

METHACTON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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YEAR ENDED JUNE 30, 2018

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METHACTON SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Methacton School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Methacton 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.

Auditors' Responsibility

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

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

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

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

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 Methacton 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

For the year ended June 30, 2018, the Methacton School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 64 and 65, schedule of the school district's proportionate share of the net pension liability on page 66, schedule of the school district's pension contributions on page 67, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 68, schedule of school district's PSERS net other postemployment benefit contributions on page 69, and the schedule of changes in the total other postemployment benefit plan liability and related ratios on page 70 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 Methacton School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of the Methacton School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Methacton School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 6, 2018

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

This discussion and analysis of Methacton School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the audited financial statements and the related disclosures to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The Methacton School District (the "District") experienced significant increases in the costs during the 2017/2018 fiscal year in special education instruction, and health related benefits for our employees. Further, increases in the mandated costs for the Public School Employees' Retirement System (PSERS) employer contribution continue to cause additional stress on the financial resources of the District.

The District completed the fiscal year 2017/2018 with liabilities and deferred inflows of resources of \$291,437,328 exceeding assets and deferred outflows of resources of \$170,060,114 by \$121,377,214. In comparison the total net position of the district increased \$8,240,202 year-over-year.

- The governmental activities total assets increased by \$9,378,072 over prior year.
- The District's business-type activities, which are comprised of the Food Service Fund, showed a decrease of \$64,009 in total assets from prior year.
- At the end of the current fiscal year, the unassigned, undesignated fund balance of the General Fund was \$7,657,870 compared to the prior year of \$7,318,083, an increase of \$339,787.
- The Board continues to review the fund balance of the District and strives to maintain the fund balance to within 5-8% of the total budgeted expenditures, or in future years will budget to replenish the fund balance, should it be necessary.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of two distinct series of financial statements: the District as a whole, and by fund.

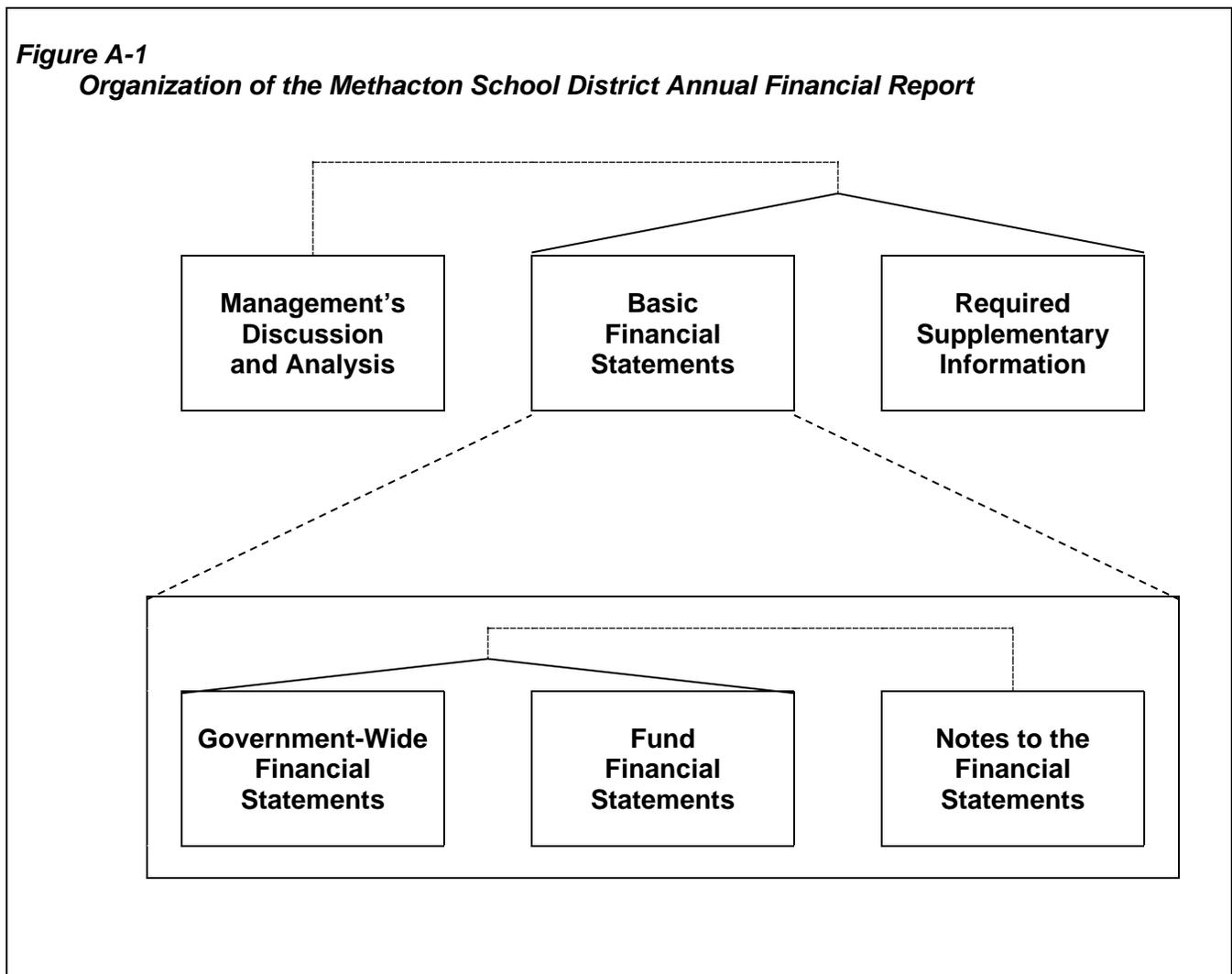
The first two statements are government-wide financial statements (District as a whole). These are the Condensed Statement of Net Position, and the Statement of Activities. The statements provide both long-term and short-term information about the District's overall financial status.

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

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

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

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.



METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: food services and adult education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; capital assets
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

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

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

- **Governmental Activities:** All of the District's basic services are included here, such as instruction, administration and community services. Revenues in the form of property taxes; state and federal subsidies; and state and federal grants finance most of these activities.
- **Business-Type Activities:** The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation. The food service operation is designed to be self-funding.

Fund Financial Statements

The District's fund financial statements, which begin on page 18, provide detailed information about the most significant individual funds. Some funds are required by state law and by debt requirements.

- **Governmental Funds:** Most of the District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds utilize the modified-accrual accounting method. This method of accounting measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the District's operations. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.
- **Proprietary Fund:** The Proprietary Fund is used to account for District activities that are similar to private sector business operations. Fee for service charges by the District to customers (external and internal customers), are reported in the Proprietary Fund. Currently the Food Service Fund is the District's sole Proprietary Fund.
- **Fiduciary Funds:** The District is the trustee for some Scholarship and Agency Funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 25. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$(121,377,214) as of June 30, 2018, as a result of the GASB 68 pension and GASB 75 OPEB reporting requirements.

Table A-1
Condensed Statements of Net Position
June 30, 2018 and 2017

	2018			2017		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 35,738,128	\$ 284,921	\$ 36,023,049	\$ 24,790,469	\$ 346,448	\$ 25,136,917
Capital assets	104,860,759	62,369	104,923,128	106,430,346	61,019	106,491,365
TOTAL ASSETS	<u>140,598,887</u>	<u>347,290</u>	<u>140,946,177</u>	<u>131,220,815</u>	<u>407,467</u>	<u>131,628,282</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>29,117,769</u>	<u>-</u>	<u>-</u>	<u>28,946,929</u>	<u>-</u>	<u>28,946,929</u>
LIABILITIES						
Current and other liabilities	15,779,677	139,344	15,919,021	21,104,053	249,719	21,353,772
Long-term liabilities	265,751,630	-	265,751,630	244,146,051	-	244,146,051
TOTAL LIABILITIES	<u>281,531,307</u>	<u>139,344</u>	<u>281,670,651</u>	<u>265,250,104</u>	<u>249,719</u>	<u>265,499,823</u>
DEFERRED INFLOWS OF RESOURCES	<u>9,770,509</u>	<u>-</u>	<u>9,770,509</u>	<u>6,124,300</u>	<u>-</u>	<u>6,124,300</u>
NET POSITION						
Net investment in capital assets	28,169,065	62,369	28,231,434	29,478,155	61,019	29,539,174
Restricted	7,227,280	-	7,227,280	1,248,529	-	1,248,529
Unrestricted	<u>(156,981,505)</u>	<u>145,577</u>	<u>(156,835,928)</u>	<u>(141,933,344)</u>	<u>96,729</u>	<u>(141,836,615)</u>
TOTAL NET POSITION	<u>\$ (121,585,160)</u>	<u>\$ 207,946</u>	<u>\$ (121,377,214)</u>	<u>\$ (111,206,660)</u>	<u>\$ 157,748</u>	<u>\$ (111,048,912)</u>

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Table A-2 presents the Districts Statement of Changes in Net Position. This schedule uses the financial information from the Statement of Activities found on page 17. The presentation of Table A-2 is similar to an income statement of a private industry organization.

Total revenues from governmental and business-type activities were \$108,642,888 for the fiscal year ended June 30, 2018, versus \$106,134,103 for the prior fiscal year. The main contributors to the increase were local property taxes, earned income tax revenue and operating grants and contributions.

Total expenditures for the current fiscal year were \$100,402,686 versus \$108,364,443 for the prior fiscal year. The major contributors to the decrease in expenditures are related to decreased costs around instruction and instructional support services.

Overall the District's net position increased \$8.2 million during the current fiscal year.

Table A-2
Statements of Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018			2017		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 672,483	\$ 990,954	\$ 1,663,437	\$ 507,175	\$ 995,766	\$ 1,502,941
Operating grants and contributions	14,877,237	489,473	15,366,710	14,974,040	469,091	15,443,131
Capital grants and contributions	485,382	-	485,382	-	-	-
General revenues						
Taxes	81,574,263	-	81,574,263	79,189,269	-	79,189,269
Grants, subsidies and contributions, unrestricted	8,853,857	-	8,853,857	9,532,232	-	9,532,232
Investment earnings	485,598	4,061	489,659	151,657	1,612	153,269
Other	209,580	-	209,580	313,261	-	313,261
TOTAL REVENUES	107,158,400	1,484,488	108,642,888	104,667,634	1,466,469	106,134,103
EXPENSES						
Instruction	61,287,956	-	61,287,956	66,830,084	-	66,830,084
Support services	34,232,163	-	34,232,163	36,507,512	-	36,507,512
Operation of non-instructional services	1,528,327	-	1,528,327	1,553,380	-	1,553,380
Facilities acquisition, construction, and improvement services	184,525	-	184,525	-	-	-
Interest on long-term debt	1,735,425	-	1,735,425	2,048,125	-	2,048,125
Food services	-	1,434,290	1,434,290	-	1,425,342	1,425,342
TOTAL EXPENSES	98,968,396	1,434,290	100,402,686	106,939,101	1,425,342	108,364,443
CHANGE IN NET POSITION	\$ 8,190,004	\$ 50,198	\$ 8,240,202	\$ (2,271,467)	\$ 41,127	\$ (2,230,340)

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Table A-3 compares the gross expenditures of the governmental activities of the District broken down by major category seven largest functions. The table further shows the net costs after applying each category's direct revenue, grants and contributions. (total cost less revenues generated by the activities).

Table A-3
Governmental Activities
Years Ended June 30, 2018 and 2017

Functions/Programs	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 61,287,956	\$ 51,074,207	\$ 66,830,084	\$ 56,223,181
Support services	34,232,163	29,443,167	36,507,512	32,140,385
Operation of non-instructional services	1,528,327	981,352	1,553,380	1,046,195
Facilities acquisition, construction, and improvement services	184,525	184,525	-	-
Interest on long-term debt	1,735,425	1,250,043	2,048,125	2,048,125
TOTAL GOVERNMENTAL ACTIVITIES	\$ 98,968,396	82,933,294	\$ 106,939,101	91,457,886
Less unrestricted grants, subsidies		<u>(8,853,857)</u>		<u>(9,532,232)</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ 74,079,437		\$ 81,925,654

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

Table A-4
Business-Type Activities
Years Ended June 30, 2018 and 2017

Functions/Programs	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 1,434,290	\$ (46,137)	\$ 1,425,342	\$ (39,515)
Less investment earnings		<u>(4,061)</u>		<u>(1,612)</u>
TOTAL BUSINESS-TYPE ACTIVITIES		\$ (50,198)		\$ (41,127)

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

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

THE DISTRICT FUNDS

At June 30, 2018, the District's Governmental Funds reported a combined total fund balance of \$18,770,646.

General Fund

The District budgeted for significant increases in health benefit costs, costs for anticipated needs of special education and future retirement and debt service cost. These areas are a challenge for the District in budgeting. The District is self-insured for health benefits for dental and prescription insurances. This category can fluctuate annually based upon the health of the individual employees within the District. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. While the District does prepare a budget with a modest reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

Capital Projects Fund

The District established this fund in prior years for debt funded district-wide capital projects.

General Fund Budget

During the fiscal year, the Board of School Directors (the "Board") authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 64.

The District applies for federal, state and local grants, and these grants cannot always be anticipated in the budgetary process.

Budgeted expenditures and other financing uses also decreased during the fiscal year as more accurate data became available. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve is an amount used for unexpected expenditures throughout the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$104,923,128 invested in a broad range of capital assets net of accumulated depreciation, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$1,568,237 or 1.5% from last year.

Table A-5 reflects the capital assets of both the governmental activities and the business-type activities of the District.

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Table A-5
Governmental and Business-Type Activities
Capital Assets, Net of Depreciation
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Land	\$ 1,564,425	\$ 1,564,425
Construction in progress	1,810,976	99,609
Site improvements, net of accumulated depreciation	6,698,934	7,133,252
Buildings and building improvements, net of accumulated depreciation	91,678,069	94,518,143
Machinery and equipment, net of accumulated depreciation	<u>3,170,724</u>	<u>3,175,936</u>
	<u>\$ 104,923,128</u>	<u>\$ 106,491,365</u>

Debt Administration

Table A-6
Outstanding Debt
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
GENERAL OBLIGATION NOTES		
Series A of 2011	\$ -	\$ 1,500,000
Series of 2013	-	5,465,000
Series A of 2013	2,515,000	2,520,000
Series of 2015	-	5,485,000
GENERAL OBLIGATION BONDS		
Series of 2011	-	7,235,000
Series of 2012	2,635,000	5,320,000
Series A of 2012	4,620,000	5,465,000
Series AA of 2012	2,015,000	3,930,000
Series of 2013	4,205,000	4,210,000
Series A of 2015	1,985,000	2,460,000
Series B of 2015	1,535,000	1,750,000
Series of 2016	27,895,000	27,945,000
Series A of 2017	6,075,000	-
Series B of 2017	8,500,000	-
Series of 2018	5,915,000	-
Series A of 2018	<u>5,400,000</u>	<u>-</u>
	<u>\$ 73,295,000</u>	<u>\$ 73,285,000</u>

The District maintains a rating of Aa2 from Moody's for general obligation debt. Additional information on the District's long-term debt can be found in Note F.

METHACTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 2018-2019 AND RATES

The District expects the tax base will continue to experience moderate growth. There are numerous housing units in construction or planned to be completed and in the near future, as well as anticipated commercial development. Assessments for the 2017-2018 Fiscal Year were roughly \$20 million above the 2016-2017 Fiscal Year values based on the start of each Fiscal Year. By the end of the 2017-2018 Fiscal Year, the assessed values had increased by an additional \$5+ million.

The District continues to develop strategic planning to meet future needs of the District. The Capital Projects Plan provides the District with the facility needs at each location as well as forecasting the financial needs of these efforts; Debt Management which included the elimination of the variable debt in the 2017-2018 Fiscal Year; and forecasting out the financial projections for the next 5 years to determine the future needs to of the District.

The Budget for the 2018-2019 Fiscal Year is \$109,398,167. The Millage increased 1.99%, which was below the ACT 1 Index of 2.4%. This resulted in a millage rate of 30.0431 for the 2018-2019 Fiscal Year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Timothy Bricker, Director of Business Services at Methacton School District, 1001 Kriebel Mill Road, Eagleville, PA 19403, or (610) 489-5000.

METHACTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 28,667,245	\$ 190,374	\$ 28,857,619
Taxes receivable, net	2,235,442	-	2,235,442
Intergovernmental receivables	3,212,115	68,195	3,280,310
Other receivables	126,971	722	127,693
Prepaid expenses	1,496,355	-	1,496,355
Inventories	-	25,630	25,630
Capital assets not being depreciated			
Land	1,564,425	-	1,564,425
Construction in progress	1,810,976	-	1,810,976
Capital assets being depreciated			
Site improvements	9,025,165	-	9,025,165
Buildings and building improvements	145,543,508	-	145,543,508
Machinery and equipment	17,612,065	81,425	17,693,490
Accumulated depreciation	(70,695,380)	(19,056)	(70,714,436)
TOTAL ASSETS	140,598,887	347,290	140,946,177
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	2,775,256	-	2,775,256
Deferred outflows of resources - other postemployment benefits - PSERS	358,615	-	358,615
Deferred outflows of resources - other postemployment benefits - District Plan	307,893	-	307,893
Deferred outflows of resources, pension activity	25,676,005	-	25,676,005
TOTAL DEFERRED OUTFLOWS OF RESOURCES	29,117,769	-	29,117,769
LIABILITIES			
Accounts payable	2,704,099	90,640	2,794,739
Accrued salaries and benefits	3,600,394	-	3,600,394
Internal balances	3,792	(3,792)	-
Payroll deductions and withholdings	4,735,997	-	4,735,997
Accrued interest	545,750	-	545,750
Unearned revenue	80,783	12,483	93,266
Escrow for taxes	4,108,862	-	4,108,862
Other current liabilities	-	40,013	40,013
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	7,230,000	-	7,230,000
Notes payable	5,000	-	5,000
Capital lease obligation	154,503	-	154,503
Compensated absences	140,097	-	140,097
Portion due or payable after one year			
Bonds payable	63,550,000	-	63,550,000
Notes payable	2,510,000	-	2,510,000
Bond premiums and discounts, net	4,153,662	-	4,153,662
Capital lease obligation	1,863,785	-	1,863,785
Net other postemployment benefits liability - PSERS	6,574,000	-	6,574,000
Net other postemployment benefits liability - District Plan	17,581,739	-	17,581,739
Net pension liability	159,327,000	-	159,327,000
Compensated absences	2,661,844	-	2,661,844
TOTAL LIABILITIES	281,531,307	139,344	281,670,651
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - other postemployment benefits - PSERS	459,450	-	459,450
Deferred inflows of resources - other postemployment benefits - District Plan	192,059	-	192,059
Deferred inflows of resources, pension activity	9,119,000	-	9,119,000
TOTAL DEFERRED INFLOWS OF RESOURCES	9,770,509	-	9,770,509
NET POSITION			
Net investment in capital assets	28,169,065	62,369	28,231,434
Restricted for capital projects	7,227,280	-	7,227,280
Unrestricted	(156,981,505)	145,577	(156,835,928)
TOTAL NET POSITION	\$ (121,585,160)	\$ 207,946	\$ (121,377,214)

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction			
Regular programs	\$ 42,137,511	\$ -	\$ 4,711,196
Special programs	16,024,926	-	4,682,117
Vocational education	2,684,915	-	147,259
Other instructional programs	280,520	-	405,912
Nonpublic school programs	2,434	-	-
Adult education programs	157,650	264,035	3,230
Total instruction	<u>61,287,956</u>	<u>264,035</u>	<u>9,949,714</u>
Support services			
Pupil personnel	4,720,696	-	492,323
Instructional staff	2,647,839	-	270,428
Administration services	6,455,802	87,764	660,972
Pupil health	1,717,931	-	387,757
Business services	1,052,524	-	88,698
Operation and maintenance of plant services	8,601,008	106,210	627,851
Student transportation	7,170,120	-	1,946,906
Central	1,788,901	-	119,641
Other support services	77,342	-	446
Total support services	<u>34,232,163</u>	<u>193,974</u>	<u>4,595,022</u>
Operation of noninstructional services			
Student activities	1,525,218	214,474	332,501
Community services	3,109	-	-
Facilities acquisition, construction and improvement services	184,525	-	-
Interest on long-term debt	1,735,425	-	-
Total operation of noninstructional services	<u>3,448,277</u>	<u>214,474</u>	<u>332,501</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>98,968,396</u>	<u>672,483</u>	<u>14,877,237</u>
BUSINESS-TYPE ACTIVITIES			
Food service	<u>1,434,290</u>	<u>990,954</u>	<u>489,473</u>
TOTAL SCHOOL DISTRICT ACTIVITIES	<u>\$ 100,402,686</u>	<u>\$ 1,663,437</u>	<u>\$ 15,366,710</u>

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Earned income, per capita, occupation and amusement taxes

Transfer taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Revenues			
Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
\$ -	\$ (37,426,315)	\$ -	\$ (37,426,315)
-	(11,342,809)	-	(11,342,809)
-	(2,537,656)	-	(2,537,656)
-	125,392	-	125,392
-	(2,434)	-	(2,434)
-	109,615	-	109,615
-	<u>(51,074,207)</u>	-	<u>(51,074,207)</u>
-	(4,228,373)	-	(4,228,373)
-	(2,377,411)	-	(2,377,411)
-	(5,707,066)	-	(5,707,066)
-	(1,330,174)	-	(1,330,174)
-	(963,826)	-	(963,826)
-	(7,866,947)	-	(7,866,947)
-	(5,223,214)	-	(5,223,214)
-	(1,669,260)	-	(1,669,260)
-	(76,896)	-	(76,896)
-	<u>(29,443,167)</u>	-	<u>(29,443,167)</u>
-	(978,243)	-	(978,243)
-	(3,109)	-	(3,109)
-	(184,525)	-	(184,525)
<u>485,382</u>	<u>(1,250,043)</u>	-	<u>(1,250,043)</u>
<u>485,382</u>	<u>(2,415,920)</u>	-	<u>(2,415,920)</u>
<u>485,382</u>	<u>(82,933,294)</u>	-	<u>(82,933,294)</u>
-	-	46,137	46,137
<u>\$ 485,382</u>	<u>(82,933,294)</u>	<u>46,137</u>	<u>(82,887,157)</u>
	73,089,187	-	73,089,187
	7,580,673	-	7,580,673
	904,403	-	904,403
	8,853,857	-	8,853,857
	485,598	4,061	489,659
	209,580	-	209,580
	<u>91,123,298</u>	<u>4,061</u>	<u>91,127,359</u>
	8,190,004	50,198	8,240,202
	<u>(129,775,164)</u>	<u>157,748</u>	<u>(129,617,416)</u>
	<u>\$ (121,585,160)</u>	<u>\$ 207,946</u>	<u>\$ (121,377,214)</u>

METHACTON SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 20,047,240	\$ 8,620,005	\$ 28,667,245
Taxes receivable, net of allowance of \$149,969	2,235,442	-	2,235,442
Intergovernmental receivables	3,212,115	-	3,212,115
Interfund receivables	375,087	-	375,087
Prepaid expenditures	1,496,355	-	1,496,355
Other receivables	126,971	-	126,971
	<u>27,493,210</u>	<u>8,620,005</u>	<u>36,113,215</u>
TOTAL ASSETS	\$ 27,493,210	\$ 8,620,005	\$ 36,113,215
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,686,461	\$ 1,017,638	\$ 2,704,099
Interfunds payables	3,792	375,087	378,879
Payroll deductions and withholdings	4,735,997	-	4,735,997
Accrued salaries and benefits	3,600,394	-	3,600,394
Current portion of compensated absences	140,097	-	140,097
Unearned revenue	80,783	-	80,783
Escrow for taxes	4,108,862	-	4,108,862
	<u>14,356,386</u>	<u>1,392,725</u>	<u>15,749,111</u>
TOTAL LIABILITIES	14,356,386	1,392,725	15,749,111
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	1,593,458	-	1,593,458
FUND BALANCES			
Nonspendable for prepaid expenditures	1,496,355	-	1,496,355
Restricted for capital projects	-	7,227,280	7,227,280
Committed for facilities master plan	2,389,141	-	2,389,141
Unassigned fund balance	7,657,870	-	7,657,870
	<u>11,543,366</u>	<u>7,227,280</u>	<u>18,770,646</u>
TOTAL FUND BALANCES	11,543,366	7,227,280	18,770,646
	<u>27,493,210</u>	<u>8,620,005</u>	<u>36,113,215</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 27,493,210	\$ 8,620,005	\$ 36,113,215

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

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

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 18,770,646
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	104,860,759
enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.	1,593,458
Deferred charges on refunding are recorded as other financing uses in the Governmental funds, the statement of net position includes these amounts as deferred outflows of resources.	2,775,256
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions and OPEB	26,342,513
Deferred inflows of resources related to pensions and OPEB	(9,770,509)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(545,750)
Bonds and notes payable	(73,295,000)
Bond premiums and discounts	(4,153,662)
Capital lease obligations	(2,018,288)
Other post-employment benefits	(24,155,739)
Net pension liability	(159,327,000)
Accumulated compensated absences	(2,661,844)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (121,585,160)</u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 83,483,440	\$ 254,582	\$ 83,738,022
State sources	22,577,920	-	22,577,920
Federal sources	690,370	-	690,370
TOTAL REVENUES	<u>106,751,730</u>	<u>254,582</u>	<u>107,006,312</u>
EXPENDITURES			
Instruction services	59,456,141	-	59,456,141
Support services	33,411,582	35	33,411,617
Operation of noninstructional services	1,461,124	-	1,461,124
Capital outlays	-	2,018,045	2,018,045
Debt service			
Principal	7,316,388	-	7,316,388
Interest	2,321,591	4,283	2,325,874
Debt issuance cost	-	455,998	455,998
TOTAL EXPENDITURES	<u>103,966,826</u>	<u>2,478,361</u>	<u>106,445,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,784,904</u>	<u>(2,223,779)</u>	<u>561,125</u>
OTHER FINANCING SOURCES (USES)			
Premiums and discounts on bond issuances	-	901,540	901,540
Proceeds from bonds issued	-	8,500,000	8,500,000
Issuance of refunding bonds	-	17,390,000	17,390,000
Payment to refunded bond escrow agent	-	(18,789,010)	(18,789,010)
Transfers in	-	200,000	200,000
Transfers out	(200,000)	-	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(200,000)</u>	<u>8,202,530</u>	<u>8,002,530</u>
NET CHANGE IN FUND BALANCES	2,584,904	5,978,751	8,563,655
FUND BALANCES AT BEGINNING OF YEAR	<u>8,958,462</u>	<u>1,248,529</u>	<u>10,206,991</u>
FUND BALANCES AT END OF YEAR	<u>\$ 11,543,366</u>	<u>\$ 7,227,280</u>	<u>\$ 18,770,646</u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,563,655
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlays	2,245,367
Depreciation expense	(3,814,954)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.</p>	
	152,088
<p>Repayment of capital lease obligations is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	146,387
<p>Compensated absences do not require the use of current financial resources, and therefore, are not reported as expenditures in Governmental Funds.</p>	
	(340,218)
<p>Other post-employment benefits do not require the use of current financial resources, and therefore, are not reported as expenditures in Governmental Funds.</p>	
	(142,871)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.</p>	
Pension expense	1,166,632
<p>The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any affect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	114,110
<p>Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt on the statement of activities.</p>	
	<u>99,808</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 8,190,004</u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Enterprise Fund
	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 190,374
Intergovernmental receivables	68,195
Due from other funds	3,792
Other receivables	722
Inventories	25,630
TOTAL CURRENT ASSETS	<u>288,713</u>
NONCURRENT ASSETS	
Machinery and equipment, net	<u>62,369</u>
TOTAL ASSETS	<u>351,082</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	90,640
Unearned revenue	12,483
Deposits	40,013
TOTAL CURRENT LIABILITIES	<u>143,136</u>
NET POSITION	
Net invested in capital assets	62,369
Unrestricted	<u>145,577</u>
TOTAL NET POSITION	<u>\$ 207,946</u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	\$ <u>990,954</u>
OPERATING EXPENSES	
Purchased professional and technical services	1,349,820
Supplies	76,780
Depreciation	<u>7,690</u>
TOTAL OPERATING EXPENSES	<u>1,434,290</u>
OPERATING LOSS	<u>(443,336)</u>
NONOPERATING REVENUES	
Earnings on investments	4,061
State sources	32,656
Federal sources	<u>456,817</u>
TOTAL NONOPERATING REVENUES	<u>493,534</u>
CHANGE IN NET POSITION	50,198
NET POSITION AT BEGINNING OF YEAR	<u>157,748</u>
NET POSITION AT END OF YEAR	\$ <u><u>207,946</u></u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2018

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 990,766
Cash payments to suppliers for goods and services	(1,542,456)
NET CASH USED BY OPERATING ACTIVITIES	<u>(551,690)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	32,300
Federal sources	451,510
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>483,810</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(9,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>4,061</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,859)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>259,401</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 186,542</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (443,336)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	7,690
(Increase) decrease in assets	
Accounts receivable	(188)
Due from other funds	(1,179)
Inventory	(1,649)
Increase (decrease) in liabilities	
Accounts payable	9,451
Due to other funds	(120,398)
Deposit	(2,081)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (551,690)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES	
Donated commodities	\$ 76,143

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Scholarship Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 96,857	\$ 426,901
Other receivables	-	60
Prepaid items	-	7,527
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 96,857</u>	<u>\$ 434,488</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ -	\$ 70,947
Due to student organizations	-	363,541
TOTAL LIABILITIES	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
NET POSITION		
Reserved for scholarships	<u>96,857</u>	<u>-</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,857</u>	<u>\$ 434,488</u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Scholarship Funds</u>
ADDITIONS	
Contributions	\$ 9,390
Investment income	586
TOTAL ADDITIONS	<u>9,976</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>7,900</u>
CHANGE IN NET POSITION	2,076
NET POSITION AT BEGINNING OF YEAR	<u>94,781</u>
NET POSITION AT END OF YEAR	<u><u>\$ 96,857</u></u>

See accompanying notes to the basic financial statements.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

School District

The Methacton School District is located in Fairview Village, Pennsylvania. This District's tax base consists of the Townships of Lower Providence and Worcester.

The District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

Board of School Directors

The District is governed by a board of nine School Directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of 6 and 21 years who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools herein provided, or pay any school indebtedness which the District is required to pay, or pay any indebtedness that may at any time hereafter be created by the District, the Board of School Directors is vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Methacton School District. The District is not a component unit of another reporting entity nor does it have any component units.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The tax collectors are elected officers who collect taxes on behalf of the county, townships, boroughs and the District. The District regards the tax collectors' offices as separate entities and, therefore, does not account for their activity in the financial statements.

Joint Ventures

The District is a participating member of the North Montco Area Vocational-Technical School (NMAVTS). The NMAVTS is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the NMAVTS's annual operating budget. Each participating district pays a pro-rata share of the NMAVTS's operating costs based on the number of students attending the NMAVTS for each District. The District's share of the NMAVTS's operating costs for 2017-2018 was \$1,322,588.

On dissolution of the North Montco Area Vocational Technical School, the net position of NMAVTS will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the district does not have an equity interest in NMAVTS as defined by GASB Statement No. 14, as amended by GASB No. 61, except a residual interest in net position upon dissolution that should not be reflected in the financial statements. Complete financial statements for the NMAVTS can be obtained from the NMAVTS's administrative office.

Jointly Governed Organizations

The District is a participating member of the Montgomery County Intermediate Unit (MCIU). The MCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee.

The board of directors of each participating district must approve MCIU's annual operating budget. The MCIU is a self-sustaining organization that provides services from fees to participating districts. As such, the District has no on-going financial interest or responsibility in the MCIU. The MCIU contracts with participating districts to supply special education services, computer services, and as a conduit for certain federal programs.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the 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 District that are governmental and those that are considered business-type activities.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds 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. 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.

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 District and for each function or program of the 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 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 District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. 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. 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.

The 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 the funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are food service charges. Operating expenses of the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 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 District are grouped into the categories governmental, proprietary and fiduciary.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Project Funds - These funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Fund - The Enterprise Fund (Food Service Fund) is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Trust Funds are used to account for the resources of the various scholarships whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

Agency Funds account for the assets held as an agent for the various student activities and retirees escrow.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust ("PLGIT") Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 2 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation techniques that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Inventories on government-wide financial statements are presented at the lower of cost or market on a first-in, first-out method and are expensed when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, site improvements, buildings, building improvements, machinery and equipment, and vehicles are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost equal to or greater than \$5,000. Management has elected to include certain homogeneous asset categories with individual assets that cost more than \$2,500, \$10,000 in the aggregate, as composite groups for financial reporting purposes. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as followings:

	<u>Years</u>
Site improvements	5-45
Buildings and building improvements	10-45
Machinery and equipment	5-45
Vehicles	6-10

Compensated Absences

Sick Leave

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Upon retirement, these employees are eligible for remuneration of unused sick days for the following bargaining units:

- Methacton Education Association - \$75 per day up to a maximum 160 days.
- Methacton Educational Support Personnel Association - \$50 per day up to a maximum 115 days.
- Teamsters Local 384 - \$45 per day up to a maximum of 120 days.
- Methacton Administrators agreement \$95 per day up to a maximum of 185 days.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To be eligible for this benefit, the employee must be eligible to receive superannuation, early retirement or disability pension from the Public School Employees Retirement System (PSERS), and the employee must have at least ten (10) years of service in the Methacton School District, including previous subdivisions. The employee must be retiring from a full-time position and complete full-time service.

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire and those under the administrators plan.

Vacation Leave

The District maintains records of each employee's accumulated vacation days, and has valued the accumulated vacation days earned at June 30, 2018.

Unavailable and unearned Revenues

General Fund unavailable revenues represent primarily delinquent taxes not collected within 30 days subsequent to the District's year end and grants received but not expended by year end. It is expected that these receivables will be collected and included in revenues of future fiscal years.

Food Service Fund unearned revenues represent food received in its food service operation that is on hand at June 30, 2018. Such revenues will be recognized when the food commodities are used.

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 activities or business-type activities columns of the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

The District previously implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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/expenditure) until then. The District's deferred outflows on the statement on net position consist of deferred charges on debt refundings, net of accumulated amortization and the deferred outflows related to pension and OPEB activity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension and OPEB activity are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension and OPEB activity, are reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose for 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 in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance and GASB Statement No. 54

The District previously implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted*** – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment.
- ***Assigned*** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Business Manager. Fund balance of this type includes all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- ***Unassigned*** – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The School District does not have a deposit policy for custodial credit risk. The carrying value of the District's cash accounts at June 30, 2018, was \$22,620,422.

As of June 30, 2018, \$23,122,535 of the School District's bank balance of \$23,636,423 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by pledging bank's trust department not in the School District's name	\$ 21,503,786
Uninsured and uncollateralized with State investment	<u>1,618,749</u>
	<u>\$ 23,122,535</u>

Interest Rate Risk - The District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2018, the School District had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Investment Maturities	
			Less than One Year	One to Five Years
State investment pools	\$ 5,556,576	\$ -	\$ 5,556,576	\$ -
Certificates of deposit	<u>1,204,379</u>	<u>-</u>	<u>1,204,379</u>	<u>-</u>
	<u>\$ 6,760,955</u>	<u>\$ -</u>	<u>\$ 6,760,955</u>	<u>\$ -</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - CASH AND INVESTMENTS (Continued)

A portion of the School District's investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2018, is \$6,760,955. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

Certificates of deposit held by banks of \$1,204,379 are stated at cost plus interest earned.

Credit Risk - State law permits the School District to invest funds in the following types of investments:

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

The School District's investment policy does not further limit its investment choices. As of June 30, 2018, the School District's investment in the state investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The following investments represent greater than 5% of the School District's total investments:

Full Flex Pool (PSDLAF)	\$ <u>5,200,000</u>
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NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for District operations, capital improvements and debt service. Property taxes are based on assessed valuations of all taxable real property within the District. Taxable real property was assessed at \$2,590,988,554. The tax rate for the year was \$29.4585 mills (\$.0294585 per \$1 of assessed valuation). Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - TAXES - REAL ESTATE AND OTHER (Continued)

Taxes are levied on July 1 and payable in the following periods:

Discount periodJuly 1 to August 31 - 2% of gross levy
 Face period September 1 to October 31
 Penalty periodNovember 1 to collection - 10% of gross levy
 Lien dateJanuary 1

For government-wide financial statements, the school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes in the amount of \$149,969 as determined by the administration. A portion of the amount estimated to be collectible, which was measurable and available within 30 days, was recognized as revenue and the balance deferred in the fund financial statements.

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from Other Funds

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 375,087	\$ 3,792
Capital Project Fund	-	375,087
Proprietary, Food Service	<u>3,792</u>	<u>-</u>
	<u>\$ 378,879</u>	<u>\$ 378,879</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services were provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All amounts are expected to be repaid within one year.

Interfund Transfers

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 200,000	\$ -
Capital Project Funds	<u>-</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,564,425	\$ -	\$ -	\$ 1,564,425
Construction in progress	99,609	1,711,367	-	1,810,976
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,664,034	1,711,367	-	3,375,401
Capital assets being depreciated				
Site improvements	9,025,165	-	-	9,025,165
Buildings and building improvements	145,460,202	83,306	-	145,543,508
Machinery and equipment	17,195,671	450,694	(34,300)	17,612,065
TOTAL CAPITAL ASSETS BEING DEPRECIATED	171,681,038	534,000	(34,300)	172,180,738
Accumulated depreciation				
Site improvements	(1,891,913)	(434,318)	-	(2,326,231)
Buildings and building improvements	(50,942,059)	(2,923,380)	-	(53,865,439)
Machinery and equipment	(14,080,754)	(457,256)	34,300	(14,503,710)
TOTAL ACCUMULATED DEPRECIATION	(66,914,726)	(3,814,954)	34,300	(70,695,380)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	104,766,312	(3,280,954)	-	101,485,358
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	106,430,346	(1,569,587)	-	104,860,759
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	72,385	9,040	-	81,425
Accumulated depreciation	(11,366)	(7,690)	-	(19,056)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	61,019	1,350	-	62,369
CAPITAL ASSETS, net	\$ 106,491,365	\$ (1,568,237)	\$ -	\$ 104,923,128

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 1,774,868
Special programs	661,187
Vocational programs	110,337
Other programs	12,265
Adult education programs	6,527
SUPPORT SERVICES	
Pupil personnel services	186,764
Instructional staff services	105,357
Pupil health services	67,861
Administrative services	274,851
Business services	44,297
Central services	72,364
Operation and maintenance of plant services	419,001
Pupil transportation	2,621
Other support services	3,072
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Student activities	<u>73,582</u>
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE	<u>\$ 3,814,954</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - LONG-TERM LIABILITIES

The following is a summary of governmental long-term liabilities activity of the District for the year ending June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation notes					
Series A of 2011	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -	\$ -
Series of 2013	5,465,000	-	(5,465,000)	-	-
Series A of 2013	2,520,000	-	(5,000)	2,515,000	5,000
Series of 2015	5,485,000	-	(5,485,000)	-	-
General obligation bonds					
Series of 2011	7,235,000	-	(7,235,000)	-	-
Series of 2012	5,320,000	-	(2,685,000)	2,635,000	2,635,000
Series A of 2012	5,465,000	-	(845,000)	4,620,000	680,000
Series AA of 2012	3,930,000	-	(1,915,000)	2,015,000	2,015,000
Series of 2013	4,210,000	-	(5,000)	4,205,000	5,000
Series A of 2015	2,460,000	-	(475,000)	1,985,000	715,000
Series B of 2015	1,750,000	-	(215,000)	1,535,000	230,000
Series of 2016	27,945,000	-	(50,000)	27,895,000	50,000
Series A of 2017	-	6,075,000	-	6,075,000	855,000
Series B of 2017	-	8,500,000	-	8,500,000	40,000
Series of 2018	-	5,915,000	-	5,915,000	5,000
Series A of 2018	-	5,400,000	-	5,400,000	-
	<u>73,285,000</u>	<u>25,890,000</u>	<u>(25,880,000)</u>	<u>73,295,000</u>	<u>7,235,000</u>
Capital lease obligations	2,164,675	-	(146,387)	2,018,288	154,503
Net pension liability	163,984,000	-	(4,657,000)	159,327,000	
Net PSERS OPEB liability	7,128,000	-	(555,000)	6,573,000	
Net other OPEB liability	5,429,365	17,581,739	(5,429,365)	17,581,739	
Compensated absences	2,443,817	358,124	-	2,801,941	140,097
	<u>254,434,857</u>	<u>43,829,863</u>	<u>(36,667,752)</u>	<u>261,596,968</u>	<u>7,529,600</u>
TOTAL LONG-TERM LIABILITIES	\$ 254,434,857	\$ 43,829,863	\$ (36,667,752)	\$ 261,596,968	\$ 7,529,600

Interest expense for Bonds and Notes for the year ended June 30, 2018 was \$2,272,025.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

Bonds and Notes payable at June 30, 2018 consisted of:

<p>On June 4, 2012 the District issued General Obligation Bond Series of 2012. The purpose of this issues is to currently refund the part of the outstanding principal of the General Obligation Bonds Series 2007 A and 2008AA. The Bond has an original principal amount of \$9,995,000, matures on September 15, 2018, and bears interest from .5% to 4%. Interest is paid semi-annually on March 15 and September 15.</p>	\$ 2,635,000
<p>On December 3, 2012, the District issued General Obligation Bond Series of 2012A. The purpose of this issue is to currently refund the remaining outstanding principal of the General Obligation Bonds Series 2007A and 2008A and part of the General Obligation Bonds Series 2008AA. The Bond has an original principal amount of \$8,770,000, matures on September 15, 2023, and bears interest from .35% to 2.06%. Interest is paid semi-annually on March 15 and September 15.</p>	4,620,000
<p>On December 19, 2012, the District issued General Obligation Bond Series of 2012AA. The purpose of this issue is to currently refund the remaining outstanding principal of the General Obligation bonds Series 2008AA and part of the General Obligation Bonds Series 2008. The Bond has an original principal amount of \$7,245,000, matures on December 15, 2018, and bear interest from .5% to 2.0%. Interest is paid semi-annually on June 15 and December 15.</p>	2,015,000
<p>On June 27, 2013, The District issued General Obligation Bond Series of 2013. The purpose of this issue is to advance currently refund part of the outstanding principal of the General Obligation Notes Series 1997, 1997C and 2003. The Bond has an original principal amount of \$4,225,000, matures on September 15, 2025, and bears interest from .45% to 2.45%. Interest is paid semi-annually on March 15 and September 15.</p>	4,205,000
<p>On June 27, 2013, The District issued General Obligation Note Series of 2013A. The purpose of this issue is to advance refund part of the outstanding principal of the General Obligation Bonds Series 2010. The Note has an original principal amount of \$2,535,000, matures on September 15, 2025, and bears interest from .45% to 3.125%. Interest is paid semi-annually on March 15 and September 15.</p>	<u>2,515,000</u>
<p>SUBTOTAL FORWARD</p>	<p>\$ <u>15,990,000</u></p>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

SUBTOTAL FORWARDED	\$ <u>15,990,000</u>
<p>On May 1, 2015, The District issued General Obligation Bond Series of 2015A. The purpose of this issue is to currently refund the outstanding principal of the General Obligation Bonds Series 2009A. The Bond has an original principal amount of \$3,285,000, matures on September 1, 2020, and bears interest from .35% to 4.00%. Interest is paid semi-annually on March 1 and September 1.</p>	1,985,000
<p>On May 1, 2015, The District issued General Obligation Bond Series of 2015B. The purpose of this issue is to currently refund the outstanding principal of the General Obligation Bonds Series 2010. The Bond has an original principal amount of \$2,245,000, matures on September 1, 2021, and bears interest from .35% to 4.00%. Interest is paid semi-annually on March 1 and September 1.</p>	1,535,000
<p>On March 30, 2016, The District issued General Obligation Bond Series of 2016. The purpose of this issue is to advance refund the outstanding principal of the General Obligation Bonds Series 2009. The Bond has an original principal amount of \$28,080,000, matures on March 1, 2025, and bears interest from .70% to 5.00%. Interest is paid semi-annually on March 1 and September 1.</p>	27,895,000
<p>On October 31, 2017, The District issued General Obligation Bond Series of 2017A. The purpose of this issue is to currently refund the outstanding principal of the General Obligation Bonds Series 2011. The Bond has an original principal amount of \$6,075,000, matures on September 15, 2023, and bears interest from 1.0% to 4.00%. Interest is paid semi-annually on March 15 and September 15.</p>	6,075,000
<p>On December 5, 2017, The District issued General Obligation Bond Series of 2017B. The purpose of this issue is to provide funds for the acquisition, construction and improvement of facilities. The Bond has an original principal amount of \$8,500,000, matures on September 15, 2034, and bears interest from 1.35% to 3.00%. Interest is paid semi-annually on March 15 and September 15.</p>	<u>8,500,000</u>
SUBTOTAL FORWARD	\$ <u>61,980,000</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

SUBTOTAL FORWARDED \$ 61,980,000

On May 10, 2018, The District issued General Obligation Bond Series of 2018. The purpose of this issue is to currently refund the outstanding principal of the General Obligation Bonds Series 2011A and General Obligation Notes Series 2015. The Bond has an original principal amount of \$5,915,000, matures on September 15, 2027, and bears interest from 1.850% to 4.00%. Interest is paid semi-annually on March 15 and September 15.

5,915,000

On May 10, 2018, The District issued General Obligation Bond Series of 2018A. The purpose of this issue is to currently refund the outstanding principal of the General Obligation Notes Series 2013. The Bond has an original principal amount of \$5,400,000, matures on September 15, 2025, and bears interest from 2.20% to 4.00%. Interest is paid semi-annually on March 15 and September 15.

5,400,000

\$ 73,295,000

Principal and interest payments for Bonds and Notes for the succeeding fiscal years are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,235,000	\$ 2,287,557	\$ 9,522,557
2020	7,630,000	2,167,058	9,797,058
2021	7,925,000	1,915,746	9,840,746
2022	8,170,000	1,656,433	9,826,433
2023	8,425,000	1,230,338	9,655,338
2024-2028	27,430,000	2,556,263	29,986,263
2029-2033	5,215,000	586,650	5,801,650
2034-2035	1,265,000	22,125	1,287,125
	<u>\$ 73,295,000</u>	<u>\$ 12,422,170</u>	<u>\$ 85,717,170</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE G - CAPITAL LEASES

Methacton School District has the following capital lease obligations.

On July 2, 2013, the District entered into a lease-purchase agreement with TD Equipment Finance for the purchase of transportation and other equipment. The present value of the lease payments was originally \$723,555. The lease provides for seven annual payments of \$107,991. The implicit interest rate is 1.46%. The District sold the transportation equipment and paid the transportation portion of the lease during the year ending June 30, 2015. The revised payments are \$37,321 per year.

On January 5, 2016 the District entered into a lease-purchase agreement with TD Equipment Finance for the purchase of a vehicle. The present value of the lease payments is \$33,442. The lease provides for forty eight monthly payments of \$738. The implicit interest rate is 3.00%.

On August 12, 2015 The District entered into a lease-purchase agreement with Bank of America for the energy performance contract. The present value of the lease payments is \$2,428,935. The lease provides for seventeen annual payments ranging from \$136,026 to \$341,446. The implicit interest rate is 2.49%.

On August 2, 2016 the District entered into a lease-purchase agreement with Conn & Selmar for the music equipment. The present value of the lease payments is \$16,712. The lease provides for four annual payments of \$4,883. The implicit interest rate is 11.50%.

The assets acquired through capital lease are as follows:

Machinery and equipment	\$ 2,729,139
Accumulated depreciation	<u>(464,363)</u>
	<u>\$ 2,264,776</u>

The equipment acquired under capital leases is included in machinery and equipment in Note E.

Principal and interest payments for the succeeding fiscal years are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 154,503	\$ 50,209	\$ 204,712
2020	160,024	46,345	206,369
2021	120,582	42,424	163,006
2022	124,158	39,421	163,579
2023	127,947	36,330	164,277
2024-2028	703,899	131,790	835,689
2029-2032	<u>627,175</u>	<u>37,951</u>	<u>665,126</u>
	<u>\$ 2,018,288</u>	<u>\$ 384,470</u>	<u>\$ 2,402,758</u>

Interest expense for the capital leases for the year ended June 30, 2018, was \$53,849.

NOTE H - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - PENSION PLAN (Continued)

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (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 the 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 the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$13,539,000 for the year ended June 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$159,327,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The 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, 2018, the School District's proportion was 0.3226%, which was a decrease of 0.0083% from its proportion measured as of June 30, 2017.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - PENSION PLAN (Continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$12,214,410. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 1,662,000	\$ 963,000
Changes in assumptions	4,328,000	-
Net difference between projected and actual investment earnings	3,692,000	-
Changes in proportions	1,509,000	8,156,000
Difference between employer contributions and proportionate share of total contributions	1,104,005	-
Contributions subsequent to the measurement date	<u>13,381,000</u>	<u>-</u>
	<u>\$ 25,676,005</u>	<u>\$ 9,119,000</u>

\$13,381,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 1,778,937
2020	1,778,937
2021	1,778,937
2022	<u>(2,160,805)</u>
	<u>\$ 3,176,005</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - PENSION PLAN (Continued)

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

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

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

The 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.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE H - PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.00%	5.10%
Fixed income	36.00%	2.60%
Commodities	8.00%	3.00%
Absolute return	10.00%	3.40%
Risk parity	10.00%	3.80%
Infrastructure/MLPs	8.00%	4.80%
Real estate	10.00%	3.60%
Alternative investments	15.00%	6.20%
Cash	3.00%	0.60%
Financing (LIBOR)	-20.00%	1.10%
	<u>100.00%</u>	

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

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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School District’s proportionate share of the net pension liability	\$ <u>196,118,000</u>	\$ <u>159,327,000</u>	\$ <u>128,265,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS’s fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System’s website at www.psers.state.pa.us.

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)-PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)-PSERS (Continued)

Benefits Provided

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

Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$356,460 for the year ended June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$6,573,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.2263% percent, which was a decrease of 0.0060% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of (69,000). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ -	\$ 306,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportions	-	153,000
Difference between employer contributions and proportionate share of total contributions	-	450
Contributions subsequent to the measurement date	<u>351,615</u>	<u>-</u>
	<u>\$ 358,615</u>	<u>\$ 459,450</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)-PSERS (Continued)

\$351,615 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ (74,840)
2020	(74,840)
2021	(74,840)
2022	(74,840)
2023	(76,590)
Thereafter	<u>(76,500)</u>
	<u>\$ (452,450)</u>

Actuarial Assumptions

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

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

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)-PSERS (Continued)

The following assumptions were used to determine the contribution rate:

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)-PSERS (Continued)

Discount Rate

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

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

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ <u>6,571,000</u>	\$ <u>6,573,000</u>	\$ <u>6,574,000</u>

Sensitivity of the Net OPEB Liability to Change in the Discount Rate

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB liability	\$ <u>7,471,000</u>	\$ <u>6,573,000</u>	\$ <u>5,826,000</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS--SINGLE EMPLOYER PLAN

Plan Description

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

At June 30, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	191
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>630</u>
	<u><u>821</u></u>

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2018 benefit payments paid as they came due were \$822,690.

Benefits Provided

The plan provides the following benefits:

Administrators

For administrators who retired before July 1, 2005 with at least 10 years of service, shall be eligible for up to 87% reimbursement of premiums for medical, prescription drug, dental, and vision insurance for up to 12 years. For administrators who retire after July 1, 2005 who are eligible for PSERS retirement with at least 10 years of service with the School District shall be eligible for premium sharing payments for medical, prescription drug, dental, and vision insurance. Payments are made into a health premiums account and vary from \$10,000 to \$20,000 per year, depending on year of retirement and the member is responsible for payment of the full premium. Payments are made for two to five years.

After the District ceases payments as noted above, members are responsible for the full premium and are eligible to retain the coverage for the life of the member and spouse.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS--SINGLE EMPLOYER PLAN
(Continued)

Teachers

For teachers who retired before July 1, 2005 with at least 10 years of service, shall be eligible for up to 87% reimbursement of premiums for medical, prescription drug, dental, and vision insurance for up to 12 years. For teachers who retire after July 1, 2005 who are eligible for PSERS retirement with at least 10 years of service with the School District shall be eligible for premium sharing payments for medical, prescription drug, dental, and vision insurance. Payments are made into a health premiums account and vary from \$10,000 to \$20,000 per year, depending on year of retirement and the member is responsible for payment of the full premium. Payments are made for two to five years.

After the District ceases payments as noted above, members are responsible for the full premium and are eligible to retain the coverage for the life of the member and spouse.

Support Staff

For support staff who retire and are eligible for PSERS retirement with at least 10 years of service with the School District shall be eligible for medical, prescription drug, dental, and vision insurance. Members are responsible for the full premium and are eligible to retain the coverage for the life of the member and spouse.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate – 3.13%, based on S&P Municipal Bond 20 Year High grade Rate Index at July 1, 2017.

Salary - An assumption for salary increases is used only 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 from 2.75% to 0%.

Health Care Cost Trend Rate - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS--SINGLE EMPLOYER PLAN
(Continued)

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Disability - No disability was assumed.

Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan – 70% of teachers and administrators and 40% of the support staff are assumed to elect coverage. Upon Medicare eligibility, spouses are not assumed to continue coverage.

Percent Married at Retirement - 55% of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age - Wives are assumed to be two years younger than their husbands.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Changes in Assumptions - In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN
(Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>17,226,329</u>
Changes for the year	
Service cost	952,607
Interest cost	441,559
Changes for experience	-
Changes in assumptions	(216,066)
Benefit payments	<u>(822,690)</u>
Net changes	<u>355,410</u>
Balance at June 30, 2018	\$ <u><u>17,581,739</u></u>

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

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
Total OPEB liability	\$ <u>21,120,579</u>	\$ <u>17,581,739</u>	\$ <u>14,818,498</u>

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

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

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>14,175,184</u>	\$ <u>17,581,739</u>	\$ <u>22,163,107</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS--SINGLE EMPLOYER PLAN
(Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the School recognized OPEB expense of \$10,910. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 192,059
Contributions subsequent to the measurement date	<u>307,893</u>	<u>-</u>
	<u>\$ 307,893</u>	<u>\$ 192,059</u>

\$307,893 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (24,007)
2020	(24,007)
2021	(24,007)
2022	(24,007)
2023	(24,007)
Thereafter	<u>(72,024)</u>
	<u>\$ (192,059)</u>

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE K - OPERATING LEASES

There District entered into operating leases for computer equipment and vehicles. The total expense under these operating leases for the June 30, 2018 year is \$688,030. The lease payments for future years are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2019	\$ 689,944
2020	513,563
2021	357,227
2022	<u>156,222</u>
	<u>\$ 1,716,956</u>

NOTE L - COMMITMENTS AND CONTINGENCIES

Claims or Litigation

The District is currently a party, as both plaintiff and defendant, to various claims and litigation arising in the normal course of operations. Certain tax assessment appeals are ongoing. The amount of loss contingency, due to the nature of tax assessment appeals, is not determinable.

The District has various commitments under long-term construction contracts totaling approximately \$2,285,305 as of June 30, 2018.

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reduction in insurance coverages for the fiscal year June 30, 2018.

The District is a participant in the Bucks and Montgomery County Schools Healthcare Consortium, which is a pooled trust fund for the purpose of providing health and related benefits up to \$200,000 per participant. The school pays the Consortium a monthly contribution as determined by the trustees. The pool is self-sustaining through member premiums. The District reinsured through a commercial company for claims in excess of the amount covered by the pool.

METHACTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the School Districts must record their share of the Public School Employees' Retirement System (PSERS) unfunded liability. In addition, the School also must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$7,128,000 and deferred outflows of resources of \$356,460 and the beginning of year single employer OPEB plan liability of \$17,226,329 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for other postemployment benefits under GASB 45 in the amount of \$5,429,365 will be reversed. The School District has adjusted beginning net position for the governmental activities from (\$111,206,660) to (\$129,775,164).

REQUIRED SUPPLEMENTARY INFORMATION

METHACTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Amounts GAAP Basis	Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 82,882,139	\$ 82,882,139	\$ 83,483,440	\$ 601,301
State sources	22,448,472	22,448,472	22,577,920	129,448
Federal sources	563,447	563,447	690,370	126,923
TOTAL REVENUES	<u>105,894,058</u>	<u>105,894,058</u>	<u>106,751,730</u>	<u>857,672</u>
EXPENDITURES				
Instruction				
Regular programs	42,090,294	43,007,983	41,154,005	1,853,978
Special programs	14,864,892	15,090,149	15,309,739	(219,590)
Vocational education programs	2,341,124	2,518,926	2,554,842	(35,916)
Other instructional programs	327,746	337,323	283,998	53,325
Nonpublic school programs	6,410	6,410	2,434	3,976
Adult education programs	202,300	202,300	151,123	51,177
Support services				
Pupil personnel services	4,300,318	4,374,004	4,514,624	(140,620)
Instructional staff services	2,619,621	2,650,569	2,546,788	103,781
Administration services	6,214,010	6,271,985	6,230,604	41,381
Pupil health services	1,261,080	1,312,974	1,640,392	(327,418)
Business services	1,095,703	1,115,130	1,004,178	110,952
Operation and maintenance of plant services	8,719,057	8,892,461	8,450,325	442,136
Student transportation services	6,830,933	6,830,933	7,201,160	(370,227)
Central and other services	2,129,088	2,129,088	1,749,241	379,847
Other support services	72,922	72,922	74,270	(1,348)
Operation of non-instructional services				
Student activities	1,475,745	1,475,745	1,458,015	17,730
Community services	500	500	3,109	(2,609)
Debt service	10,026,411	9,968,781	9,637,979	330,802
TOTAL EXPENDITURES	<u>104,578,154</u>	<u>106,258,183</u>	<u>103,966,826</u>	<u>2,291,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>1,315,904</u>	<u>(364,125)</u>	<u>2,784,904</u>	<u>3,149,029</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from extended term financing	1,000,000	1,000,000	-	1,000,000
Budget reserve	(2,115,904)	(435,875)	-	(435,875)
Transfers out	(200,000)	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,315,904)</u>	<u>364,125</u>	<u>(200,000)</u>	<u>564,125</u>
NET CHANGE IN FUND BALANCE				
	-	-	2,584,904	2,584,904
FUND BALANCE AT BEGINNING OF YEAR				
	<u>8,958,462</u>	<u>8,958,462</u>	<u>8,958,462</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 8,958,462</u>	<u>\$ 8,958,462</u>	<u>\$ 11,543,366</u>	<u>\$ 2,584,904</u>

See accompanying note to the budgetary comparison schedule.

METHACTON SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2018

NOTE A - BUDGETARY INFORMATION

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 31, the School Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- The budget is presented at the Methacton School District public board meeting to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of an ordinance.
- Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School Board.
- Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- Budgets for the General Fund are adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

For the year ended June 30, 2018, the District overspent from budgeted amounts in the general fund for the following line items:

• Special programs	\$219,590
• Vocational education programs	\$35,916
• Pupil personnel services	\$140,620
• Pupil health services	\$327,418
• Student transportation services	\$370,227
• Other support services	\$1,348
• Community services	\$2,609

These overages were made up with funds from other line items that were underspent during the year.

METHACTON SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3226%</u>	<u>0.3309%</u>	<u>0.3274%</u>	<u>0.3577%</u>	<u>0.3512%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 159,327,000</u>	<u>\$ 163,984,000</u>	<u>\$ 141,814,000</u>	<u>\$ 14,158,000</u>	<u>\$ 143,768,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 42,946,943</u>	<u>\$ 42,860,302</u>	<u>\$ 41,299,971</u>	<u>\$ 45,644,540</u>	<u>\$ 45,071,142</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>370.99%</u>	<u>382.60%</u>	<u>343.38%</u>	<u>310.81%</u>	<u>318.98%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>	<u>54.49%</u>

METHACTON SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 13,381,000	\$ 12,431,368	\$ 10,567,279	\$ 8,466,494	\$ 7,084,130
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>13,381,000</u>	<u>12,431,368</u>	<u>10,567,279</u>	<u>8,466,494</u>	<u>7,084,130</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>				
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 42,158,160</u>	<u>\$ 42,946,943</u>	<u>\$ 42,860,302</u>	<u>\$ 41,299,971</u>	<u>\$ 45,644,540</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>31.74%</u>	<u>28.95%</u>	<u>24.66%</u>	<u>20.50%</u>	<u>15.52%</u>

METHACTON SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FISCAL YEAR

SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.3226%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u>\$ 6,573,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 42,946,943</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.73%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

METHACTON SCHOOL DISTRICT

**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST FISCAL YEAR**

CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 351,615
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>351,615</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u><u>42,158,160</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>0.83%</u></u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

METHACTON SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR

TOTAL OPEB LIABILITY	
Service cost	\$ 952,607
Interest	441,559
Changes of assumptions	(216,066)
Benefit payments	<u>(822,690)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	355,410
TOTAL OPEB LIABILITY, BEGINNING	<u>17,226,329</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 17,581,739</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 39,529,955</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>44.48%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Methacton School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Methacton School District's basic financial statements, and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

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

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

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

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 6, 2018

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Methacton School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Methacton School District's major federal programs for the year ended June 30, 2018. Methacton School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

To the Board of School Directors
Methacton School District
Eagleville, Pennsylvania

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
November 6, 2018

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

METHACTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-170245	August 2, 2016 to September 30, 2017
Title I Improving Basic Programs	I	84.010	013-180245	August 15, 2017 to September 30, 2018
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	020-170245	August 2, 2016 to September 30, 2017
Title II Improving Teacher Quality	I	84.367	020-180245	August 15, 2017 to September 30, 2018
TOTAL TITLE II				
Title IV Student Support and Academic Enrichment	I	84.424	144-180245	August 15, 2017 to September 30, 2018
TOTAL TITLE IV				
Medical Assistance Access Admin	I	93.778	N/A	July 1, 2016 to June 30, 2017
Medical Assistance Access Admin	I	93.778	N/A	July 1, 2017 to June 30, 2018
TOTAL MEDICAID CLUSTER				
Passed through the Montgomery County Intermediate Unit				
Title III Language Instruction	I	84.365	N/A	July 17, 2016 to September 30, 2017
Title III Language Instruction	I	84.365	N/A	July 17, 2017 to September 30, 2018
TOTAL TITLE III				
Individual Disability Education Act ("IDEA") Part B	I	84.027	N/A	July 1, 2015 to June 30, 2016
Individual Disability Education Act ("IDEA") Part B	I	84.027	N/A	July 1, 2016 to June 30, 2017
Individual Disability Education Act ("IDEA") - Preschool	I	84.173	N/A	July 2016 to June 30, 2017
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2016 to June 30, 2017
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2017 to June 30, 2018
Regular/ Needy Breakfast Program	I	10.553	N/A	July 1, 2016 to June 30, 2017
Regular/ Needy Breakfast Program	I	10.553	N/A	July 1, 2017 to June 30, 2018
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program - Donated foods	I	10.555	N/A	July 1, 2017 to June 30, 2018
TOTAL CHILD NUTRITION CLUSTER				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018	Passed Through to Sub-Recipients
\$ 380,687	\$ 122,529	\$ 88,912	\$ 33,617	\$ 33,617	\$ -	\$ -
328,536	<u>234,669</u>	<u>-</u>	<u>300,946</u>	<u>300,946</u>	<u>66,277</u>	<u>-</u>
	<u>357,198</u>	<u>88,912</u>	<u>334,563</u>	<u>334,563</u>	<u>66,277</u>	<u>-</u>
105,414	<u>37,254</u>	<u>27,138</u>	<u>10,116</u>	<u>10,116</u>	<u>-</u>	<u>-</u>
96,447	<u>96,447</u>	<u>-</u>	<u>96,447</u>	<u>96,447</u>	<u>-</u>	<u>-</u>
	<u>133,701</u>	<u>27,138</u>	<u>106,563</u>	<u>106,563</u>	<u>-</u>	<u>-</u>
10,000	<u>5,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	
	<u>5,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	
13,129	<u>5,908</u>	<u>5,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	
4,244	<u>4,244</u>	<u>-</u>	<u>4,244</u>	<u>4,244</u>	<u>-</u>	
	<u>10,152</u>	<u>5,908</u>	<u>4,244</u>	<u>4,244</u>	<u>-</u>	
15,314	<u>15,314</u>	<u>15,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,188	<u>6,295</u>	<u>-</u>	<u>9,162</u>	<u>9,162</u>	<u>2,867</u>	<u>-</u>
	<u>21,609</u>	<u>15,314</u>	<u>9,162</u>	<u>9,162</u>	<u>2,867</u>	<u>-</u>
882,887	<u>71,079</u>	<u>71,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
853,512	<u>853,512</u>	<u>-</u>	<u>853,512</u>	<u>853,512</u>	<u>-</u>	<u>-</u>
1,910	<u>1,910</u>	<u>-</u>	<u>1,910</u>	<u>1,910</u>	<u>-</u>	<u>-</u>
	<u>926,501</u>	<u>71,079</u>	<u>855,422</u>	<u>855,422</u>	<u>-</u>	<u>-</u>
	<u>1,454,161</u>	<u>208,351</u>	<u>1,319,954</u>	<u>1,319,954</u>	<u>74,144</u>	<u>-</u>
N/A	<u>50,059</u>	<u>50,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
N/A	<u>283,267</u>	<u>-</u>	<u>337,428</u>	<u>337,428</u>	<u>54,161</u>	<u>-</u>
N/A	<u>7,433</u>	<u>7,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
N/A	<u>38,441</u>	<u>-</u>	<u>47,078</u>	<u>47,078</u>	<u>8,637</u>	<u>-</u>
N/A	<u>76,143</u>	<u>(8,650)</u>	<u>72,311</u>	<u>72,311</u>	<u>(12,482)</u>	<u>-</u>
	<u>455,343</u>	<u>48,842</u>	<u>456,817</u>	<u>456,817</u>	<u>50,316</u>	<u>-</u>
	<u>455,343</u>	<u>48,842</u>	<u>456,817</u>	<u>456,817</u>	<u>50,316</u>	<u>-</u>
	<u>\$ 1,909,504</u>	<u>\$ 257,193</u>	<u>\$ 1,776,771</u>	<u>\$ 1,776,771</u>	<u>\$ 124,460</u>	<u>\$ -</u>

METHACTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
TOTAL FEDERAL AWARDS FORWARDED				
Current State Grants				
Passed through the PA Dept. of Agriculture				
National School Lunch Program	S	N/A	N/A	July 1, 2016 to June 30, 2017
National School Lunch Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
Regular/ Needy Breakfast Program	S	N/A	N/A	July 1, 2016 to June 30, 2017
Regular/ Needy Breakfast Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
TOTAL CURRENT STATE GRANTS				
GRAND TOTAL FEDERAL AWARDS AND CURRENT STATE GRANTS				

I - Indirect Funding
S - State Funding

See accompanying notes to the schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>1,909,504</u>	\$ <u>257,193</u>	\$ <u>1,776,771</u>	\$ <u>1,776,771</u>	\$ <u>124,460</u>	\$ <u>-</u>
N/A	4,485	4,485	-	-	-	-
N/A	24,585	-	29,346	29,346	4,761	-
N/A	556	556	-	-	-	-
N/A	<u>2,674</u>	<u>-</u>	<u>3,310</u>	<u>3,310</u>	<u>636</u>	<u>-</u>
	<u>32,300</u>	<u>5,041</u>	<u>32,656</u>	<u>32,656</u>	<u>5,397</u>	<u>-</u>
	\$ <u><u>1,941,804</u></u>	\$ <u><u>262,234</u></u>	\$ <u><u>1,809,427</u></u>	\$ <u><u>1,809,427</u></u>	\$ <u><u>129,857</u></u>	\$ <u><u>-</u></u>

METHACTON SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A to the School District's basic financial statements.

NOTE B - FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants, which were active during the fiscal year.

NOTE C - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

METHACTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance: **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Special Education Cluster (IDEA)	
Special Education	
Grants to States (IDEA, Part B)	84.027
Preschool Grants (IDEA, Section 619)	84.173

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.