,949,625	\$ -	\$ (8,813,667)	\$ -	\$ (8,813,667)
Instructional student support	991,082	-	107,236	-	(883,846)	-	(883,846)
Administrative and financial support services	2,018,177	-	187,288	-	(1,830,889)	-	(1,830,889)
Operation and maintenance of plant services	1,495,599	-	106,632	-	(1,388,967)	-	(1,388,967)
Pupil transportation	981,345	-	600,121	-	(381,224)	-	(381,224)
Student activities	519,182	47,031	80,616	-	(391,535)	-	(391,535)
Community services	8,742	-	-	-	(8,742)	-	(8,742)
Interest expense	503,742	-	-	177,792	(325,950)	-	(325,950)
Total governmental activities	<u>17,372,084</u>	<u>137,954</u>	<u>3,031,518</u>	<u>177,792</u>	<u>(14,024,820)</u>	<u>-</u>	<u>(14,024,820)</u>
Business-type activities:							
Food services	448,533	264,059	159,205	-	-	(25,269)	(25,269)
Total primary government	<u>\$ 17,820,617</u>	<u>\$ 402,013</u>	<u>\$ 3,190,723</u>	<u>\$ 177,792</u>	<u>\$ (14,024,820)</u>	<u>\$ (25,269)</u>	<u>\$ (14,050,089)</u>
<b>General revenues:</b>							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					\$ 10,881,399	\$ -	\$ 10,881,399
Grants, subsidies and contributions not restricted					3,959,799	-	3,959,799
Investment earnings					43,169	-	43,169
Miscellaneous income					25,314	-	25,314
Transfers					(10,000)	10,000	-
Total general revenues					<u>14,899,681</u>	<u>10,000</u>	<u>14,909,681</u>
Change in net position					874,861	(15,269)	859,592
Net position - beginning, as restated					<u>(22,850,283)</u>	<u>(445,130)</u>	<u>(23,295,413)</u>
Net position - ending					<u>\$ (21,975,422)</u>	<u>\$ (460,399)</u>	<u>\$ (22,435,821)</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,419,540	\$ 142,356	\$ 7,561,896
Taxes receivable, net	875,093	-	875,093
Intergovernmental receivables	1,448,388	-	1,448,388
Other receivables	4,943	-	4,943
Total assets	<u>\$ 9,747,964</u>	<u>\$ 142,356</u>	<u>\$ 9,890,320</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 249,476	\$ -	\$ 249,476
Due to other funds	670	-	670
Due to other governments	189,348	-	189,348
Unearned revenues	31,728	-	31,728
Accrued salaries and benefits/withholdings	1,912,551	-	1,912,551
Total liabilities	<u>2,383,773</u>	<u>-</u>	<u>2,383,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable tax revenue	468,495	-	468,495
Total deferred inflows of resources	<u>468,495</u>	<u>-</u>	<u>468,495</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance			
Future capital improvements	-	142,356	142,356
Committed Fund Balance			
Future HVAC project	1,000,000	-	1,000,000
Future roofing project	1,000,000	-	1,000,000
Future textbook purchases	705,000	-	705,000
Future technology projects	450,000	-	450,000
Future high school bleachers project	150,000	-	150,000
Future library renovation	120,000	-	120,000
Future capital improvement projects - other	323,765	-	323,765
Assigned Fund Balance			
2018-2019 budget deficit	341,672	-	341,672
Unassigned Fund Balance	<u>2,805,259</u>	<u>-</u>	<u>2,805,259</u>
Total fund balances	<u>6,895,696</u>	<u>142,356</u>	<u>7,038,052</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,747,964</u>	<u>\$ 142,356</u>	<u>\$ 9,890,320</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2018**

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**Total fund balances - governmental funds** \$ 7,038,052

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	34,500,456	
Accumulated depreciation	<u>(24,854,381)</u>	9,646,075

Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.

468,495

Prepaid expense is reported as an expenditure in governmental funds when the amount is paid. The Statement of Net Position reports prepaid expense as an asset.

14,134

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

42,403

Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:

General obligation bonds payable	(16,131,155)
Deferred charge on bond refunding	403,925
Accrued interest expense	(36,026)
Compensated absences	(107,320)
Capital lease payable	(49,126)
Net pension liability	(23,907,499)
Deferred outflows related to pension liability	3,715,579
Deferred inflows related to pension liability	(918,619)
OPEB liability	(2,077,259)
Deferred outflows related to OPEB liability	99,938
Deferred inflows related to OPEB liability	<u>(177,019)</u>

(39,184,581)

**Net position of governmental activities in the Statement of Net Position**

**\$ (21,975,422)**

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Local revenues			
Taxes	\$ 10,923,444	\$ -	\$ 10,923,444
Investment earnings	42,819	350	43,169
Revenue from intermediate sources	150,953	-	150,953
Other	231,869	-	231,869
State sources	6,783,460	-	6,783,460
Federal sources	166,095	-	166,095
Total revenues	<u>18,298,640</u>	<u>350</u>	<u>18,298,990</u>
<b>EXPENDITURES</b>			
Instruction	9,576,891	-	9,576,891
Support services	4,997,789	-	4,997,789
Operation of non-instructional services	509,396	-	509,396
Facilities acquisition, construction and improvements	46,214	768,053	814,267
Debt service			
Principal	981,388	-	981,388
Interest	471,973	-	471,973
Total expenditures	<u>16,583,651</u>	<u>768,053</u>	<u>17,351,704</u>
Excess (deficiency) of revenues over expenditures	<u>1,714,989</u>	<u>(767,703)</u>	<u>947,286</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	<u>(332,000)</u>	<u>322,000</u>	<u>(10,000)</u>
Total other financing sources and (uses)	<u>(332,000)</u>	<u>322,000</u>	<u>(10,000)</u>
Net change in fund balances	1,382,989	(445,703)	937,286
Fund balances - beginning	<u>5,512,707</u>	<u>588,059</u>	<u>6,100,766</u>
Fund balances - ending	<u>\$ 6,895,696</u>	<u>\$ 142,356</u>	<u>\$ 7,038,052</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2018**

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**Net change in fund balances - total governmental funds:** \$ 937,286

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.

Depreciation expense	(1,182,269)	
Capital outlays	<u>554,520</u>	(627,749)

Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. (42,045)

Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effects of bond premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of general obligations - principal		960,000
Amortization of bond premium/discount, prepaid bond insurance, and deferred charge on bond refundings		(32,766)

Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Prepaid expense	(4,710)	
Net pension liability and related deferred outflows and inflows	(305,636)	
OPEB liability and related deferred outflows and inflows	(43,880)	
Capital lease payable	21,381	
Compensated absences	11,976	
Accrued interest	<u>1,004</u>	(319,865)

<b>Change in net position of governmental activities</b>		<u><u>\$ 874,861</u></u>
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**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2018**

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	<b>Food Service</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 18,312
Due from other funds	670
Accounts receivable	246
Inventory	<u>21,706</u>
Total current assets	<u>40,934</u>
<b>Noncurrent Assets</b>	
Furniture and equipment	260,343
Accumulated depreciation	<u>(260,343)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>40,934</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension liability	108,013
Deferred outflows related to OPEB liability	<u>1,785</u>
Total deferred outflows of resources	<u>109,798</u>
Total assets and deferred outflows of resources	<u><u>\$ 150,732</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 10,796
Compensated absences	<u>400</u>
Total current liabilities	<u>11,196</u>
<b>Noncurrent Liabilities</b>	
Net pension liability	539,762
OPEB liability	35,465
Compensated absences	<u>1,606</u>
Total noncurrent liabilities	<u>576,833</u>
Total liabilities	<u>588,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension liability	20,195
Deferred inflows related to OPEB liability	<u>2,907</u>
Total deferred inflows of resources	<u>23,102</u>
<b>NET POSITION</b>	
Unrestricted	<u>(460,399)</u>
Total net position	<u>(460,399)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 150,732</u></u>

**FAIRFIELD AREA SCHOOL DISTRICT****Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund  
Year Ended June 30, 2018**

---

	<b>Food Service</b>
<b>OPERATING REVENUE</b>	
Food service revenues	\$ 264,059
Total operating revenues	<u>264,059</u>
<b>OPERATING EXPENSES</b>	
Food and milk purchases	169,231
Salaries	148,263
Employee benefits	102,906
Supplies	15,248
Repairs and maintenance	7,735
Dues and fees	1,225
Other purchased services	3,781
Travel and training	<u>144</u>
Total operating expenses	<u>448,533</u>
Operating (loss)	<u>(184,474)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal subsidies	121,585
State subsidies	<u>37,620</u>
Total nonoperating revenue	<u>159,205</u>
Income (loss) before transfers	<u>(25,269)</u>
<b>TRANSFERS</b>	
Interfund transfers	<u>10,000</u>
Change in net position	(15,269)
Net position - beginning, as restated	<u>(445,130)</u>
Net position - ending	<u><u>\$ (460,399)</u></u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Fund**  
**Year Ended June 30, 2018**

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	<b>Food Service</b>
<b>Cash flows from operating activities</b>	
Cash received from food sales	\$ 263,813
Cash payments to suppliers for goods	(162,473)
Cash payments to and on behalf of employees	(242,344)
Cash payments for services	<u>(11,516)</u>
Net cash (used) by operating activities	<u>(152,520)</u>
<b>Cash flows from noncapital financing activities</b>	
Federal subsidies	105,044
State subsidies	37,620
Interfund transfers	<u>10,000</u>
Net cash provided by noncapital financing activities	<u>152,664</u>
Net increase in cash and cash equivalents	144
Cash and cash equivalents - beginning	<u>18,168</u>
Cash and cash equivalents - ending	<u>18,312</u>
<b>Reconciliation of income (loss) from operations to net cash provided by operating activities</b>	
Operating (loss)	(184,474)
Adjustments to reconcile operating income (loss) to net cash	
Donated food used	16,541
(Increase) decrease in:	
Inventory	6,759
Accounts receivable	(246)
Increase (decrease) in:	
Interfund payables	(3,107)
Compensated absences	(3,789)
Net pension liability and related items	15,366
Other post-employment benefit liability and related items	355
Increase in accounts payable	<u>75</u>
Total adjustments	<u>31,954</u>
Net cash (used) by operating activities	<u>\$ (152,520)</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

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	<b>Agency Fund</b>	<b>Private Purpose Trust Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 74,963	\$ 10,666
Accounts receivable	-	30
Total assets	<u>\$ 74,963</u>	<u>\$ 10,696</u>
<b>LIABILITIES</b>		
Due to student groups	\$ 74,963	\$ -
Total liabilities	<u>74,963</u>	<u>-</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	-	10,696
Total net position	<u>-</u>	<u>10,696</u>
Total liabilities and net position	<u>\$ 74,963</u>	<u>\$ 10,696</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2018**

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	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>	
Contributions	\$ -
Total additions	-
<b>DEDUCTIONS</b>	
Scholarships and awards/grants	-
Total deductions	-
Change in net position	-
Net position - beginning	10,696
Net position - ending	<u>\$ 10,696</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Nature of Operations***

Fairfield Area School District (School District) operates a public school system which is comprised of the Boroughs of Fairfield and Carroll Valley and Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

The financial statements of the School District 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.

***Reporting Entity***

Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities and there are no entities that are a component unit of the School District.

***Joint Ventures***

The following joint ventures are not component units of Fairfield Area School District and are not included in this report.

**Lincoln Intermediate Unit #12** - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training. During the year ended June 30, 2018, the School District paid \$ 803,375 to the Lincoln Intermediate Unit #12.

**Special Education Consortium** - The Upper Adams and the Bermudian Springs School Districts are in an agreement with the School District to provide special education services to students on an as-needed basis to help reduce the cumulative service costs. Each servicing school district provides specialized services to each other, billed according to seat costs specified by the servicing school district and agreed upon at a meeting of the member school districts conducted annually. The agreement automatically renews annually unless written termination request from all participants occurs. During the year ended June 30, 2018, the School District paid \$ 119,913 to the Special Education Consortium.

Complete financial statements for each of the entities described above can be obtained from the respective administrative office. The School District has no equity interest in the above joint ventures.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental fund:

***General Fund***

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, and other taxes, and state and federal grants. Many of the more important activities of the School District, including instruction, administration, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unrestricted fund balance is considered as resources available for use.

The School District reports the following non-major governmental fund:

***Capital Reserve Fund***

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 PA. C.S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

**Proprietary Fund**

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

***Food Service Fund – Enterprise Fund – Major Fund***

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

***Basis of Presentation***

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District, and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Presentation (Continued)***

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

***Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental 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 tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting (Continued)***

If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally a result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

***Cash and Cash Equivalents and Investments***

Cash includes all demand deposits, petty cash, savings, money market accounts, PSDLAF accounts, and certificates of deposit with an original maturity of less than three months owned by the School District. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at fair value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

***Statement of Cash Flows***

For purposes of the statement of cash flows for the proprietary fund, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Inventory***

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements. Governmental fund supplies inventories are not deemed to be significant at June 30.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$ 5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Site improvements	20 years
Buildings and building improvements	20 - 30 years
Furniture and equipment	5 - 20 years

***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(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These will be amortized in future periods.

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources reported in the Statement of Net Position consists of various amounts related to pension and OPEB liabilities (on the statement of net position) and unavailable tax revenue (on the balance sheet – governmental funds).

***Interfund Activity/Internal Balances***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Budgets and Budgetary Accounting***

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorizes the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements and capital projects in the capital reserve fund. All transactions of the capital reserve fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

***Use of Estimates***

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

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and original issue discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Long-Term Obligations (Continued)***

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

***Retirement Plans***

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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 PSER's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Compensated Absences***

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. These provisions require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provision of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements, and are expensed as incurred.

***Other Postemployment Benefits Other Than Pension***

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Other Postemployment Benefits Other Than Pension (Continued)***

**School District Health Care Plan**

The School District provides postemployment benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

**PSERS Health Insurance Premium Assistance Program**

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

***Net Position -Government-Wide/Proprietary Funds***

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent bond proceeds is not included in the calculation of net investment of capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

**Restricted Net Position:** This category of net position has constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Restricted net position as of June 30, 2018 consists of \$ 142,356 for future capital improvements.

**Unrestricted Net Position:** This category of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance – Governmental Funds***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amounts of loans receivable. This also includes the corpus (or principal) of permanent funds.

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the finance committee or Business Manager has the authority to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

**Unassigned:** This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Policy Regarding Order of Spending***

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. This order of spending may be altered per board approval.

**NOTE 2 CASH AND INVESTMENTS**

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Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 authorizes the School District to invest in the following:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.



**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2018, the School District has a bank balance of \$ 7,699,946. Of this balance, \$ 260,666 is covered by FDIC insurance and the remaining balance of \$ 7,439,280 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, various banks utilized by the District have pledged collateral on a pooled basis on behalf of the District and all other governmental depositors in the respective financial institutions.

***Credit Risk - Investments***

Included in cash and cash equivalents are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF-MAX) of \$ 44,925. The PSDLAF-MAX is basically a mutual fund that consists of short-term money market investments and seeks to maintain a constant

net asset value of \$ 1 per share. PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool.

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2018, the School District's investments on the PA School District Liquid Asset Fund were rated AAAM by Standard & Poor's.

***Policies Followed at PSDLAF***

***Regulatory Oversight***

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve ex officio. The Trustees have full, exclusive and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlers as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Policies Followed at PSDLAF (Continued)***

**Valuation of Investments**

In accordance with the Government Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the fair value of the investment.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

***Interest Rate Risk - Investments***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in PSDLAF-MAX are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

**NOTE 3 TAXES**

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The School District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Carroll Valley and Fairfield and the Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Adams County Tax Claim Bureau for collection.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 4 TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

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Taxes receivable and unavailable revenue (deferred inflows) in the financial statements consist of the following as of June 30, 2018:

Real estate	\$	502,123
Earned income tax		432,394
Real estate transfer tax		15,452
Amusement tax		3,171
Allowance for uncollectible taxes		<u>(78,047)</u>
		875,093
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(406,598)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	\$	<u><u>468,495</u></u>

***Tax Abatements***

**Pennsylvania Clean and Green Program**

The School District provides property tax abatement through the Clean and Green program enacted by the Pennsylvania General Assembly in 1974. The program bases property taxes on use values rather than fair market values. To qualify, a property must be at least ten acres in size, and used in Agricultural Use, Agricultural Reserve, or Forest Reserve. Property under 10 acres qualifies if it is capable of generating at least \$ 2,000 annually in farm income.

The Department of Agriculture supplies county assessment offices with use values annually. The county has the option to implement these values or use lower values. Agricultural Use and Agricultural Reserve values are based upon the income approach for land appraisal. This standard appraisal technique defines the agricultural use value of a tract of land as the present value of the income stream it can generate when put to its best agricultural use. Forest Reserve values are based on the average value of timber in a particular county, or the average value of six timber types by county.

A landowner who breaches the covenant is subject to seven years of rollback taxes at 6% interest per year. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid if the property had not been enrolled, plus 6% simple interest per year.

For the fiscal year ended June 30, 2018, the District abated property taxes totaling \$ 1,252,586 under this program.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

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Interfund receivables/payables consist of the following for the year ended June 30, 2018:

<b>Funds</b>	<b>Due From</b>	<b>Due To</b>
General	\$ -	\$ 670
Food Service	670	-
	<u>\$ 670</u>	<u>\$ 670</u>

The interfund payable from the General Fund to the Food Service Fund is for student lunch account balances as of June 30, 2018.

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ -	\$ 332,000
Capital Reserve	322,000	-
Food Service	10,000	-
	<u>\$ 332,000</u>	<u>\$ 332,000</u>

Interfund transfers were made from the General Fund to the Capital Reserve Fund for future capital improvements. Interfund transfers were made from the General Fund to the Food Service Fund to cover a projected loss in Food Service at June 30, 2018.

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

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Intergovernmental receivables at June 30, 2018 consist of the following:

Local:	Consortium tuition	\$ 83,407
	Other	48,273
State:	Basic education	523,323
	Vocational education	3,327
	Transportation	149,921
	Rental subsidy	155,954
	Social security	77,209
	Retirement	383,555
	Other	9
Federal:	Direct programs	23,410
		<u>\$ 1,448,388</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2018:

	Balances June 30, 2017	Additions	Retirements	Balances June 30, 2018
<b>Governmental Activities:</b>				
Cost				
Assets not being depreciated:				
Land	\$ 422,050	\$ -	\$ -	\$ 422,050
Construction in progress	192,175	527,735	(719,910)	-
Assets being depreciated:				
Site improvements	1,034,280	-	(349,884)	684,396
Buildings and building improvements	30,332,674	-	-	30,332,674
Furniture and equipment	2,356,989	746,695	(42,348)	3,061,336
Total cost	<u>34,338,168</u>	<u>1,274,430</u>	<u>(1,112,142)</u>	<u>34,500,456</u>
Less accumulated depreciation				
Site improvements	(946,649)	(17,037)	349,884	(613,802)
Buildings and building improvements	(21,190,173)	(1,036,198)	-	(22,226,371)
Furniture and equipment	(1,927,522)	(129,034)	42,348	(2,014,208)
Total accumulated depreciation	<u>(24,064,344)</u>	<u>(1,182,269)</u>	<u>392,232</u>	<u>(24,854,381)</u>
<b>Capital assets, net</b>	<u>\$ 10,273,824</u>	<u>\$ 92,161</u>	<u>\$ (719,910)</u>	<u>\$ 9,646,075</u>
<b>Business-Type Activities</b>				
Cost				
Machinery and equipment	\$ 262,195	\$ -	\$ (1,852)	\$ 260,343
Less accumulated depreciation	<u>(262,195)</u>	<u>-</u>	<u>1,852</u>	<u>(260,343)</u>
<b>Capital assets, net</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental functions as follows:

Instruction	\$ 1,044,537
Instructional student support	252
Administrative and financial support services	40,237
Operation and maintenance of plant services	93,391
Student activities	2,062
Transportation	<u>1,790</u>
	<u>\$ 1,182,269</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS**

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2018:

<b>General Fund</b>	
Accrued salaries	\$ 497,342
Retirement	1,332,874
Social security	36,856
Other withholdings	45,479
	<u>\$ 1,912,551</u>

**NOTE 9 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended June 30, 2018 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
<b>Governmental Activities</b>						
General obligation bonds/notes payable						
(A) Series 2012 A	3,970,000	-	-	3,970,000	-	3,970,000
(B) Series 2012 B	2,415,000	-	(90,000)	2,325,000	95,000	2,230,000
(C) Series 2015	6,235,000	-	(35,000)	6,200,000	35,000	6,165,000
(D) Series 2016	4,405,000	-	(835,000)	3,570,000	850,000	2,720,000
Unamortized bond premium (discount)	92,200	-	(26,045)	66,155	26,045	40,110
Subtotal - bonds/notes	17,117,200	-	(986,045)	16,131,155	1,006,045	15,125,110
Compensated absences	119,296	-	(11,976)	107,320	31,086	76,234
Capital lease	70,507	-	(21,381)	49,126	20,566	28,560
<b>Total long-term liabilities</b>	<u>\$ 17,307,003</u>	<u>\$ -</u>	<u>\$ (1,019,402)</u>	<u>\$ 16,287,601</u>	<u>\$ 1,057,697</u>	<u>\$ 15,229,904</u>
<b>Business-Type Activities</b>						
Compensated absences	5,795	-	(3,788)	2,007	400	1,606
<b>Total long-term liabilities</b>	<u>\$ 5,795</u>	<u>\$ -</u>	<u>\$ (3,788)</u>	<u>\$ 2,007</u>	<u>\$ 400</u>	<u>\$ 1,606</u>

- (A) On May 14, 2012, the School District issued \$ 3,970,000 of general obligation bonds – Series of 2012 A. The proceeds were used to advance refund a portion of the general obligation bonds, Series 2010A, advance refund all of the general obligation bonds Series of 2010B and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2029 to 2032, with interest payments due annually. The bonds bear interest at rates ranging from 3.00% to 3.25%.
- (B) On May 14, 2012, the School District issued \$ 2,870,000 of general obligation bonds – Series of 2012 B. The proceeds were used to finance the School District's capital improvement plan including any necessary additions, alterations, renovations and improvements to, and fixturing and equipping of, the School District's facilities for the purpose of energy savings and other capital projects, to currently refund all of the general obligation bonds, Series of 2006, and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2013 to 2032. The bonds bear interest at rates ranging from 2.00% to 3.25%.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 9 LONG TERM LIABILITIES (CONTINUED)**

- (C) On April 13, 2015, the School District issued \$ 6,350,000 of general obligation bonds – Series of 2015. The proceeds were used to currently refund all of the general obligation bonds - Series of 2010A. Payment on the bonds is due in varying amounts on June 1, 2015 to 2028. The bonds bear interest at rates ranging from 0.30% to 3.00%.
- (D) On March 14, 2016, the School District issued \$ 6,050,000 of general obligation bonds – Series of 2016. The proceeds were used to currently refund all of the general obligation bonds - Series of 2009. Payment on the bonds is due in varying amounts on June 1, 2016 to 2022. The bonds bear interest at rates ranging from 0.39% to 4.00%.

The annual debt requirements for future general obligation bonds as of June 30, 2018, are as follows:

Fiscal Year Ended June 30	GO Bonds - 2012A		GO Bonds - 2012B		GO Bonds - 2015		GO Bonds - 2016		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ 122,950	\$ 95,000	\$ 64,911	\$ 35,000	\$ 158,522	\$ 850,000	\$ 108,300	\$ 980,000	\$ 454,683
2020	-	122,950	95,000	63,012	35,000	157,996	880,000	77,300	1,010,000	421,258
2021	-	122,950	95,000	61,112	40,000	157,418	905,000	47,400	1,040,000	388,880
2022	-	122,950	100,000	59,092	35,000	156,618	935,000	18,700	1,070,000	357,360
2023	-	122,950	125,000	56,842	965,000	155,918	-	-	1,090,000	335,710
2024-2028	-	614,750	690,000	233,564	5,090,000	433,962	-	-	5,780,000	1,282,276
2029-2032	<u>3,970,000</u>	<u>316,238</u>	<u>1,125,000</u>	<u>89,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,095,000</u>	<u>405,739</u>
	<u>\$ 3,970,000</u>	<u>\$ 1,545,738</u>	<u>\$ 2,325,000</u>	<u>\$ 628,034</u>	<u>\$ 6,200,000</u>	<u>\$ 1,220,434</u>	<u>\$ 3,570,000</u>	<u>\$ 251,700</u>	<u>\$ 16,065,000</u>	<u>\$ 3,645,906</u>

***Lease Payable***

The School District is financing the purchase of copiers and information technology equipment through capital leases with vendors. At June 30, 2018, the leased assets have a gross capitalized value of \$ 156,194 and accumulated amortization of \$ 108,420, leaving a net book value of \$ 47,774 that is included in capital assets. Amortization expense of \$ 31,240 is included in depreciation expense. The aggregate amount of future principal payments required on capital leases at June 30, 2018 is as follows:

2019	\$ 23,508
2020	19,743
2021	7,299
2022	<u>3,044</u>
	53,594
Amount representing interest	<u>(4,468)</u>
	<u>\$ 49,126</u>

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

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***Plan Descriptions and Benefits Provided***

**School District Plan**

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the Lincoln Benefit Trust. The plan provides medical, prescription drug, dental, and vision coverage for eligible retirees and their spouses. Upon reaching the earliest of Medicare age or retiree's death, all retirees cease to be covered under the School District's plan. The plan provisions, benefits available, and required reimbursements are governed by Act 110/43 of the Pennsylvania Legislature and the collective bargaining agreement(s) between the School District and the Fairfield Education Association.

Retirees opting to participate pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount for retirees is based on a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as the "implicit rate subsidy" provided by the School District, which gives rise to the benefit to be recorded under generally accepted accounting principles.

No assets are accumulated in a trust that meets the criteria of GASB standards.

**PSERS**

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contributions rates that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2018, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

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 of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).



**FAIRFIELD AREA SCHOOL DISTRICT**  
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**June 30, 2018**

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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Plan Membership***

Membership in the School District's plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Active participants	111
Vested former participants	0
Retired participants	<u>8</u>
Total	<u>119</u>

***Contributions***

**PSERS**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 55,145 for the year ended June 30, 2018.

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

**School District Plan**

The School District's total OPEB liability was measured as of July 1, 2017 and the total OPEB liability was determined by rolling forward the total liability from July 1, 2016 to July 1, 2017 based on an actuarial valuation as of July 1, 2017, which was based on census information as of December 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2018, the School District reported a total OPEB liability of \$ 1,104,465.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$ 106,894.

**PSERS**

At June 30, 2018, the School District reported a liability of \$ 1,008,259 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The School District's proportionate of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.0495 percent, which was a decrease of 0.0015 percentage from its proportionate measured as of June 30, 2017.

**FAIRFIELD AREA SCHOOL DISTRICT**  
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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)***

For the year ended June 30, 2018, the School District recognized OPEB expense of \$ 37,998.

The table below summarizes the combined OPEB liability and OPEB expense:

	<b>Total OPEB/ Net OPEB Liability</b>	<b>OPEB Expense</b>
School District Plan	\$ 1,104,465	\$ 106,894
PSERS	1,008,259	37,998
Total	<u>\$ 2,112,724</u>	<u>\$ 144,892</u>

***Changes in the Total OPEB Liability***

**School District Plan**

	<b>Total OPEB Liability</b>
<b>Beginning Balance</b>	\$ 1,154,316
<b>Changes for the year:</b>	
Service cost	84,829
Interest	30,160
Changes in assumptions	(113,331)
Benefit payments	<u>(51,509)</u>
Net changes	<u>(49,851)</u>
<b>Ending Balance</b>	<u>\$ 1,104,465</u>

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>School District Plan</b>		<b>PSERS</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	105,235	-	46,930	-	152,165
Net difference between projected and actual investment earnings	-	-	1,066	-	1,066	-
Changes in proportions - plan	-	-	-	27,694	-	27,694
Difference between employer contributions and proportionate share of total contributions	-	-	-	67	-	67
Benefit payments/contributions subsequent to the measurement date	<u>45,512</u>	<u>-</u>	<u>55,145</u>	<u>-</u>	<u>100,657</u>	<u>-</u>
	<u>\$ 45,512</u>	<u>\$ 105,235</u>	<u>\$ 56,211</u>	<u>\$ 74,691</u>	<u>\$ 101,723</u>	<u>\$ 179,926</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Changes in the Total OPEB Liability (Continued)***

The amount of \$ 100,657 is reported as deferred outflows of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2019 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b>Year ended June 30:</b>	<b>School District Plan</b>	<b>PSERS</b>	<b>Total</b>
2019	\$ (8,095)	\$ (12,011)	\$ (20,106)
2020	(8,095)	(12,011)	(20,106)
2021	(8,095)	(12,011)	(20,106)
2022	(8,095)	(12,011)	(20,106)
2023	(8,095)	(13,011)	(21,106)
Thereafter	(64,760)	(12,570)	(77,330)
Total	<u>\$ (105,235)</u>	<u>\$ (73,625)</u>	<u>\$ (178,860)</u>

***Actuarial Methods and Assumptions***

**School District Plan**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**PSERS**

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

	<b>School District Plan</b>	<b>PSERS</b>
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.13%	3.13% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions (Continued)***

	<b>School District Plan</b>	<b>PSERS</b>
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	70% of employees are assumed to elect coverage at retirement.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 20175 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 5,690 for males and \$ 8,218 for females; 50-54, \$ 7,536 for males and \$ 9,287 for females; 55-59, \$ 9,178 for males and \$ 9,718 for females; and 60-64, \$ 11,977 for males and \$ 11,164 for females.	N/A

**PSERS**

***Investment Return***

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

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Actuarial Methods and Assumptions (Continued)***

The OPEB plan's policy in regard to the allocation of investment plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

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

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

***Discount Rate***

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

***Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate***

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	<b>1% Decrease 2.13%</b>	<b>Current Discount Rate 3.13%</b>	<b>1% Increase 4.13%</b>
School District Plan - Total OPEB liability	\$ 1,197,506	\$ 1,104,465	\$ 1,016,732
PSERS - School District's proportionate share of the net OPEB liability	\$ 1,146,000	\$ 1,008,259	\$ 894,000

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)***

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

**School District Plan**

	1% Decrease (5.0% decreasing to 2.9%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.9%)	1% Increase (7.0% decreasing to 4.9%)
School District Plan - Total OPEB Liability	\$ 962,425	\$ 1,104,465	\$ 1,275,656

**PSERS**

	1% Decrease (Between 4% to 7%)	Healthcare Cost Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 1,008,000	\$ 1,008,259	\$ 1,009,000

***OPEB Plan Fiduciary Net Position***

**PSERS**

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

***Payables to the OPEB Plan***

**School District Plan**

As of June 30, 2018, the School District had no amounts payable to the School District OPEB Plan.

**PSERS**

As of June 30, 2018, the School District had \$ 32,218 included in accrued wage liability, of which \$ 28,190 is for the contractually required contribution for the first and second quarter of 2018 and \$ 4,128 is related to the accrued payroll liability for wages incurred as of June 30, 2018.

**NOTE 11 PENSION PLAN**

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***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 member eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

**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 requirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final salary (as defined by 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 rights to benefits are vested after ten years of service.

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

**NOTE 11 PENSION PLAN (CONTINUED)**

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***General Information About the Pension Plan (Continued)***

**Contributions**

*Membership contributions:*

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

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

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

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

*Employer Contributions:*

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District to the pension plan from the School District were \$ 2,108,803 for the year ended June 30, 2018.

*State Funding*

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2018, the School District recognized revenue of \$ 1,082,716 as reimbursement from the State for its current year pension payments.



**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 11 PENSION PLAN (CONTINUED)**

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

At June 30, 2018, the School District reported a liability of \$ 24,447,261 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was 0.0495 percent, which was a decrease of 0.0015 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense as follows:

Governmental Activities	\$ 2,367,877
Business-Type Activities	\$ 61,926

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 255,659	\$ 147,725
Changes in assumptions	664,000	-
Net difference between projected and actual investment earnings	566,000	-
Changes in proportionate share - plan	137,117	766,963
Changes in proportionate share - governmental activities/business-type activities	24,126	24,126
Difference between employer contributions and proportionate share of total contributions	67,887	-
Contributions subsequent to the measurement date	<u>2,108,803</u>	<u>-</u>
	<u><u>\$ 3,823,592</u></u>	<u><u>\$ 938,814</u></u>

**NOTE 11 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)***

The \$ 2,108,803 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	224,666
2019		466,670
2020		293,701
2021		(209,062)
Total	\$	<u>775,975</u>

**Actuarial Assumptions**

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

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases
- Mortality rates were based on 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-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 PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

**NOTE 11 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)***

**Actuarial Assumptions (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	20%	5.1%
Fixed income	36%	2.6%
Commodities	8%	3.0%
Absolute return	10%	3.4%
Risk parity	10%	3.8%
Infrastructure/MLPs	8%	4.8%
Real estate	10%	3.6%
Alternative investments	15%	6.2%
Cash	3%	0.6%
Financing (LIBOR)	(20%)	1.1%
	<u>100%</u>	

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

**Discount Rate**

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

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:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
District's proportionate share of the net pension liability	<u>\$ 30,092,000</u>	<u>\$ 24,447,261</u>	<u>\$ 19,681,000</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 11 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)***

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

As of June 30, 2018 the School District had \$ 1,300,656 included in accrued benefits liability, of which \$ 1,239,992 is for the contractually required contribution for a portion of the first quarter and the second quarter of 2018 and \$ 60,564 is related to the accrued payroll liability for wages incurred as of June 30, 2018.

**NOTE 12 RISK MANAGEMENT**

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The School 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 School 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 three prior years.

The School District is a member of the Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating Schools. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 75,000 and \$ 300,000 are paid from the Trust mini-pool. Claims incurred over \$ 300,000 are paid from a stop loss insurance policy purchased by the Trust. Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2018:

Net position - July 1, 2017	\$ 1,523,862
Contributions and interest income	1,304,419
Minipool reimbursement	5,253
Claims paid	(741,848)
Stop-loss insurance	(174,847)
Minipool premium	(42,172)
Administrative fees	(75,237)
Net position - June 30, 2018	<u>\$ 1,799,430</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 12 RISK MANAGEMENT (CONTINUED)**

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Overall, the Lincoln Benefit Trust has a net position of \$ 96,069,429 as of June 30, 2018 and showed an increase in net position of \$ 362,893 for the year then ended. Financial statements of the Trust are available at the School District. All expenditures for the School District's risk management are recorded in the general fund or food service fund.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

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The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

As of June 30, 2018, the School District had a commitment for the High School Rooftop Unit Replacement Project with an estimated contract cost of \$ 249,171. As of June 30, 2018, no costs have been incurred.

**NOTE 14 SUBSEQUENT EVENTS**

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In August 3, 2018, the School District discovered mold contamination in the school buildings resulting in remediation costs. The School District expects to incur \$ 2,343,602 in mold remediation costs subsequent to year end.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 15    RESTATEMENT**

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The School District implemented GASB Standard 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. Implementing this standard required retroactively adjusting net position for the beginning balance related to this activity. The restatement of beginning balances does not include deferred inflows or deferred outflows with the exception of a deferred outflow for benefit payments/contributions subsequent to the measurement date. A restatement was made to restate the beginning net position as follows:

	<b>Governmental Activities</b>	<b>Business Type Activities/ Food Service Fund</b>
Net position as of June 30, 2017, as originally stated	\$ (21,021,544)	\$ (408,898)
OPEB and related deferred outflows of resources	(1,828,739)	(36,232)
Net position as of June 30, 2017, as restated	<u>\$ (22,850,283)</u>	<u>\$ (445,130)</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2018**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary/ GAAP Basis)</b>	<b>with Final Budget</b>
<b>REVENUES</b>				
Local Sources				
Taxes	\$ 10,529,568	\$ 10,529,568	\$ 10,923,444	\$ 393,876
Investment earnings	20,000	20,000	42,819	22,819
Revenue from intermediate sources	118,388	140,354	150,953	10,599
Other	157,190	157,190	231,869	74,679
State sources	6,597,938	6,597,938	6,783,460	185,522
Federal sources	104,515	164,214	166,095	1,881
Total revenues	<u>17,527,599</u>	<u>17,609,264</u>	<u>18,298,640</u>	<u>689,376</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	7,099,884	6,741,110	6,379,534	361,576
Special programs	2,330,654	2,344,569	2,301,267	43,302
Vocational education programs	803,796	797,571	783,231	14,340
Other instructional programs	91,130	126,873	112,859	14,014
Total instruction	<u>10,325,464</u>	<u>10,010,123</u>	<u>9,576,891</u>	<u>433,232</u>
<b>Support Services</b>				
Pupil personnel	539,217	576,940	530,688	46,252
Instructional staff	372,873	327,333	303,495	23,838
Administration	1,386,372	1,436,273	1,375,512	60,761
Pupil health	145,116	175,636	130,202	45,434
Business	362,905	355,434	339,686	15,748
Operation and maintenance of plant	1,172,539	1,179,408	1,118,130	61,278
Student transportation	884,428	1,113,239	978,906	134,333
Central	261,010	233,578	221,170	12,408
Total support services	<u>5,124,460</u>	<u>5,397,841</u>	<u>4,997,789</u>	<u>400,052</u>
<b>Operation of Noninstruction Services</b>				
Student activities and community services	<u>515,057</u>	<u>582,112</u>	<u>509,396</u>	<u>72,716</u>
Total operation of noninstructional services	<u>515,057</u>	<u>582,112</u>	<u>509,396</u>	<u>72,716</u>
<b>Facilities, Acquisitions, Construction and Improvement Services</b>				
General site improvement construction services	-	46,214	46,214	-
Total Facilities, Acquisitions, Construction and Improvement Services	<u>-</u>	<u>46,214</u>	<u>46,214</u>	<u>-</u>
<b>Debt Service</b>				
Principal	983,000	983,000	981,388	1,612
Interest	<u>472,142</u>	<u>472,142</u>	<u>471,973</u>	<u>169</u>
Total debt service	<u>1,455,142</u>	<u>1,455,142</u>	<u>1,453,361</u>	<u>1,781</u>
Total expenditures	<u>17,420,123</u>	<u>17,491,432</u>	<u>16,583,651</u>	<u>907,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	<u>(322,000)</u>	<u>(332,000)</u>	<u>(332,000)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(322,000)</u>	<u>(332,000)</u>	<u>(332,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (214,524)</u>	<u>\$ (214,168)</u>	<u>\$ 1,382,989</u>	<u>\$ 1,597,157</u>



**FAIRFIELD AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net Pension Liability - Public School**  
**Employees' Retirement System**  
**Year Ended June 30, 2018**

<b>For the Fiscal Year Ended June 30</b>	<b>School District's Proportion of the Net Pension Liability (Asset)</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>School District's Covered Payroll - Measurement Period</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	0.0495%	\$ 24,447,261	\$ 6,594,750	370.71%	51.84%
2017	0.0510%	\$ 25,273,982	\$ 6,608,165	382.47%	50.14%
2016	0.0512%	\$ 22,177,438	\$ 6,583,949	336.84%	54.36%
2015	0.0522%	\$ 20,661,134	\$ 6,666,890	309.91%	57.24%

**NOTES**

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**Changes in Actuarial Assumptions**

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage 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 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.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Schedule of School District's Contributions – Public School Employees'**  
**Retirement System**  
**Year Ended June 30, 2018**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2018	\$ 2,108,863	\$ 2,108,863	\$ -	\$ 6,739,547	31.3%
2017	\$ 1,905,521	\$ 1,905,521	\$ -	\$ 6,954,750	27.4%
2016	\$ 1,648,379	\$ 1,648,379	\$ -	\$ 6,608,165	24.9%
2015	\$ 1,324,963	\$ 1,324,963	\$ -	\$ 6,583,949	20.1%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -**  
**School District Plan**  
**Year Ended June 30, 2018**

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	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 84,829
Interest	30,160
Changes in assumptions	(113,331)
Benefit payments	<u>(51,509)</u>
Net change in total OPEB liability	(49,851)
 Total OPEB liability - beginning	 <u>1,154,316</u>
Total OEPB liability - ending	<u>\$ 1,104,465</u>
 Covered employee payroll	 \$ 6,272,363
 Total OPEB liability as a percentage of covered employee payroll	  17.61%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period year end is one year prior to the fiscal year end.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net OPEB Liability - PSERS**

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For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.0495%	\$ 1,008,259	\$ 6,594,750	15.29%	5.47%

**NOTES**

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The amounts presented for each fiscal year were determined as the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Schedule of School District's OPEB Contributions – PSERS**

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For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 55,145	\$ 55,145	\$ -	\$ 6,739,547	0.83%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

## **OTHER SUPPLEMENTARY INFORMATION**

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Detailed Original Budget Comparison Schedule - General Fund**  
**Year Ended June 30, 2018**

	<b>Original</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES FROM LOCAL SOURCES</b>			
Taxes			
Current and interim real estate taxes	\$ 8,084,626	\$ 8,328,466	\$ 243,840
Public utility realty taxes	11,316	11,001	(315)
Payments in lieu of taxes	8,626	14,377	5,751
Current Act 511 taxes - flat rate assessments	2,230,000	2,316,664	86,664
Delinquencies on taxes levied/assessed	<u>195,000</u>	<u>252,936</u>	<u>57,936</u>
Total taxes	<u>10,529,568</u>	<u>10,923,444</u>	<u>393,876</u>
Earnings on investments	20,000	42,819	22,819
Revenue from intermediary sources	118,388	150,953	32,565
Rentals	18,000	17,986	(14)
Contributions and donations from private sources	15,000	36,218	21,218
Refunds and other miscellaneous revenue	<u>124,190</u>	<u>177,665</u>	<u>53,475</u>
Total revenue from local sources	<u>10,825,146</u>	<u>11,349,085</u>	<u>523,939</u>
<b>REVENUE FROM STATE SOURCES</b>			
Basic instructional funding	3,473,130	3,500,116	26,986
Tuition for orphans and private-home placements	1,000	9,732	8,732
Vocational education	24,200	15,887	(8,313)
Special education funding for school aged pupils	639,899	635,911	(3,988)
Transportation	294,044	506,948	212,904
Rental and sinking fund payments	178,058	177,792	(266)
Health services	20,000	18,455	(1,545)
State property tax reduction allocation	459,683	459,683	-
State liquid fuels	-	5,174	5,174
Ready to Learn block grant	147,924	147,924	-
State share of social security and retirement	<u>1,360,000</u>	<u>1,305,838</u>	<u>(54,162)</u>
Total revenue from state sources	<u>6,597,938</u>	<u>6,783,460</u>	<u>185,522</u>
<b>REVENUE FROM FEDERAL SOURCES</b>			
ESEA - Title I	94,238	110,848	16,610
ESEA - Title II	-	27,440	27,440
ESEA - Title IV	-	10,000	10,000
Vocational education	10,277	15,926	5,649
Medical assistance reimbursement	<u>-</u>	<u>1,881</u>	<u>1,881</u>
Total revenue from federal sources	<u>104,515</u>	<u>166,095</u>	<u>61,580</u>
Total revenues	<u>\$ 17,527,599</u>	<u>\$ 18,298,640</u>	<u>\$ 771,041</u>

**FAIRFIELD AREA SCHOOL DISTRICT**  
**Detailed Original Budget Comparison Schedule - General Fund (Continued)**  
**Year Ended June 30, 2018**

	<b>Original</b>	<b>Actual</b>	<b>Variance</b>
<b>INSTRUCTION</b>			
Regular programs			
Elementary/Secondary	\$ 7,099,884	\$ 6,379,534	\$ 720,350
Special programs			
Gifted students	-	16,350	(16,350)
Learning support	2,330,654	2,284,917	45,737
Total special programs	2,330,654	2,301,267	29,387
Vocational educational programs			
Agricultural education	148,498	125,902	22,596
Home economics education	107,975	108,452	(477)
Industrial arts education	111,753	112,567	(814)
Business education	290,574	293,369	(2,795)
Technical education	144,996	142,941	2,055
Total vocational education	803,796	783,231	20,565
Other instructional programs			
Drivers education	61,086	64,067	(2,981)
Additional education	30,044	48,792	(18,748)
Total other instructional programs	91,130	112,859	(21,729)
Total instruction	10,325,464	9,576,891	748,573
<b>SUPPORT SERVICES</b>			
Pupil personnel guidance	539,217	530,688	8,529
Instructional staff			
School library	244,118	247,514	(3,396)
Curriculum and staff development	128,755	55,981	72,774
Total instructional staff	372,873	303,495	69,378
Administration			
Board services	89,297	77,467	11,830
Tax assisted services	91,550	67,804	23,746
Legal	35,000	23,949	11,051
Office of Superintendent	384,503	396,686	(12,183)
Community relations	12,850	8,742	4,108
Office of Principal	773,172	800,462	(27,290)
Other	-	402	(402)
Total administration	\$ 1,386,372	\$ 1,375,512	\$ 10,860



**FAIRFIELD AREA SCHOOL DISTRICT**  
**Detailed Original Budget Comparison Schedule - General Fund (Continued)**  
**Year Ended June 30, 2018**

	<b>Original</b>	<b>Actual</b>	<b>Variance</b>
Pupil health	\$ 145,116	\$ 130,202	\$ 14,914
Business	362,905	339,686	23,219
Operation and maintenance of plant services	1,172,539	1,118,130	54,409
Student transportation	884,428	978,906	(94,478)
Central and other support services	261,010	221,170	39,840
Total support services	5,124,460	4,997,789	126,671
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>			
Student activities and community services			
School sponsored student activities	87,508	92,830	(5,322)
School sponsored athletics	427,549	416,566	10,983
Total operations of non-instructional services	515,057	509,396	5,661
<b>FACILITIES, ACQUISITIONS, CONSTRUCTION AND IMPROVEMENT SERVICES</b>			
General site improvement construction services	-	46,214	(46,214)
Total Facilities, Acquisitions, Construction and Improvement Services	-	46,214	(46,214)
<b>DEBT SERVICE</b>			
Principal	983,000	981,388	1,612
Interest	472,142	471,973	169
Total debt service	1,455,142	1,453,361	1,781
Total expenditures	17,420,123	16,583,651	836,472
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	(322,000)	(332,000)	(10,000)
Total other financing sources (uses)	(322,000)	(332,000)	(10,000)
Net change in fund balance	\$ (214,524)	\$ 1,382,989	\$ 1,597,513