Jersey Shore Area School District

Financial Statements and
Supplementary Information

June 30, 2018

BAKER TILLY

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Independent Auditors' Report

Board of Directors
Jersey Shore Area School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As disclosed in Notes 1 and 20 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, to conform with accounting principles generally accepted in the United States of America. The District recognized its total other postemployment benefits liability ("OPEB"), restated its beginning net position for this adoption, expanded its note disclosures and included required supplementary information with respect to total OPEB. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 4 through 16, Schedule of the District's Proportionate Share of the Net Pension Liability on page 61, Schedule of the District's Pension Contributions on page 62, Schedule of the District's Proportionate Share of the Net OPEB Liability on page 63, Schedule of the District's OPEB Contributions on page 64 and Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented on page 66 for purposes of additional analysis and is not a required part of the basic financial statements.

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 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 information is 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 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 27, 2018

The Management's Discussion and Analysis of the Jersey Shore Area 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 notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Using the Single Audit Report

The Single Audit consists of the management's discussion and analysis, the government-wide perspective financial statements, the fund perspective financial statements, the notes to the financial statements, and the Single Audit reports and schedules. These statements are organized so that the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

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

Figure A-1
Required Components of
Jersey Shore Area School District's
Financial Report

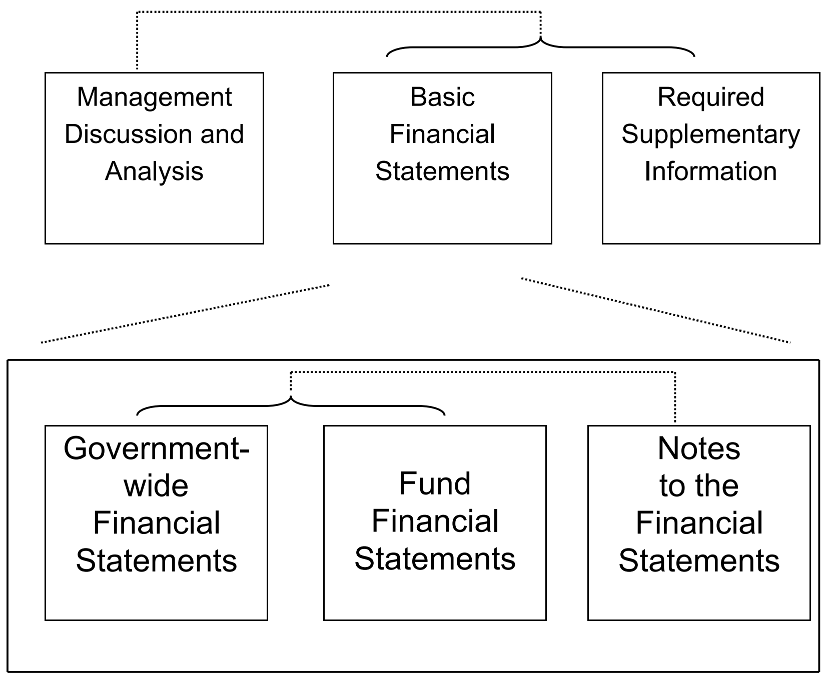

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

Figure A-2
Major Features of Jersey Shore Area School District's
Government-Wide and Fund Financial Statements

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

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 District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how 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 position.

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

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

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

- Governmental activities - All of the District’s basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

- Business type activities - The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on page 19, provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 27. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's total net position (deficit) was $(42,225,529) at June 30, 2018.

Table A-1
Fiscal Years Ended June 30, 2018 and 2017
Net Position

	Governmental Activities		Business-Type Activity		Total		
	2018	2017	2018	2017	2018	2017	Change
Current and other assets	$ 12,361,635	$ 12,438,910	$ 156,759	$ 174,847	$ 12,518,394	$ 12,613,757	$ (95,363)
Capital assets	50,239,628	51,999,360	55,625	70,020	50,295,253	52,069,380	(1,774,127)
Deferred outflows of resources	10,365,139	11,050,321	201,366	227,725	10,566,505	11,278,046	(711,541)
Total assets and deferred outflow of resources	72,966,402	75,488,591	413,750	472,592	73,380,152	75,961,183	(2,581,031)
Current liabilities	7,858,260	7,750,713	106,192	68,038	7,964,452	7,818,751	145,701
Noncurrent liabilities	104,175,340	96,135,933	1,281,854	1,380,013	105,457,194	97,515,946	7,941,248
Deferred inflows of resources	2,045,503	2,597,020	138,532	81,308	2,184,035	2,678,328	(494,293)
Total liabilities and deferred inflow of resources	114,079,103	106,483,666	1,526,578	1,529,359	115,605,681	108,013,025	7,592,656
Net position							
Net investment in capital assets	17,331,698	16,741,913	55,625	70,020	17,387,323	16,811,933	575,390
Restricted	-	-	-	-	-	-	-
Unrestricted	(58,444,399)	(47,736,988)	(1,168,453)	(1,126,787)	(59,612,852)	(48,863,775)	(10,749,077)
Total net position	$ (41,112,701)	$ (30,995,075)	$ (1,112,828)	$ (1,056,767)	$ (42,225,529)	$ (32,051,842)	$ (10,173,687)

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position (deficit) is composed of committed and unassigned amounts, net of the District's net pension liability pursuant to GASB Statement No. 68 and other postemployment benefits liability pursuant to GASB Statement No. 75. The committed balances are amounts set-aside to fund future expenditures or capital projects as planned by the District.

For fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This standard was designed to improve accounting and financial reporting by state and local governments for other postemployment benefits. As required by GASB 75, a liability was recorded using an actuarial valuation of the District's Single Employer OPEB plan as well as information provided by the Public School Employees' Retirement System (PSERS) of Pennsylvania. The estimated amount of the other postemployment liability recorded was approximately $13 million as of June 30, 2018. Refer to note 11 for further details.

The results of this year's operations as a whole are reported in the Statement of Activities on page 18. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues and expenses of both the Governmental Activities and the Business-type Activity of the District.

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

	Governmental Activities		Business-Type Activities		Total		
	2018	2017	2018	2017	2018	2017	Change
Revenues							
Program revenues:							
Charges for services	$ 83,432	$ 93,332	$ 434,077	$ 440,978	$ 517,509	$ 534,310	$ (16,801)
Operating grants and contributions	11,396,634	10,879,239	857,645	849,150	12,254,279	11,728,389	525,890
General revenues							
Property taxes	12,645,351	12,006,786	-	-	12,645,351	12,006,786	638,565
Other taxes	4,291,677	4,179,329	-	-	4,291,677	4,179,329	112,348
Grants, subsidies, and contributions, unrestricted	13,018,088	12,948,956	-	-	13,018,088	12,948,956	69,132
Other	209,094	107,918	1,166	362	210,260	108,280	101,980
Total revenues	41,644,276	40,215,560	1,292,888	1,290,490	42,937,164	41,506,050	1,431,114
Expenses:							
Instruction	28,085,498	27,403,625	-	-	28,085,498	27,403,625	681,873
Instructional student support	4,038,396	4,056,690	-	-	4,038,396	4,056,690	(18,294)
Administrative and financial support	2,805,233	2,665,394	-	-	2,805,233	2,665,394	139,839
Operation and maintenance of plant	4,251,350	4,002,106	-	-	4,251,350	4,002,106	249,244
Pupil transportation	1,687,601	1,740,386	-	-	1,687,601	1,740,386	(52,785)
Student activities	795,479	741,950	-	-	795,479	741,950	53,529
Refund of prior year revenues	25,519	39,627	-	-	25,519	39,627	(14,108)
Interest on long-term debt	622,152	782,436	-	-	622,152	782,436	(160,284)
Food services	-	-	1,348,949	1,269,040	1,348,949	1,269,040	79,909
Total expenses	42,311,228	41,432,214	1,348,949	1,269,040	43,660,177	42,701,254	958,923
Increase (decrease) in net position	$ (666,952)	$ (1,216,654)	$ (56,061)	$ 21,450	$ (723,013)	$ (1,195,204)	$ 472,191

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

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

	Total Cost of Services		Net Cost of Services		Changes in Net Cost of Services
	2018	2017	2018	2017	
Functions/Programs:					
Instruction	$ 28,085,498	$ 27,403,625	$ 20,089,227	$ 20,237,058	$ (147,831)
Instructional student support	4,038,396	4,056,690	3,553,363	3,669,377	(116,014)
Administrative and financial support	2,805,233	2,665,394	2,483,058	2,411,345	71,713
Operation and maintenance of plant	4,251,350	4,002,106	3,862,205	3,611,954	250,251
Pupil transportation	1,687,601	1,740,386	272,911	389,813	(116,902)
Student activities	795,479	741,950	652,408	592,146	60,262
Refund of prior year revenues	25,519	39,627	25,519	39,627	(14,108)
Interest on long-term debt	622,152	782,436	(107,529)	(491,677)	384,148
Total governmental activities	$ 42,311,228	$ 41,432,214	30,831,162	30,459,643	371,519
Less unrestricted grants, subsidies			13,018,088	12,948,956	69,132
Total needs from local taxes and other revenues			$ 17,813,074	$ 17,510,687	$ 302,387

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

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

	Total Cost of Services		Net Cost of Services		Changes in Net Cost of Services
	2018	2017	2018	2017	
Functions/Programs					
Food services	$ 1,348,949	$ 1,269,040	$ 57,227	$ 21,088	$ 36,139
Less investment earnings			(1,166)	(362)	(804)
Total business-type activity			$ 56,061	$ 20,726	$ 35,335

The Statement of Revenues, Expenses and Changes in Fund Net Position for the proprietary fund will further detail the actual results of operations. This program should be self-supporting. Net cost of services increased $36,139.

The District Funds

At June 30, 2018, the District's governmental funds reported a combined fund balance of $6,915,926 which is a decrease of $180,809. The primary reason for this decrease is from increased District contributions to the PSERS pension plan.

The General Fund had a beginning fund balance of $6,341,583 and an ending fund balance of $6,139,975 at June 30, 2018. Revenues increased from $40,161,195 to $41,659,612. Expenditures and other financing uses increased from $40,616,195 to $41,861,220.

Table A-5 shows a comparison of General Fund expenditures from 2016-17 to 2017-18. Most functions increased due to an increase in salaries and retirement contributions. Administration Support Services increased due to retirement incentives. The increase in Fund Transfers was due to a transfer to the Capital Reserve Fund.

Table A-5
General Fund Expenditure Comparison

	Function	Expenditures 2018	Expenditures 2017	Variance	Percent Change
1100	Regular Education	$ 19,100,362	$ 18,631,171	$ 469,191	2.52 %
1200	Special Education	5,836,553	5,459,162	377,391	6.91 %
1300	Vocational Education	1,027,313	1,009,481	17,832	1.77 %
1400	Other Instructional Programs	102,134	124,376	(22,242)	(17.88) %
1800	Pre-Kindergarten Programs	340,000	170,000	170,000	100.0 %
2100	Support Services Pupil	1,350,931	1,283,499	67,432	5.25 %
2200	Support Services Instructional Staff	1,253,533	1,364,651	(111,118)	(8.14) %
2300	Support Services Administration	2,525,302	2,247,586	277,716	12.36 %
2400	Support Services Pupil Health	396,393	412,437	(16,044)	(3.89) %
2500	Support Services Pupil Business	828,580	911,053	(82,473)	(9.05) %
2600	Operation and Maintenance	3,123,992	3,137,660	(13,668)	(0.44) %
2700	Student Transportation Services	1,748,408	1,803,373	(54,965)	(3.05) %
2800	Support Services Pupil Central	52,486	54,391	(1,905)	(3.5) %
2900	Other Support Services	550	-	550	100.0 %
3200	Student Activities	767,447	732,586	34,861	4.76 %
5100	Refund of prior year revenues	25,519	39,627	(14,108)	(35.6) %
5200	Fund Transfers	3,381,717	3,235,142	146,575	4.53 %
		$ 41,861,220	$ 40,616,195	$ 1,245,025	3.07 %

The District's revenues were $41.7 million in 2017/18, which were up 3.73% from the previous year. General Fund revenues for the District come from three categories. Local sources approximately make up 43% of the total revenue, state sources make up 56%, and federal sources are 1%. Most of the local revenue comes from tax levies set by School Code, fees, tuition, and donations.

Local revenues increased due to an increase in real estate taxes. State revenues increased mainly from subsidies for Basic Education Funding and the state's share of the contribution to the pension system.

Table A-6
General Fund Revenue Comparison

Category	2018	2017	Variance	% Change
Local sources 6000	$ 17,739,298	$ 16,868,076	$ 871,222	5.16 %
State sources 7000	23,371,198	22,639,262	731,936	3.23 %
Federal sources 8000	549,116	653,857	(104,741)	(16.02) %
Total	$ 41,659,612	$ 40,161,195	$ 1,498,417	3.73 %

General Fund Budget

During the fiscal year, the Board of Directors may authorize 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. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 23.

The District applies for federal, state, and local grants. These grants cannot always be anticipated in the budgeting process. Transfers between specific categories of expenditures/financing uses may occur during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the District invested in a broad range of capital assets, including land, buildings and furniture, and equipment. At June 30, 2018 the investment in capital assets, net of depreciation, was $50,239,628, a decrease of $1,759,732. For details on the specific line-item changes, see Note 6 on page 41.

Table A-7
Governmental Activities
Capital Assets

	2018	2017
Land	$ 13,692,781	$ 13,692,781
Site improvements	3,400,756	3,400,756
Buildings	65,980,655	65,744,872
Furniture and equipment	13,633,328	13,020,365
Less accumulated depreciation	(46,467,892)	(43,859,414)
Capital assets, net	$ 50,239,628	$ 51,999,360

Debt Administration

As of July 1, 2017, the District had total outstanding bond and note principal of $34,586,000. The District made principal payments of $2,547,000 during the year. The District also issued its General Obligation Note, Series of 2017 in the amount of $9,995,000, which refunded $9,800,000 of the District's General Obligation Bond, Series of 2012. The District ended the year with outstanding bond and note principal of $32,234,000 as of June 30, 2018.

Table A-8
Outstanding Debt

General Obligation Bonds and Notes	2018	2017
Series AA of 2010 GOB	$ -	$ 315,000
Series of 2012 GOB	165,000	9,970,000
Series of 2013 GOB	4,430,000	4,435,000
Series of 2015 GOB	6,950,000	7,155,000
Series A of 2015 GOB	765,000	1,380,000
Series AA of 2015 GON	5,771,000	6,059,000
Series AAA of 2015 GON	1,709,000	2,445,000
Series AAAA of 2015 GON	2,449,000	2,827,000
Series of 2017 GON	9,995,000	-
	$ 32,234,000	$ 34,586,000

Other obligations include capital leases, accrued vacation pay and sick leave for specific employees of the District, as well as other post-employment and pension obligations. More detailed information about our long-term liabilities is included in Notes 7 through 13 to the financial statements.

The District's general obligation bond rating is S&P A+/Stable (Underlying). Additional security is also provided for the bonds by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

Contacting the District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Benjamin J. Enders, Business Manager/Board Secretary at Jersey Shore Area School District, 175 A & P Drive, Jersey Shore, PA 17740, (570) 398-5050.

	Governmental Activities	Business Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	$ 8,507,343	$ 197,506	$ 8,704,849
Other receivables	14,143	934	15,077
Taxes receivable, net	900,032	-	900,032
Internal balances	112,773	(112,773)	-
Due from other governments	2,137,756	31,738	2,169,494
Inventories	799	39,354	40,153
Prepaid expenses	162,838	-	162,838
Total current assets	11,835,684	156,759	11,992,443
Capital Assets	50,239,628	55,625	50,295,253
Assets Held for Capital Projects	525,951	-	525,951
Total assets	62,601,263	212,384	62,813,647
Deferred Outflows of Resources			
Pension	9,701,097	201,366	9,902,463
Other postemployment benefits (OPEB)	547,373	-	547,373
Unamortized refunding charges	116,669	-	116,669
Total deferred outflows of resources	10,365,139	201,366	10,566,505
Total assets and deferred outflows of resources	$ 72,966,402	$ 413,750	$ 73,380,152
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Current portion of long-term debt	$ 2,650,000	$ -	$ 2,650,000
Current portion of capital leases payable	340,507	-	340,507
Accounts payable	468,807	22,424	491,231
Accrued salaries and benefits	4,036,062	30,913	4,066,975
Payroll deductions and withholdings	131,953	-	131,953
Accrued interest	217,440	-	217,440
Unearned revenue	13,491	52,855	66,346
Total current liabilities	7,858,260	106,192	7,964,452
Noncurrent liabilities:			
Long-term debt	29,584,000	-	29,584,000
Capital leases payable	333,423	-	333,423
Compensated absences	722,087	3,710	725,797
Other postemployment benefits	12,732,974	-	12,732,974
Net pension liability	60,802,856	1,278,144	62,081,000
Total noncurrent liabilities	104,175,340	1,281,854	105,457,194
Total liabilities	112,033,600	1,388,046	113,421,646
Deferred Inflows of Resources			
Pension	1,926,503	138,532	2,065,035
Other postemployment benefits (OPEB)	119,000	-	119,000
Total deferred outflows of resources	2,045,503	138,532	2,184,035
Net Position (Deficit)			
Net investment in capital assets	17,331,698	55,625	17,387,323
Unrestricted	(58,444,399)	(1,168,453)	(59,612,852)
Total net position (deficit)	(41,112,701)	(1,112,828)	(42,225,529)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 72,966,402	$ 413,750	$ 73,380,152

See notes to financial statements

Jersey Shore Area School District

Statement of Activities
Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenues and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-Type Activity**	**Total**
Governmental Activities						
Instruction	$ (28,085,498)	$ 14,918	$ 7,981,353	$ (20,089,227)		$ (20,089,227)
Operation and maintenance of plant services	(4,251,350)	14,625	374,520	(3,862,205)		(3,862,205)
Instructional student support	(4,038,396)	-	485,033	(3,553,363)		(3,553,363)
Administration and financial support services	(2,805,233)	-	322,175	(2,483,058)		(2,483,058)
Student activities	(795,479)	53,889	89,182	(652,408)		(652,408)
Pupil transportation	(1,687,601)	-	1,414,690	(272,911)		(272,911)
Refund of prior year revenues	(25,519)	-	-	(25,519)		(25,519)
Interest on bonds payable	(622,152)	-	729,681	107,529		107,529
Total governmental activities	(42,311,228)	83,432	11,396,634	(30,831,162)		(30,831,162)
Business-Type Activity						
Food service	(1,348,949)	434,077	857,645	-	$ (57,227)	(57,227)
Total	$ (43,660,177)	$ 517,509	$ 12,254,279	(30,831,162)	(57,227)	(30,888,389)
General Revenues						
Grants, subsidies and contributions not restricted				13,018,088	-	13,018,088
Property taxes levied for general purposes, net				12,645,351	-	12,645,351
Other taxes levied				4,291,677	-	4,291,677
Investment earnings				118,933	1,166	120,099
Miscellaneous income				90,161	-	90,161
Total general revenues				30,164,210	1,166	30,165,376
Change in net position				(666,952)	(56,061)	(723,013)
Net Position, Beginning						
As previously reported				(30,995,075)	(1,056,767)	(32,051,842)
Effect of adoption of GASB No. 75				(9,450,674)	-	(9,450,674)
As restated				(40,445,749)	(1,056,767)	(41,502,516)
Net Position, Ending				$ (41,112,701)	$ (1,112,828)	$ (42,225,529)

See notes to financial statements

Jersey Shore Area School District

Balance Sheet - Governmental Funds
June 30, 2018

	Major Funds			
	General	Capital Projects	Debt Service	Totals
Assets				
Cash and cash equivalents	$ 8,507,343	$ 525,951	$ -	$ 9,033,294
Due from other funds	140,866	250,000	-	390,866
Other receivables	14,143	-	-	14,143
Taxes receivable	900,032	-	-	900,032
Due from other governments	2,137,756	-	-	2,137,756
Inventories	799	-	-	799
Prepaid expenses	162,838	-	-	162,838
Total assets	$ 11,863,777	$ 775,951	$ -	$ 12,639,728
Liabilities				
Accounts payable	$ 468,807	$ -	$ -	$ 468,807
Due to other funds	278,093	-	-	278,093
Accrued salaries and benefits	4,036,062	-	-	4,036,062
Unearned revenue	13,491	-	-	13,491
Payroll deductions and withholdings	131,953	-	-	131,953
Total liabilities	4,928,406	-	-	4,928,406
Deferred Inflows of Resources				
Unearned revenue - taxes	795,396	-	-	795,396
Fund Balances				
Nonspendable	163,637	-	-	163,637
Committed	3,630,000	775,951	-	4,405,951
Unassigned	2,346,338	-	-	2,346,338
Total fund balances	6,139,975	775,951	-	6,915,926
Total liabilities and fund balances	$ 11,863,777	$ 775,951	$ -	$ 12,639,728

See notes to financial statements

Total Fund Balance - Governmental Funds		$	6,915,926
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is $96,707,520 and the accumulated depreciation is $46,467,892			50,239,628
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.			795,396
Deferred resources, outflows and inflows, are not reported in governmental funds			
Deferred outflow of resources - pension	9,701,097		
Deferred outflow of resources - OPEB	547,373		
Deferred outflow of resources - Unamortized refunding charges	116,669		
Deferred inflow of resources - pension	(1,926,503)		
Deferred inflow of resources - OPEB	(119,000)		
			8,319,636
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds payable	(32,234,000)		
Capital leases payable	(673,930)		
Accrued interest on bonds	(217,440)		
Compensated absences	(722,087)		
Other postemployment benefits	(12,732,974)		
Net pension liability	(60,802,856)		
			(107,383,287)
Total Net Position - Governmental Activities		$	(41,112,701)

See notes to financial statements

Jersey Shore Area School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2018

	Major Funds			
	General	Capital Projects	Debt Service	Totals
Revenues				
Local sources	$ 17,739,298	$ 6,583	$ -	$ 17,745,881
State sources	23,371,198	-	-	23,371,198
Federal sources	549,116	-	-	549,116
Total revenues	41,659,612	6,583	-	41,666,195
Expenditures				
Instruction	26,406,362	-	-	26,406,362
Support services	11,280,175	-	-	11,280,175
Noninstructional services	767,447	-	-	767,447
Facilities acquisition, construction, and improvement services	-	235,784	-	235,784
Debt service	-	-	3,131,717	3,131,717
Total expenditures	38,453,984	235,784	3,131,717	41,821,485
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	3,205,628	(229,201)	(3,131,717)	(155,290)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	9,995,000	9,995,000
Payments to refunding bond escrow agent	-	-	(9,927,275)	(9,927,275)
Debt issuance costs	-	-	(67,725)	(67,725)
Transfers in	-	250,000	3,131,717	3,381,717
Refund of prior year revenues	(25,519)	-	-	(25,519)
Transfers out	(3,381,717)	-	-	(3,381,717)
Total other financing sources (uses), net	(3,407,236)	250,000	3,131,717	(25,519)
Net changes in fund balances	(201,608)	20,799	-	(180,809)
Fund Balances, Beginning	6,341,583	755,152	-	7,096,735
Fund Balances, Ending	$ 6,139,975	$ 775,951	$ -	$ 6,915,926

See notes to financial statements

Total Net Changes in Fund Balances - Governmental Funds		$ (180,809)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.		
Capital outlays	848,746	
Depreciation expense	(2,608,478)	
		(1,759,732)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred Inflows of resources - tax revenues increased by this amount this year.		(21,919)
The issuance of long-term debt (e.g. bonds, leases) 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 effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are capitalized and amortized in the statement of activities. During the fiscal year ended June 30, 2018, the following transactions factor into this reconciliation:		
Issuance of long-term debt	(9,995,000.00)	
Retirement of principal of long-term debt	12,347,000	
Deferred outflow of resources - unamortized refunding charges	127,275	
Issuance of capital leases	(565,584)	
Retirement of principal of capital leases	563,101	
		2,476,792
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here.		30,290
Other postemployment benefits payable are considered long-term in nature, and are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in other postemployment benefits payable for the year ended June 30, 2018.		(507,929)
In the statement of activities, certain operating expenses, compensated absences (vacations and sick days), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.		64,214
In the statement of activities, pension expenses are measured by the amounts contributed towards future retirement during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount contributed versus the amount used.		(767,859)
Change in Net Position of Governmental Activities		$ (666,952)

Jersey Shore Area School District

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

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Local sources	$ 17,186,783	$ 17,739,298	$ 552,515
State sources	23,226,117	23,371,198	145,081
Federal sources	641,802	549,116	(92,686)
Total revenues	41,054,702	41,659,612	604,910
Expenditures			
Instruction:			
Regular programs	19,015,383	19,100,362	(84,979)
Special programs	5,451,914	5,836,553	(384,639)
Vocational education programs	1,056,087	1,027,313	28,774
Other instructional programs	184,495	102,134	82,361
Pre-Kindergarten	170,000	340,000	(170,000)
Total instruction	25,877,879	26,406,362	(528,483)
Support services:			
Pupil personnel	1,440,884	1,350,931	89,953
Instructional staff	1,340,086	1,253,533	86,553
Administration	2,430,324	2,525,302	(94,978)
Pupil health	377,490	396,393	(18,903)
Business	837,433	828,580	8,853
Operation and maintenance of plant services	3,268,828	3,123,992	144,836
Student transportation services	1,864,387	1,748,408	115,979
Support services - central	4,000	52,486	(48,486)
Other support services	-	550	(550)
Total support services	11,563,432	11,280,175	283,257
Non-instructional services, Student activities	793,973	767,447	26,526
Total expenditures	38,235,284	38,453,984	(218,700)
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,819,418	3,205,628	386,210
Other Financing Sources (Uses)			
Proceeds from the sale of capital assets	10,000	-	(10,000)
Refund of prior year revenues	-	(25,519)	(25,519)
Debt service	(500)	-	500
Interfund transfers	(3,299,220)	(3,381,717)	(82,497)
Budgetary reserve	(135,000)	-	135,000
Total other financing sources (uses)	(3,424,720)	(3,407,236)	17,484
Net change in fund balances	(605,302)	(201,608)	403,694
Fund Balance, Beginning	6,806,698	6,341,583	(465,115)
Fund Balance, Ending	$ 6,201,396	$ 6,139,975	$ (61,421)

See notes to financial statements

Jersey Shore Area School District

Statement of Net Position (Deficit) - Proprietary Fund - Food Service
June 30, 2018

Assets and Deferred Outflows of Resources

Current Assets		
Cash and cash equivalents	$	197,506
Due from other funds		28,093
Due from other governments		31,738
Other receivables		934
Inventories		39,354
Total current assets		297,625
Capital Assets		55,625
Total assets		353,250
Deferred Outflows of Resources - Pension		201,366
Total assets and deferred outflows of resources	$	554,616

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities		
Current liabilities:		
Accounts payable	$	22,424
Due to other funds		140,866
Accrued salaries and benefits		30,913
Unearned revenue		52,855
Total current liabilities		247,058
Noncurrent liabilities:		
Compensated absences		3,710
Net pension liability		1,278,144
Total noncurrent liabilities		1,281,854
Total liabilities		1,528,912
Deferred Inflows of Resources - Pension		138,532
Net Position (Deficit)		
Net investment in capital assets		55,625
Unreserved		(1,168,453)
Total net position (deficit)		(1,112,828)
Total liabilities, deferred inflows of resources and net position (deficit)	$	554,616

See notes to financial statements

Jersey Shore Area School District

Statement of Revenues, Expenses and Change in Fund Net Position -
Proprietary Fund - Food Service
Year Ended June 30, 2018

Operating Revenues	
Food service revenues	$ 434,077
Operating Expenses	
Supplies	89,975
Salaries	348,534
Employee benefits	291,202
Depreciation	14,395
Purchased property service	6,235
Other purchased service	598,608
Total operating expenses	1,348,949
Operating loss	(914,872)
Nonoperating Revenues	
Federal sources	734,327
State sources	123,318
Earnings on investments	1,166
Total nonoperating revenues	858,811
Net loss	(56,061)
Net Position, Beginning	(1,056,767)
Net Position, Ending	$ (1,112,828)

See notes to financial statements

Jersey Shore Area School District

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

Cash Flows from Operating Activities	
Cash received from students, teachers and others	$ 449,674
Cash paid to suppliers for goods and services	(714,816)
Cash paid to employees for service	(623,399)
Internal activity - payments from other funds	90,321
Net cash used in operating activities	(798,220)
Cash Flows from Non-Capital Financing Activities	
Federal sources	821,136
State sources	109,304
Net cash provided by non-capital financing activities	930,440
Cash Flows from Investing Activities	
Interest income	1,166
Increase in cash and cash equivalents	133,386
Cash and Cash Equivalents, Beginning	64,120
Cash and Cash Equivalents, Ending	$ 197,506
Supplemental Disclosure of Noncash Transactions	
USDA donated commodities	$ 93,186
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (914,872)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,395
Changes in assets, deferred outflows of resources, liabilities and deferred inflow of resources:	
Inventory	(11,615)
Other receivables	(27)
Deferred outflows of resources	26,359
Accounts payable	(8,383)
Due from (to) other funds, net	90,321
Accrued salaries and benefits	30,913
Compensated absences	(712)
Unearned revenue	15,624
Net pension liability	(97,447)
Deferred inflows of resources	57,224
Net cash used in operating activities	$ (798,220)

See notes to financial statements

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

	Private Purpose Trusts	Agency
Assets		
Assets		
Cash and cash equivalents	$ 173,108	$ 164,329
Due from other funds	87,380	-
Total assets	$ 260,488	$ 164,329
Liabilities and Net Position		
Liabilities		
Due to other funds	$ -	$ 87,380
Due to student groups	-	76,949
Total liabilities	-	$ 164,329
Net Position		
Restricted	260,488	
Total liabilities and net position	$ 260,488	

Jersey Shore Area School District

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year Ended June 30, 2018

	Private Purpose Trusts
Additions	
Local sources	$ 123,765
Deductions	
Scholarships awarded	130,785
Decrease in net position	(7,020)
Net Position, Beginning	267,508
Net Position, Ending	$ 260,488

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

The major accounting principles and practices followed by the Jersey Shore Area School District (the "District") are summarized below:

Nature of Operations

The District provides elementary and secondary education to the residents of the Borough of Jersey Shore, the surrounding Boroughs of Avis and Salladasburg, and the Townships of Anthony, Bastress, Brown, Crawford, Cummings, Limestone, McHenry, Mifflin, Nippenose, Piatt, Pine Creek, Porter, and Watson, as located within the District's geographic bounds in Lycoming and Clinton Counties, Pennsylvania.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board ("GASB") Statement 14, as amended by GASB Statements 39, 61 and 80. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

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

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic-resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and District general revenues from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General, Capital Projects, and Debt Service Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures/ expenses. Resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources, and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

General Fund

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund. The General Fund is a major fund.

Capital Projects Fund

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

Debt Service Fund

The Debt Service Fund accounts for resources that are restricted, committed, or assigned to expenditure for principal and interest on outstanding general long-term debt obligations. The Debt Service Fund is a non-major fund.

Proprietary Fund Type

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, which accounts for the Cafeteria operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and non-operating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Fiduciary Fund Types

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

Agency Fund

The Agency Fund accounts for the assets held by the District in a purely custodial capacity for specific other persons, organizations, or governments. Generally, there is no trust agreement that affects the degree of management involvement and the length of time that the resources are held. This fund is comprised of the Student Activities Fund.

Private Purpose Trust Fund

Private Purpose Trust Funds are used to account for assets held by the District in a trustee capacity for individuals and private organizations. This fund, known as the Student Awards Fund, has a net position of $260,488 at June 30, 2018 that is primarily restricted for school awards.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

Accrual Basis

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned, and expenses are recognized when incurred (i.e., when each party gives and receives essentially equal value when the exchange takes place). Non-exchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue, entitlements, and appropriations are recognized when grantor eligibility requirements are met.

Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds payable, compensated absences, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences, and claims and judgments are recorded as fund liabilities when due and unpaid.

The District reports deferred revenue on its fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

The District allocates certain building-related costs to the proprietary fund.

Budgets and Budgetary Accounting

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

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

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to have the budget printed, or otherwise made available for public inspection, at least twenty (20) days prior to the date set for the adoption of the budget. Final action may not be taken on any proposed budget in which the estimated expenditures exceed two thousand dollars ($2,000) until after ten (10) days public notice.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action during the last nine months of the fiscal year. An affirmative vote of a majority of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which expenditure has been committed by a purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported as reservations of fund balances.
- Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding these programs. These budgets are approved on a program-by-program basis by the state or federal funding agency.
- Capital budgets are implemented for capital improvements and capital projects in the Capital Projects Fund. All transactions of the Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.
- An Enterprise Fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and cash management liquid asset funds that are carried at cost. The District considers all investments purchased with an original maturity of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Inventories

Inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used. Food commodities donated by the federal government are valued at an estimated market value. Textbooks and instructional and custodial supplies are generally charged to expense upon acquisition.

Capital Assets

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

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their acquisition value at date of receipt. The District maintains a capitalization threshold of $1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land and construction in progress are depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class, and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-Type Activity
Land improvements	15 - 20 years	N/A
Buildings and improvements	20 - 40 years	N/A
Furniture and equipment	5 - 20 years	5 - 10 years

The District does not have any infrastructure capital assets.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Assets Held for Capital Projects

Assets held for capital projects represent cash and investments held by the District's Capital Projects Fund.

Deferred Outflows/Inflows of Resources

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

Compensated Absences

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are generally provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated. The rate paid varies by position. Vacation leave is available only to administrative and twelve month support employees. Vacation pay is earned in the year in which the service has been performed. Employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

Pension

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

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

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and the Jersey Shore Area School District Postemployment Benefits Plan (the "Jersey Shore OPEB Plan") and additions to/deductions from PSERS and the Jersey Shore OPEB plans' fiduciary net position have been determined on the same basis as they are reported by PSERS and the Jersey Shore OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Governmental Fund Balance Classification/Policies and Procedures

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

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

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to apply the expenditure toward restricted resources first and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the District's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

Restricted Net Position

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

Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental activities and the business-type activity are labeled "internal balances" on the statement of net position.

Use of Estimates

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

Adoption of New Accounting Principles

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, for the year ended June 30, 2018. Statement No. 75 establishes that governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Additionally, Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures, including a sensitivity analysis of the discount rate and a healthcare cost trend rate assumptions used for the valuation, and required supplementary information about their OPEB liabilities. The effect of this adoption decreased the District's governmental activities net position at July 1, 2017 by $9,450,674 and expanded note disclosures and required supplementary information.

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

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

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

2. Joint Ventures

The District and other surrounding educational agencies created a joint venture, the Lycoming County Insurance Consortium Pooled Trust (the "Trust"). The District self-insures through the Trust for certain health care benefits it provides to current and former employees. The Trust has purchased an excess policy which covers employee health benefit claims in excess of $250,000. Claims are recognized as an expense when paid (cash basis), which management believes is not materially different from the accrual basis for the year ended June 30, 2018. The District made payments for health care benefit claims approximating $4,866,000 to the Trust during the fiscal year ended June 30, 2018. Audited financial statements of the Trust are available in the District's Business Office.

3. Cash and Cash Equivalents

At June 30, 2018, the District's cash and cash equivalents include deposits with local financial institutions, the Pennsylvania Local Government Investment Trust, the Pennsylvania School District Liquid Asset Fund and various petty cash balances ($2,129) held throughout the School District.

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation (FDIC) to be collateralized by the financial institution.

The Pennsylvania Local Government Investment Trust ("PLGIT") is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similarly to a money market fund, seeking to maintain a net asset value of $1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in obligations of the United States Government, its agencies, or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities, or political subdivisions; and deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time in any amount, with no liquidity fees or redemption gates. PLGIT/PLGIT PLUS have received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. At June 30, 2018, the carrying amount of the District's deposits with PLGIT was $8,221,943 and the bank balance was $8,467,128.

The Pennsylvania School District Liquid Asset Fund ("PSDLAF") is a common law trust organized to provide Pennsylvania school districts with a convenient method of pooling their cash for temporary investment. Assets with PSDLAF are invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PSDLAF, which invests the pooled assets. Such assets are not considered deposits pursuant to GASB Nos. 3 and 40, and as such are not subject to custodial credit risk. Due to the short-term nature and liquidity of the investments held within these pools, the fair value of the underlying investments approximates amortized cost. Shares with PSDLAF may be withdrawn at any time in any amount, with no liquidity fees or redemption gates. At June 30, 2018, the carrying amount and bank balance of the District's deposits with PSDLAF was $51,016.

Custodial Credit Risk is the risk that in the event of a bank failure, the District will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, the carrying amount of the District's deposits with local financial institutions was $1,293,149 and the bank balance was $1,294,226. Of the bank balance, $750,000 was exposed to custodial credit risk, as these deposits were not covered by depository insurance but rather were collateralized with securities held by the pledging financial institution, but not in the District's name.

4. Property Taxes

Real estate taxes for the District, which is comprised of a two-county area, are collected from the Borough of Jersey Shore and surrounding municipalities and townships. The tax on real estate by county, as levied by the board, for public school purposes for fiscal 2018 is as follows:

Clinton County	12.1009 mills	($12.1009 per $1,000 of assessed valuation)
Lycoming County	17.3736 mills	($17.3736 per $1,000 of assessed valuation)

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

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - June 30	10% penalty period
July 30	Lien date

Estimated collectible delinquent real estate taxes at June 30, 2018 were as follows:

Outstanding Balance	Estimated Uncollectible	Estimated Collectible
$ 951,091	$ 51,059	$ 900,032

Tax Abatement Program

The District provides property tax abatements under the Clean and Green Program. The Clean and Green Program is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in a tax savings for landowners. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland and open spaces. A property must be ten acres in size and in Agricultural Use, Agricultural Reserve, or Forest Reserve. Agricultural Use applications may be less than 10 acres in size if the property is capable of generating at least $2,000 annually in farm income. The amount of District real estate taxes abated under this program during the fiscal year ended June 30, 2018 was approximately $747,000.

5. Due from Other Governments

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

	General Fund	Food Service	Total
Local source revenues	$ 372,898	$ -	$ 372,898
State source revenues	1,641,608	20,193	1,661,801
Federal source revenues	123,250	11,545	134,795
Total	$ 2,137,756	$ 31,738	$ 2,169,494

Amounts due from the federal and state government are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education at June 30, 2018. The amount due from local governments represents miscellaneous taxes collected by other governments on the District’s behalf, but not remitted to the District as of June 30, 2018.

6. Capital Assets

The changes in the District's capital assets in 2018 are summarized as follows:

	Balance July 1, 2017	Acquisitions	Dispositions/ Transfers	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated,				
Land	$ 13,692,781	$ -	$ -	$ 13,692,781
Capital assets, being depreciated:				
Land improvements	3,400,756	-	-	3,400,756
Buildings and improvements	65,744,872	235,783	-	65,980,655
Furniture and equipment	13,020,365	612,963	-	13,633,328
Total capital assets, being depreciated	82,165,993	848,746	-	83,014,739
Less accumulated depreciation:				
Land improvements	(2,531,840)	(105,300)	-	(2,637,140)
Buildings and improvements	(30,662,330)	(1,767,373)	-	(32,429,703)
Furniture and equipment	(10,665,244)	(735,805)	-	(11,401,049)
Total accumulated depreciation	(43,859,414)	(2,608,478)	-	(46,467,892)
Total capital assets, being depreciated	38,306,579	(1,759,732)	-	36,546,847
Governmental activities capital assets, net	$ 51,999,360	$ (1,759,732)	$ -	$ 50,239,628
Business-type activity:				
Furniture and equipment	$ 846,577	$	$ -	$ 846,577
Less accumulated depreciation	(776,557)	(14,395)	-	(790,952)
Business-type activity capital assets, net	$ 70,020	$ (14,395)	$ -	$ 55,625

Governmental activities depreciation expense is allocated among the District's functional expenses as follows:

Instruction	$ 1,497,878
Operation and maintenance of plant services	1,036,962
Instructional student support	59,302
Student activities	10,617
Administration and financial support services	1,806
Pupil transportation	1,913
Total	$ 2,608,478

7. Long-Term Debt

In 2011, the District issued an $8,260,000 General Obligation Bond, Series AA of 2010, due in varying annual installments plus interest at rates ranging from 2.0% to 3.25% through maturity in 2021. The proceeds from the issuance of the bond were used for the purpose of currently refunding the District's General Obligation Bonds, Series A of 2005, and to pay the costs of issuing the bonds. This bond was partially currently refunded in 2015 through the issuance of the District's General Obligation Note, Series AA of 2015. The bond amount remaining after the refunding, $1,385,000, has a new interest rate ranging from 2.0% to 2.5%. This bond was paid in full during the year ended June 30, 2018.

In 2012, the District issued a $9,995,000 General Obligation Bond, Series of 2012, due in varying annual installments plus interest at rates ranging from 1.25% to 2.875% through maturity in 2029. The proceeds from the issuance of the bond were used for the purpose of paying the costs of acquiring, designing, constructing, furnishing, and equipping alterations, additions, renovations, and other improvements to the Jersey Shore Elementary School building and other facilities of the District, and to pay the costs of issuing and insuring the bonds. This bond was partially currently refunded in 2018 through the issuance of the District's General Obligation Note, Series of 2017. The bond amount remaining after the refunding, $170,000, has a new interest rate ranging from 2.0% to 2.5%.

In 2013, the District issued a $4,455,000 General Obligation Bond, Series of 2013, due in varying annual installments plus interest at rates ranging from 1.15% to 2.85% through maturity in 2030. The proceeds from the issuance of the bond were used for the purpose of paying the costs of acquiring, designing, constructing, furnishing, and equipping alterations, additions, renovations, and other improvements to the Jersey Shore Elementary School building and other facilities of the District, and to pay the costs of issuing and insuring the bonds.

In 2015, the District issued a $7,340,000 General Obligation Bond, Series of 2015, due in varying annual installments plus interest at rates ranging from 2.0% to 2.25% through maturity in 2026. The proceeds from the issuance of the bond were used for the purpose of refunding $7,225,000 of the District's General Obligation Bonds, Series of 2010, and to pay the costs of issuing the bonds.

In 2015, the District issued a $2,555,000 General Obligation Bond, Series A of 2015, due in varying annual installments plus interest at a fixed rate of 2.0% through maturity in 2024. The proceeds from the issuance of the bond were used for the purpose of refunding the District's General Obligation Bonds, Series A of 2010, and to pay the costs of issuing the bonds.

In 2015, the District issued a $6,102,000 General Obligation Note, Series AA of 2015, due in varying annual installments plus interest at a fixed rate of 1.66% through maturity in 2022. The proceeds from the issuance of the note were used for the purpose of refunding $5,955,000 of the District's General Obligation Bonds, Series AA of 2010, and to pay the costs of issuing the note.

In 2015, the District issued a $3,898,000 General Obligation Note, Series AAA of 2015, due in varying annual installments plus interest at a fixed rate of 1.13% through maturity in 2021. The proceeds from the issuance of the note were used for the purpose of refunding the District's General Obligation Bonds, Series AAA of 2010, and to pay the costs of issuing the note.

In 2016, the District issued a $3,147,000 General Obligation Note, Series AAAA of 2015, due in varying annual installments plus interest at a fixed rate of 2.17% through maturity in 2024. The proceeds from the issuance of the note were used for the purpose of currently refunding the District's General Obligation Bonds, Series of 2011, and to pay the costs of issuing the note.

In 2018, the District issued a $9,995,000 General Obligation Note, Series of 2017, due in varying annual installments plus interest at rates ranging from 1.88% to 4.25% through maturity in 2028. The proceeds from the issuance of the note were used for the purpose of partially currently refunding the District's General Obligation Bonds, Series of 2012, and to pay the costs of issuing the note. This current refunding reduced the District's total debt service payments over the next 11 years by approximately $307,000, resulting in a net economic gain of approximately $255,000.

The changes in long-term debt during fiscal 2018, by debt instrument, are as follows:

	Balance at July 1, 2017	Additions	Retirements	Balance at June 30, 2018	Current Portion June 30, 2018
Series AA of 2010 GOB	$ 315,000	$ -	$ 315,000	$ -	$ -
Series of 2012 GOB	9,970,000	-	9,805,000	165,000	5,000
Series of 2013 GOB	4,435,000	-	5,000	4,430,000	5,000
Series of 2015 GOB	7,155,000	-	205,000	6,950,000	210,000
Series A of 2015 GOB	1,380,000	-	615,000	765,000	635,000
Series AA of 2015 GON	6,059,000	-	288,000	5,771,000	600,000
Series AAA of 2015 GON	2,445,000	-	736,000	1,709,000	748,000
Series AAAA of 2015 GON	2,827,000	-	378,000	2,449,000	387,000
Series of 2017 GON	-	9,995,000	-	9,995,000	60,000
Total Debt	$ 34,586,000	$ 9,995,000	$ 12,347,000	$ 32,234,000	$ 2,650,000

Total interest expense on long-term debt in 2018 was $622,152. No interest was capitalized (i.e., added to the carrying value of capital assets) in 2018. No interest is reported as a direct expense in the statement of activities.

Debt service to maturity on the general obligation bonds and notes at June 30, 2018 is summarized as follows:

Year ending June 30:	Principal	Interest	Total
2019	$ 2,650,000	$ 629,919	$ 3,279,919
2020	2,656,000	585,934	3,241,934
2021	2,634,000	541,830	3,175,830
2022	2,695,000	495,477	3,190,477
2023	2,216,000	449,282	2,665,282
2024-2028	14,516,000	1,995,043	16,511,043
2029-2030	4,867,000	180,002	5,047,002
Total	$ 32,234,000	$ 4,877,487	$ 37,111,487

8. Capital Leases

The District has entered into certain lease agreements which are accounted for as capital leases. Following is a schedule of changes in capital leases for the year ended June 30, 2018, as well as a schedule, by year, of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018, as related to the District's governmental activities:

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018
Capital leases - various	$ 671,447	$ 565,584	$ 563,101	$ 673,930

Years ending June 30:	
2019	$ 340,507
2020	192,027
2021	141,396
Total minimum lease payments	673,930
Current portion	340,507
Long-term portion	$ 333,423

9. Compensated Absences

Vacation - District employees who are required to work on a twelve-month schedule are credited with vacation at rates that vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

Sick Leave - Most District employees are credited with ten to twelve days of sick leave and may accumulate such days based on employee classifications. Sick leave (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the contractual or Board-approved rate.

The changes in the District's compensated absences in 2018 are summarized as follows:

Governmental activities:	
Balance, July 1, 2017	$ 786,301
Increase	391,499
Decrease	(455,713)
Balance, June 30, 2018	$ 722,087
Business-type activity:	
Balance, July 1, 2017	$ 4,422
Increase	799
Decrease	(1,511)
Balance, June 30, 2018	$ 3,710

10. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling $4,036,062 represent salaries of $1,917,504, the District's share of Social Security taxes of $131,168 for teachers' services during the 2017-2018 school term, which are paid during July and August 2018, retirement plan expense of $1,960,680, and other benefits expense of $26,710 applicable to the accrued salaries at June 30, 2018. Accrued salaries and benefits in the Food Service Fund totaling $30,913 represent retirement plan expense of $30,725, and other benefits expense of $188.

11. Other Post-Employment Benefits (OPEB)

Jersey Shore Area School District Postemployment Benefits Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District's defined benefit OPEB plan, Jersey Shore Area School District Postemployment Benefits Plan, provides full coverage in health care benefits for teachers who retire at age 50 or later, up to age 65, who have 15 or more years credited service with the District. The District also provides full coverage in individual health care benefits for administrators who retire at age 53 or later, up to age 65, and who have at least 7 years of service with the District. The retiree pays the cost for dependent coverage. The cost of such coverage for retirees and spouses is primarily funded through annual appropriations from the District's General Fund. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the fixed rate cost of such coverage. The Jersey Shore Area School District OPEB Plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	44
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	296
Total	340

Total OPEB Liability

The District's total OPEB liability as of June 30, 2018 was $10,171,974, which was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Interest rate	3.13%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	3.13%
Healthcare cost trend rates	6.0% in 2017, and 5.5% in 2018 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period May 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 9,685,728
Changes for the year:	
Service cost	647,657
Interest	251,396
Changes in assumptions or other inputs	24,954
Benefit payments	(437,761)
Net changes	486,246
Balance at June 30, 2018	$ 10,171,974

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

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

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

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$ 10,984,104	$ 10,171,974	$ 9,406,829

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 8,799,109	$ 10,171,974	$ 11,806,664

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

For the year ended June 30, 2018, the District recognized OPEB expense of $901,322. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date (July 1, 2017)	$ 365,204	$ -
Changes of assumptions or other inputs	22,874	-
Total	$ 388,078	$ -

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

Years ending June 30:	
2019	$ 2,080
2020	2,080
2021	2,080
2022	2,080
2023	2,080
Thereafter	12,474
Total	$ 22,874

<u>PSERS Health Insurance Premium Assistance Program</u>

General Information about the PSERS Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were $143,295 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $2,561,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1257%, which was an increase of 0.007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of $112,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 119,000
Net differences between projected and actual investment earnings	3,000	-
District contributions subsequent to the measurement date	143,295	-
Changes in proportion	13,000	-
	$ 159,295	$ 119,000

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

Years ending June 30:	
2019	$ 17,000
2020	17,000
2021	17,000
2022	17,000
2023	17,000
Thereafter	18,000
Total	$ 103,000

Actuarial Assumptions

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

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

The following assumptions were used to determine the contribution rate:

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

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4 %	0.6 %
Fixed income	23.6 %	1.5 %
	100.0 %	

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

Discount Rate

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

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

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

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

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS Net OPEB Liability	$ 2,560,000	$ 2,561,000	$ 2,562,000

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

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

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	$ 2,911,000	$ 2,561,000	$ 2,270,000

OPEB Plan Fiduciary Net Position

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

12. Termination Benefits

Under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the District provides health care benefits to eligible former employees and their dependents. Requirements are outlined by the federal government for this coverage. The premium plus a 2% administrative fee is paid in full by the eligible participant. This program is offered up to a period of 18 months (36 months for an employee with dependents) after an employee's termination date. At June 30, 2018, there was one participant covered under COBRA.

Annually, the District provides for a retirement stipend of $5,000 for teachers who voluntarily retire after having reached at least 52 years of age and 15 or more years of credited service. Such stipends are payable in the year the employee officially retires.

The cost of this benefit is recognized on a "pay as you go" basis, and amounted to $30,000 covering six participants for the year ended June 30, 2018.

The District provides a retirement stipend for administrators retiring with at least 7 years of service and having reached 55 years of age. The maximum retirement stipend is $14,000. In addition, for each year of service as a team member, as defined, when they retire they receive $150 per year of service as a team member. There was $17,750 of benefits paid attributed to one administrator retiring during the year ended June 30, 2018.

13. Retirement Plan

As of June 30, 2018, the District reported the following amounts in the accompanying financial statements related to their participation in the Public School Employees' Retirement System ("PSERS"):

	Governmental Activities	Business Type Activity	Total
Deferred Outflow of Resources	$ 9,701,097	$ 201,366	$ 9,902,463
Net Pension Liability	60,802,856	1,278,144	62,081,000
Deferred Inflow of Resources	1,926,503	138,532	2,065,035

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.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% 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.

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were $5,594,428 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the District reported a liability of $62,081,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.1257%, which was an increase from its proportion measured as of June 30, 2016 of 0.1250%.

For the year ended June 30, 2018, the District recognized pension expense of approximately $6,085,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion between Governmental and Business-Type Activities	$ 98,035	$ 98,035
Difference between expected and actual experience	648,000	375,000
Changes in assumptions	1,686,000	-
Net difference between projected and actual investment earnings	1,439,000	-
Changes in proportion	437,000	1,592,000
District contributions subsequent to the measurement date	5,594,428	-
Total	$ 9,902,463	$ 2,065,035

$5,594,428 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:		
2019	$	476,000
2020		1,230,000
2021		674,000
2022		(137,000)
Total	$	2,243,000

Changes in 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 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0 %	5.1 %
Fixed income	36.0	2.6
Commodities	8.0	3.0
Absolute return	10.0	3.4
Risk parity	10.0	3.8
Infrastructure/MLPs	8.0	4.8
Real estate	10.0	3.6
Alternative investments	15.0	6.2
Cash	3.0	0.6
Financing (LIBOR)	(20.0)	1.1
	100 %	

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

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 76,417,000	$ 62,081,000	$ 49,978,000

Pension plan fiduciary net position

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

14. Internal Balances / Interfund Balances and Transfers

At June 30, 2018, various operating funds owed amounts to and were due amounts from other funds. These amounts, which represent short-term borrowings that are expected to be repaid within the next fiscal year, consisted of the following:

	Due From	Due To
General Fund:		
Food Service Fund	$ 140,866	$ 28,093
Capital Projects Fund	-	250,000
Food Service Fund,		
General Fund	28,093	140,866
Capital Projects Fund,		
General Fund	250,000	-
Fiduciary Funds:		
Private Purpose Trust Funds	87,380	-
Agency Fund	-	87,380
Total	$ 506,339	$ 506,339

The following summarizes interfund transfers made during the year ended June 30, 2018:

	Transfers In	Transfers Out
General Fund:		
Debt Service Fund	$	$ 3,131,717
Capital Projects Fund	-	250,000
Capital Projects Fund,		
General Fund	250,000	-
Debt Service Fund,		
General Fund	3,131,717	-
Total	$ 3,381,717	$ 3,381,717

Transfers were made from the General Fund to the Debt Service Fund for principal and interest payments on long-term debt. Transfers were made from the General Fund to the Capital Projects Fund for current and future capital projects.

15. Fund Balance Classifications

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

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Non-spendable for:				
Inventory	$ 799	$ -	$ -	$ 799
Prepaid expenses	162,838	-	-	162,838
Total non-spendable	$ 163,637	$ -	$ -	$ 163,637
Committed for:				
Medical reserves	$ 900,000	$ -	$ -	$ 900,000
PSERS	2,730,000	-	-	2,730,000
Capital projects	-	775,951	-	775,951
Total committed	$ 3,630,000	$ 775,951	$ -	$ 4,405,951

16. Significant Group Concentrations of Credit Risk

The District's operations are located in Clinton and Lycoming Counties of Pennsylvania. Its service area is located within the geographic bounds of the District. The District assesses taxpayers within its service area based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

17. Commitments and Contingencies

Grant Programs

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

Environmental

The District maintains heating and fuel storage and sewage treatment facilities. The District is potentially liable for any expenditure associated with compliance to mandated regulations and any assessments by regulatory authorities related to these or other similarly situated facilities.

18. Non-Monetary Transactions

The District receives USDA Donated Commodities in the Food Service Fund (Enterprise Fund), which is a proprietary fund type. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total revenue recognized by the District in connection with this program amounted to $81,570 for the year ended June 30, 2018.

19. Transactions with Other LEA's

The District is a member of B.L.A.S.T. Intermediate Unit 17. Through the membership, the District is able to secure various special services, including special education.

20. Effect of Adoption of GASB Statement No. 75

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

Net deficit, as previously reported, at July 1, 2017	$ (30,995,075)
Effect of adoption of GASB No. 75	(9,450,674)
Restated net deficit at July 1, 2017	$ (40,445,749)

21. Pending Changes in Accounting Principles

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to enhance the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that all long-term leases (those with lease terms greater than 12 months) are financings of the right to use an underlying assets. The District is required to adopt Statement No. 87 for its fiscal year 2021 financial statements.

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

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The District is required to adopt Statement No. 90 for its fiscal year 2020 financial statements.

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

Jersey Shore Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2018

	2018	2017	2016	2015
District's proportion of the net pension liability	0.1257%	0.1250%	0.1307%	0.1313%
District's proportionate share of the net pension liability	$ 62,081,000	$ 61,946,000	$ 56,613,000	$ 51,969,000
District's covered-employee payroll	$ 16,742,204	$ 16,182,935	$ 16,816,298	$ 16,460,732
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	370.81%	382.79%	336.66%	315.71%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

Jersey Shore Area School District

Schedule of the District's Pension Contributions
Year Ended June 30, 2018

	2018	2017	2016	2015
Contractually required contribution	$ 5,313,975	$ 4,725,417	$ 4,204,075	$ 3,374,450
Contributions in relation to the contractually required contribution	(5,313,975)	(4,725,417)	(4,204,075)	(3,374,450)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 16,742,204	$ 16,182,935	$ 16,816,298	$ 16,460,732
Contributions as a percentage of covered-employee payroll	31.74%	29.20%	25.00%	20.50%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

Jersey Shore Area School District

Schedule of the District's Proportionate Share of the Net OPEB Liability
Year Ended June 30, 2018

	2018	2017
District's proportion of the OPEB liability	0.1257%	0.1250%
District's proportionate share of the OPEB liability	$ 2,561,000	$ 2,692,000
District's covered-employee payroll	$ 16,742,204	$ 16,182,935
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	15.30%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2017 is not available for reporting.

Jersey Shore Area School District

Schedule of the District's OPEB Contributions
Year Ended June 30, 2018

	2018	2017
Contractually required contribution	$ 138,960	$ 134,318
Contributions in relation to the contractually required contribution	(138,960)	(4,725,417)
Contribution deficiency (excess)	$ -	$ (4,591,099)
District's covered-employee payroll	$ 16,742,204	$ 16,182,935
Contributions as a percentage of covered-employee payroll	0.83%	0.83%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2017 is not available for reporting.

Jersey Shore Area School District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 647,657
Interest cost	251,396
Changes in assumptions	24,954
Benefit payments, including refunds of member contributions	(437,761)
Net change in total OPEB liability	486,246
Total OPEB Liability, Beginning	9,685,728
Total OPEB Liability, Ending	10,171,974
Covered-employee Payroll	$ 16,486,846
Total OPEB liability as a percentage of covered-employee payroll	61.70%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2018 is not available for reporting.

Jersey Shore Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2017	Revenue Recognized	Total Federal Expenditures	Accrued (Deferred) Revenue at 06/30/2018	Passed Through to Subrecipients 06/30/2018
U.S. Department of Education											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies	I	84.010	013-170203	7/10/16-9/30/17	486,882	$ 62,685	$ 62,685	$ -	$ -	$ -	$ -
Title I Grants to Local Educational Agencies	I	84.010	013-180203	7/01/17-9/30/18	419,906	391,912	-	411,718	411,718	19,806	-
Total, Title I Grants to Local Educational Agencies						454,597	62,685	411,718	411,718	19,806	-
Improving Teacher Quality State Grants	I	84.367	020-180203	7/1/17-9/30/18	85,688	85,688	-	85,688	85,688	-	-
Student Support and Academic Enrichment Program	I	84.424	144-180203	7/1/17-9/30/18	10,406	3,469	-	10,406	10,406	6,937	-
Career and Technical Education - Basic Grants to States (Perkins IV)	I	84.048	380-180065	7/1/17-9/30/18	31,304	31,304	-	31,304	31,304	-	-
Passed through BLAST IU 17,											
Special Education Cluster (IDEA)											
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/16-6/30/17	448,228	448,228	448,228			-	-
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/17-6/30/18	440,019	400,000	-	440,019	440,019	40,019	-
Passed through Lancaster-Lebanon IU 13,											
Special Education Cluster (IDEA)											
Special Education - Grants to States (IDEA, Part B)	I	84.027	062-16-0-033	7/1/16-6/30/17	50,000	47,924	47,924	-	-	-	-
Special Education - Grants to States (IDEA, Part B)	I	84.027	062-17-0-033	7/1/17-6/30/18	50,000	-	-	41,488	41,488	41,488	-
Passed through IU 1,											
Special Education Cluster (IDEA)											
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/16-6/30/17	7,500	7,500	7,500			-	-
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/17-6/30/18	5,000	-	-	5,000	5,000	5,000	-
Total, Special Education Cluster						903,652	503,652	486,507	486,507	86,507	-
Total U.S. Department of Education						1,478,710	566,337	1,025,623	1,025,623	113,250	-
U.S. Department of Agriculture											
Passed through the Pennsylvania Department of Education,											
Child Nutrition Cluster:											
National School Lunch Program	I	10.555	N/A	7/1/16-6/30/17	N/A	73,814	73,814	-	-	-	-
National School Lunch Program	I	10.555	N/A	7/1/17-6/30/18	N/A	495,218	-	503,715	503,715 *	8,497	-
School Breakfast Program	I	10.553	N/A	7/1/16-6/30/17	N/A	24,541	24,541	-	-	-	-
School Breakfast Program	I	10.553	N/A	7/1/17-6/30/18	N/A	145,994	-	149,042	149,042 *	3,048	-
Passed through the Pennsylvania Department of Agriculture,											
Child Nutrition Cluster,											
Value of USDA donated Commodities	I	10.555	N/A	7/1/17-6/30/18	N/A	93,186 (A)	(27,739) (B)	81,570	81,570 *(C)	(39,355) (D)	-
Total Child Nutrition Cluster/Total US Department of Agriculture						832,753	70,616	734,327	734,327	(27,810)	-
Total Expenditures of Federal Awards						$ 2,311,463	$ 636,953	$ 1,759,950	$ 1,759,950	$ 85,440	$ -

Source Codes D = Direct Funding
I = Indirect Funding

Legends (A) Total Amount of Commodities Received from Department of Agriculture
(B) Beginning Inventory at July 1
(C) Total Amount of Commodities Used
(D) Ending Inventory at June 30

* Selected for testing as a major program (percentage coverage = 42%)
(20% coverage required for a low-risk auditee)

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Jersey Shore Area School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs, primarily those involving governmental activities (i.e., General Fund), are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs, including those involving business-type activities (i.e., Food Service Fund), are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

3. Indirect Cost Rate

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

BAKER TILLY

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*

Board of Directors
Jersey Shore Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Jersey Shore Area School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2018. In our report, an emphasis of matter paragraph was included, as more fully disclosed in Notes 1 and 20 to the financial statements, to address the District's adoption of a new accounting principle. Our opinion was not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 27, 2018

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

Board of Directors
Jersey Shore Area School District

Report on Compliance for the Major Federal Program

We have audited Jersey Shore Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 27, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over major federal program:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Type of auditors' report issued on compliance for major federal program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ yes	X no

Identification of major federal program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	______ no

Section II - Findings - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary Schedule of Prior Audit Findings

There were no findings or questioned costs noted in the June 30, 2017 Single Audit.