

JOHNSONBURG AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2019

**WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

JOHNSONBURG AREA SCHOOL DISTRICT

2019 FINANCIAL STATEMENTS

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TRANSMITTAL LETTER

**Pennsylvania Department of Education
Bureau of Budgets and Fiscal Management
Bureau Director
333 Market Street – 4th Floor
Harrisburg, PA 17126-0333**

Gentlemen:

Enclosed you will find the audit package for the **Johnsonburg Area School District** for the year ended June 30, 2019.

We have audited the financial statements of the **Johnsonburg Area School District** for the year ended June 30, 2019 and have issued our report thereon dated December 12, 2019. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In addition, we have issued a management letter dated December 12, 2019, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 12, 2019**

JOHNSONBURG AREA SCHOOL DISTRICT

SCHEDULE OF REPORT DISTRIBUTION

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of *Johnsonburg Area School District* as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the *Johnsonburg Area School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Johnsonburg Area School District* as of June 30, 2019 as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the *Johnsonburg Area School District* as of June 30, 2019, and the respective changes in financial position and the respective budgeting comparison of the General Fund and the cash flows of the business-type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the *Johnsonburg Area School District's* June 30, 2018 financial statements and our report dated December 19, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 12), schedule of changes in the District's net OPEB liability and related ratios – District plan (page 42), schedule of changes in the District's net OPEB liability and related ratios – PSERS plan (page 43), schedule of District contributions – OPEB – District plan (page 44), schedule of District contributions – OPEB – PSERS plan (page 45), schedule of District's proportionate share of the net pension liability (page 46) and the schedule of District contributions - pension (page 47) 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 **Johnsonburg Area School District's** basic financial statements. The comparative statements of revenue and expenditures – general fund and statement of cash receipts and disbursements – activity fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information including the comparative statements of revenue and expenditures – general fund and statement of cash receipts and disbursements – activity fund are the responsibility of management and were derived from and relate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, comparative statements of revenue and expenditures – general fund and statement of cash receipts and disbursements – activity fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of **Johnsonburg Area School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 **Johnsonburg Area School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 12, 2019**

I. Discussion and Analysis

The following is a discussion and analysis of the *Johnsonburg Area School District's* financial performance for the year ended June 30, 2019. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Johnsonburg Area School District* during the fiscal year ended June 30, 2019:

- Overall net position from operations of the District increased \$1,018,191 during the fiscal year ended June 30, 2019. This increase was the result of a surplus from current year operations of which \$1,007,141 was related to governmental activities and a surplus of \$11,050 which was related to business-type activities.
- The District's enrollment was 590 students as compared with 574 during the prior year.
- The District's total revenue decreased \$149,300 from \$11,155,714 during year ended June 30, 2018 to \$11,006,414 during June 30, 2019 or 1% due to a decrease in rental subsidy.
- The District's total expenses decreased \$839,370 from \$10,827,593 during the year ended June 30, 2018 to \$9,988,223 during the year ended June 30, 2019. This decrease was the result of a decrease in retirement expense related to an actuarial update as well as decreases in wages and health insurance expense.
- The District had capital additions during the current fiscal year of approximately \$44,000, which was comprised of \$44,000 in the governmental activities and \$0 in the business-type activities. Capital additions are primarily related to a new camera system and a rubber roof replacement during the current fiscal year.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *Johnsonburg Area School District*.

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 13) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 14) shows amounts of program-specific and general District revenue used to support the various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including instruction, support services, non-instructional services, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's 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 are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

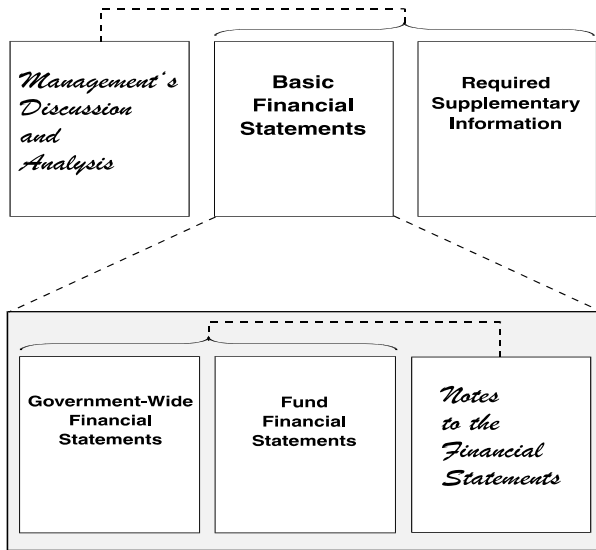
The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow/liability/deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows (if any), liabilities, and deferred inflows (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as Whole

Net Position - Deficit

The District's total reporting entity net position was a deficit of \$5,930,316 as of June 30, 2019. The components of net position include: invested in capital assets, net of related debt of \$8,265,021 and an unrestricted net deficit of \$14,195,337.

Changes in Net Position

The District's total government-wide revenue decreased by 1% to \$11,006,414. Approximately 24%, 25% and 49% of total revenue is derived from the property taxes, operating grants and state sources, respectively. The remaining 2% comes from federal aid, interest earned, local sources, charges for services and other sources.

The total cost of all programs and services of the District decreased 8% to \$9,988,223. The District's expenses cover a range of services, with 57% related to instruction and 37% related to support services.

Summary Detail

Figure A-3 – Condensed Statement of Net Position

<i>Johnsonburg Area School District</i> Condensed Statement of Net Position									
	Governmental Activities			Business-type Activities			Total		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Assets									
Current and other assets	\$ 4,050,007	\$ 3,051,744	33%	\$ 119,281	\$ 152,156	-22%	\$ 4,169,288	\$ 3,203,900	30%
Capital assets	8,265,021	8,714,374	-5%	-	2,203	-100%	8,265,021	8,716,577	-5%
Total assets	12,315,028	11,766,118	5%	119,281	154,359	-23%	12,434,309	11,920,477	4%
Deferred Outflows of Resources	2,205,120	2,856,193	-23%	-	-	n/a	2,205,120	2,856,193	-23%
Total deferred outflows of resources and assets	\$ 14,520,148	\$ 14,622,311	-1%	\$ 119,281	\$ 154,359	-23%	\$ 14,639,429	\$ 14,776,670	-1%
Liabilities									
Other liabilities	\$ 1,302,308	\$ 1,375,669	-5%	\$ 36,690	\$ 82,818	-56%	\$ 1,338,998	\$ 1,458,487	-8%
Long-term debt outstanding	17,030,965	18,385,928	-7%	-	-	n/a	17,030,965	18,385,928	-7%
Total liabilities	18,333,273	19,761,597	-7%	36,690	82,818	-56%	18,369,963	19,844,415	-7%
Deferred Inflows of Resources	2,199,782	1,880,762	17%	-	-	n/a	2,199,782	1,880,762	17%
Net position (deficit)									
Net investment in capital assets	8,265,021	8,714,374	-5%	-	2,203	-100%	8,265,021	8,716,577	-5%
Unrestricted									
Board designated and Undesignated (deficit)	(14,277,928)	(15,734,422)	-9%	82,591	69,338	0%	(14,195,337)	(15,665,084)	-9%
Total net position (deficit)	(6,012,907)	(7,020,048)	-14%	82,591	71,541	15%	(5,930,316)	(6,948,507)	-15%
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 14,520,148	\$ 14,622,311	-1%	\$ 119,281	\$ 154,359	-23%	\$ 14,639,429	\$ 14,776,670	-1%

Figure A-4 – Changes in Net Position from Operating Results

<i>Johnsonburg Area School District Changes in Net Position from Operating Results</i>									
	Governmental Activities			Business-type activities			Total		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Revenue									
Program revenue									
Charges for services	\$ 12,915	\$ 13,898	-7%	\$ 134,163	\$ 140,040	-4%	\$ 147,078	\$ 153,938	-4%
Operating grants and contributions	2,493,497	2,780,630	-10%	213,888	209,169	2%	2,707,385	2,989,799	-9%
General revenue									
Taxes	2,634,281	2,581,155	2%	-	-	n/a	2,634,281	2,581,155	2%
Interest earned	36,114	14,325	152%	335	152	120%	36,449	14,477	152%
Local sources	67,461	38,740	74%	-	-	n/a	67,461	38,740	74%
State sources	5,413,760	5,377,605	1%	-	-	n/a	5,413,760	5,377,605	1%
Other sources (uses)	-	(29,736)	n/a	-	29,736	n/a	-	-	n/a
Total revenue	10,658,028	10,776,617	-1%	348,386	379,097	-8%	11,006,414	11,155,714	-1%
Expenses									
Instruction	5,706,959	6,420,769	-11%	-	-	n/a	5,706,959	6,420,769	-11%
Support services	3,636,844	3,725,369	-2%	-	-	n/a	3,636,844	3,725,369	-2%
Non-instructional services	307,084	293,955	4%	-	-	n/a	307,084	293,955	4%
Other uses									
Refund of prior year revenue	-	-	n/a	-	-	n/a	-	-	n/a
Debt service - interest	-	5,641	-100%	-	-	n/a	-	5,641	-100%
Business-type (food service fund)	-	-	n/a	337,336	381,859	-12%	337,336	381,859	-12%
Total expenses	9,650,887	10,445,734	-8%	337,336	381,859	-12%	9,988,223	10,827,593	-8%
Change in net position	\$ 1,007,141	\$ 330,883		\$ 11,050	\$ (2,762)		\$ 1,018,191	\$ 328,121	

**IV. Financial Analysis of the School District as Whole
(continued)**

Figure A-5 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities - Revenue

Revenue of the District's governmental activities decreased 1%, while total expenses decreased 8%. The District's total net position increased \$1,007,141 during the fiscal year ended June 30, 2019.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Revenue of the District totaled \$10,658,028 for the fiscal year ended June 30, 2019. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 24% of the District's total revenue for governmental activities increased 2% during the year ended June 30, 2019. The increase primarily resulted from an increase in property tax revenues.
- The District's state sources which represent \$5,413,760 or 49% of total governmental revenue increased approximately 1% in comparison with the prior year.

**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2019, the District saw an decrease in program revenue, which mostly resulted from a decrease in charges for services and an decrease in operating grants and contributions of \$983 and \$287,133, respectively, in comparison with the prior year revenue. The decrease in operating grants and contributions can be attributed to a decrease in rental subsidy revenue due to the District paying off its outstanding serial bonds in the prior year.

Governmental Activities - Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; instruction, support services, non-instructional services and other financing uses (refund of prior year revenue and debt service – interest); as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and Commonwealth of Pennsylvania by each of these functions. Total costs of the District's governmental activities were \$9,650,887.

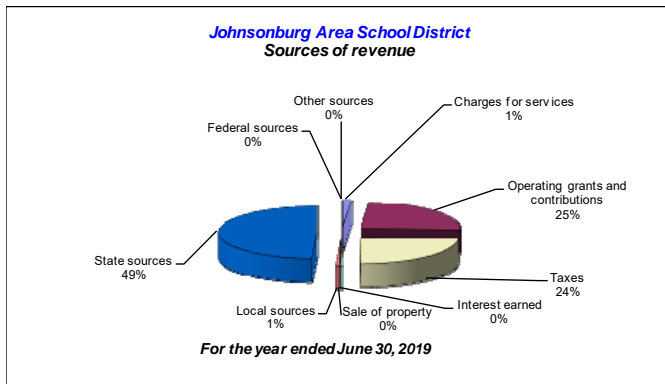
**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Expenses (continued)

The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's instruction costs decreased by \$713,810 or 11% which was primarily due to a decrease in retirement expense related to an actuarial update as well as decreases in wages and health insurance expense.
- The District's support services costs decreased by \$88,525 or 2% during the year ended June 30, 2019 due to a decrease retirement expense related to an actuarial update.
- Non-instructional costs of the District increased \$13,129 or 4% during the year ended June 30, 2019.

Figure A-5 – District-wide Sources of Revenue

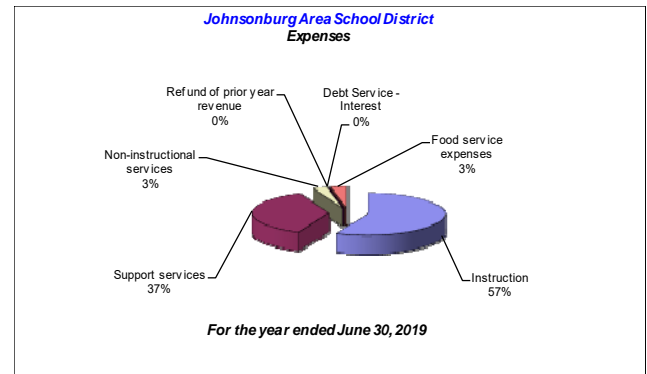


**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Expenses (continued)

- The District's other financing uses decreased \$5,641 during the current year ended June 30, 2019 due to a reduction in interest payments as the District paid off its outstanding debt in the prior year.
- For governmental activities, the District received \$2,506,412 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$7.1 million) were financed by real property taxes and state aid.

Figure A-6 – District-wide Expenses



**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Figure A-7 – Expenditures Supported with Program Revenue

<i>Johnsonburg Area School District</i>												
<i>Expenditures supported with program revenue</i>												
	Governmental Activities				Business-type Activities				Total			
	2019		2018		2019		2018		2019		2018	
Expenditures supported with general revenue (from taxes & other sources)	\$ 7,144,475	74%	\$ 7,651,206	73%	\$ (10,715)	-3%	\$ 32,650	9%	\$ 7,133,760	71%	\$ 7,683,856	71%
Expenditures supported with program revenue	2,506,412	26%	2,794,528	27%	348,051	103%	349,209	91%	2,854,463	29%	3,143,737	29%
Total expenditures related to governmental activities	\$ 9,650,887	100%	\$ 10,445,734	100%	\$ 337,336	100%	\$ 381,859	100%	\$ 9,988,223	100%	\$ 10,827,593	100%

Figure A-8 – Net Cost of Governmental Activities

<i>Johnsonburg Area School District</i>									
<i>Net Cost of District-wide expenses</i>									
	Total cost of services			Net cost of services					
	2019	2018	Change	2019	2018	Change			
Instruction	\$ 5,706,959	\$ 6,420,769	\$ (713,810)	\$ 3,959,686	\$ 4,584,668	\$ (624,982)			
Support services	3,636,844	3,725,369	(88,525)	2,915,919	3,007,185	(91,266)			
Non-instructional services	307,084	293,955	13,129	268,870	258,768	10,102			
Debt service - interest	-	5,641	(5,641)	-	(199,415)	199,415			
Food service	337,336	381,859	(44,523)	(10,715)	32,650	(43,365)			
Total	\$ 9,988,223	\$ 10,827,593	\$ (839,370)	\$ 7,133,760	\$ 7,683,856	\$ (550,096)			

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

V. Financial Analysis of the School District's Funds (continued)

General Fund

- The District's general fund revenues exceeded its expenditures by approximately \$1,066,000.
- The District's general fund had committed fund balance of \$500,000 as of June 30, 2019.
- The District's general fund unassigned fund balance equated to approximately \$2,002,000 as of June 30, 2019.
- The District's total assets increased approximately \$1,000,000 while liabilities decreased \$66,000 during the year ended June 30, 2019. The increase in assets was primarily due to an increase in cash, while the decrease in liabilities was associated with a decrease in accrued expenses and amounts due to other funds.
- Total revenue in the District's general fund decreased \$147,000, while total expenditures and other uses decreased \$878,000. The decrease in revenue was primarily related to a decrease in rental subsidy revenue. The decrease in expenditures primarily resulted from a decrease in salaries, health insurance and contractual expenses.

VI. General Fund Budgetary Highlight

Over the course of the year, the District has the ability to make budget transfers. After such transfers, the revised budget presents actual expenditures being \$812,328 below the revised budget. The most significant variance was in the area of instruction which totaled \$510,539 below that budgeted. On the other hand, resources available for appropriations were \$234,701 above the final budgeted amount. Significant variance of revenue items consisted of Local and State sources which was \$129,409 and \$111,086, respectively above the revised budget.

Figure A-9 – General Fund Budget vs. Actual

<i>Johnsonburg Area School District General Fund - Budget vs Actual Comparison</i>				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 2,876,842	\$ 3,014,161	\$ 137,319	5%
State sources	7,501,186	7,612,272	111,086	1%
Federal sources	39,853	26,149	(13,704)	-34%
Total revenue	\$ 10,417,881	\$ 10,652,582	\$ 234,701	2%
Expenditures				
Instruction	\$ 6,171,019	\$ 5,660,480	\$ 510,539	8%
Support services	3,849,805	3,545,774	304,031	8%
Non-instructional services	242,908	296,168	(53,260)	-22%
Facilities acquisition and construction	75,000	83,982	(8,982)	-12%
Operating transfers	60,000	-	60,000	n/a
Total expenditures	\$ 10,398,732	\$ 9,586,404	\$ 812,328	8%

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2019, the District had invested \$8,265,000 in a broad range of capital assets, including reconstruction projects and other various equipment. Capital additions made during the year ended June 30, 2019, totaled approximately \$44,000. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2019, the District had approximately \$17,031,000 in OPEB liability, net pension liability, and compensated absences. Total long-term debt decreased approximately 7% as compared with the previous year. This decrease was primarily the result of a decrease of the net pension liability due to an actuarial update.

Figure A-10 – Capital Assets

<i>Johnsonburg Area School District Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Land and site improvements	\$ 837,508	\$ 885,861	-5%
Building and construction- in-progress	7,371,482	7,742,482	-5%
Furniture and equipment	56,031	88,234	-36%
Total Capital Assets, net	\$ 8,265,021	\$ 8,716,577	-5%

Figure A-11 – Outstanding Long-term Debt

<i>Johnsonburg Area School District Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
OPEB liability	\$ 1,311,053	\$ 1,304,649	0%
Net pension liability	15,650,000	16,990,000	-8%
Compensated absences	69,912	91,279	-23%
Total Long-Term Debt	\$ 17,030,965	\$ 18,385,928	-7%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Declining enrollment
- Future State Retirement increases
- Uncertainty of State funding and budget

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Johnsonburg Area School District
District Administrative Offices
Attention: Ms. Linda Benson
Business Manager
315 High School Road
Johnsonburg, PA 15845

**JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash	\$ 3,055,113	\$ 73,750	\$ 3,128,863	\$ 2,242,259
Receivables				
Taxes, net	392,999	-	392,999	390,107
State and federal aid	555,967	-	555,967	433,019
Other receivables	9,118	41,315	50,433	55,015
Due from other governments	-	-	-	21,321
Due from business-type activities	29,736	-	29,736	46,876
Inventories	-	4,216	4,216	8,229
Prepaid expenses	7,074	-	7,074	7,074
Capital assets, net	8,265,021	-	8,265,021	8,716,577
Total assets	<u>12,315,028</u>	<u>119,281</u>	<u>12,434,309</u>	<u>11,920,477</u>
Deferred Outflows of Resources				
Deferred outflows related to pension	2,108,235	-	2,108,235	2,773,167
Deferred outflows related to OPEB	96,885	-	96,885	83,026
Total deferred outflows of resources	<u>2,205,120</u>	<u>-</u>	<u>2,205,120</u>	<u>2,856,193</u>
Total assets and deferred outflows of resources	<u>\$ 14,520,148</u>	<u>\$ 119,281</u>	<u>\$ 14,639,429</u>	<u>\$ 14,776,670</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 72,119	\$ -	\$ 72,119	\$ 125,759
Accrued liabilities	1,230,189	-	1,230,189	1,275,874
Unearned revenue	-	6,954	6,954	9,978
Due to governmental activities	-	29,736	29,736	46,876
Long-term liabilities				
Portion due or payable after one year				
Other post-employment benefits	1,311,053	-	1,311,053	1,304,649
Compensated absences	69,912	-	69,912	91,279
Net pension liability	15,650,000	-	15,650,000	16,990,000
Total liabilities	<u>18,333,273</u>	<u>36,690</u>	<u>18,369,963</u>	<u>19,844,415</u>
Deferred Inflows of Resources				
Deferred inflows related to pension	2,054,000	-	2,054,000	1,748,000
Deferred inflows related to OPEB	145,782	-	145,782	132,762
Total deferred inflows of resources	<u>2,199,782</u>	<u>-</u>	<u>2,199,782</u>	<u>1,880,762</u>
Net Position (deficit)				
Net investment in capital assets	8,265,021	-	8,265,021	8,716,577
Unrestricted				
Board designated	500,000	-	500,000	-
Undesignated (deficit)	(14,777,928)	82,591	(14,695,337)	(15,665,084)
Total net position (deficit)	<u>(6,012,907)</u>	<u>82,591</u>	<u>(5,930,316)</u>	<u>(6,948,507)</u>
Total liabilities, deferred inflows of resources & net position (deficit)	<u>\$ 14,520,148</u>	<u>\$ 119,281</u>	<u>\$ 14,639,429</u>	<u>\$ 14,776,670</u>

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	2019						2018
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Revenue and Changes in Net Position Business-Type Activities	Net (Expense) Revenue and Changes in Net Position
Functions/Programs							
Governmental Activities:							
Instruction	\$ 5,403,531	\$ 303,428	\$ -	\$ 1,747,273	\$ (3,959,686)	\$ -	\$ (4,584,668)
Instructional student support	579,704	29,308	-	167,855	(441,157)	-	(366,723)
Administrative and financial support services	1,171,255	60,761	-	158,352	(1,073,664)	-	(1,093,827)
Operation and maintenance of plant services	1,045,842	53,552	-	88,657	(1,010,737)	-	(1,029,882)
Pupil transportation	519,376	27,558	-	287,171	(259,763)	-	(359,285)
Central support	121,881	-	-	18,890	(102,991)	-	(130,839)
Other support services	27,607	-	-	-	(27,607)	-	(26,629)
Student activities	288,837	18,247	12,915	25,299	(268,870)	-	(258,768)
Debt service	-	-	-	-	-	-	199,415
Depreciation	492,854	(492,854)	-	-	-	-	-
Total governmental activities	9,650,887	-	12,915	2,493,497	(7,144,475)	-	(7,651,206)
Business-type activities:							
Food services	337,336	-	134,163	213,888	-	10,715	(32,650)
Total functions and programs	\$ 9,988,223	\$ -	\$ 147,078	\$ 2,707,385	(7,144,475)	10,715	(7,683,856)

General Revenues

Real property taxes, levied for general purposes	1,955,304	-	1,955,304	1,899,901
Other taxes levied	678,977	-	678,977	681,254
Interest earnings	36,114	335	36,449	14,477
Other local sources	67,461	-	67,461	38,740
State sources	5,413,760	-	5,413,760	5,377,605
	<hr/>			
Total general revenues	8,151,616	335	8,151,951	8,011,977
	<hr/>			
Change in net position	1,007,141	11,050	1,018,191	328,121
Net position (deficit) - beginning of year	(7,020,048)	71,541	(6,948,507)	(6,154,418)
Prior period adjustments	-	-	-	(1,122,210)
	<hr/>			
Net position (deficit) - end of year	\$ (6,012,907)	\$ 82,591	\$ (5,930,316)	\$ (6,948,507)
	<hr/>			

**JOHNSONBURG AREA SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2019**

	2019	2018
	General Fund	General Fund
Assets		
Unrestricted cash and cash equivalents	\$ 3,055,113	\$ 2,210,088
Taxes receivable	398,899	394,107
State and federal aid receivable	555,967	433,019
Other receivables	9,118	11,456
Due from food service fund	29,736	-
Prepaid expenses	7,074	7,074
Total assets	<u>\$ 4,055,907</u>	<u>\$ 3,055,744</u>
Liabilities, Deferred Inflows of Resources and Fund Equity		
Liabilities		
Accounts payable	\$ 72,119	\$ 52,919
Accrued salaries and benefits	1,175,072	1,202,001
Due to food service fund	-	46,876
Payroll deductions and withholdings	55,117	73,873
Total liabilities	<u>1,302,308</u>	<u>1,375,669</u>
Deferred Inflows		
Revenues not available - taxes	<u>244,237</u>	<u>236,891</u>
Fund Equity		
Nonspendable	7,074	7,074
Committed	500,000	-
Unassigned	2,002,288	1,436,110
Total fund equity	<u>2,509,362</u>	<u>1,443,184</u>
Total liabilities, deferred inflows of resources & fund equity	<u>\$ 4,055,907</u>	<u>\$ 3,055,744</u>

JOHNSONBURG AREA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	General Fund	General Fund
Revenue		
Local sources	\$ 3,014,161	\$ 2,761,656
State sources	7,612,272	7,777,738
Federal sources	26,149	260,311
Total revenue and other sources	<u>10,652,582</u>	<u>10,799,705</u>
Expenditures		
Instruction	5,660,480	6,064,993
Support services	3,545,774	3,474,067
Noninstructional services	296,168	279,418
Facility acquisition, construction, and improvement services	83,982	60,030
Other financing uses		
Debt service	-	555,900
Interfund transfers	-	29,736
Total expenditures and other financing uses	<u>9,586,404</u>	<u>10,464,144</u>
Excess of revenue and other sources over expenditures and other financing uses	1,066,178	335,561
Fund equity, beginning of year	<u>1,443,184</u>	<u>1,107,623</u>
Fund equity, end of year	<u>\$ 2,509,362</u>	<u>\$ 1,443,184</u>

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Revised Budget	Current Year's Actual	Favorable (Unfavorable) Revised Budget
Revenues				
Local sources	\$ 2,876,842	\$ 2,876,842	\$ 3,014,161	\$ 137,319
State sources	7,501,186	7,501,186	7,612,272	111,086
Federal sources	39,853	39,853	26,149	(13,704)
Total revenue	10,417,881	10,417,881	10,652,582	234,701
Expenditures				
Instruction				
Regular programs	4,040,736	4,040,736	3,854,599	186,137
Special programs	1,511,094	1,511,094	1,228,227	282,867
Vocational education programs	328,035	328,035	274,203	53,832
Other instructional programs	163,654	163,654	172,380	(8,726)
Pre-kindergarten program	127,500	127,500	131,071	(3,571)
Total instruction	6,171,019	6,171,019	5,660,480	510,539
Support Services				
Pupil personnel	301,261	301,261	309,277	(8,016)
Instructional staff	139,270	139,270	126,105	13,165
Administration	917,671	917,671	842,971	74,700
Pupil health	174,845	174,845	180,636	(5,791)
Business	388,456	388,456	382,876	5,580
Operation and maintenance	1,179,804	1,179,804	1,035,057	144,747
Student transportation services	602,000	602,000	519,376	82,624
Central support services	119,498	119,498	121,869	(2,371)
Other support services	27,000	27,000	27,607	(607)
Total support services	3,849,805	3,849,805	3,545,774	304,031
Noninstructional services				
Student activities	242,908	242,908	296,168	(53,260)
Total noninstructional services	242,908	242,908	296,168	(53,260)
Facilities acquisition, construction and improvement services				
	75,000	75,000	83,982	(8,982)
Other financing uses				
Interfund transfers	60,000	60,000	-	60,000
Total other financing uses	60,000	60,000	-	60,000
Total expenditures and other financing uses	10,398,732	10,398,732	9,586,404	812,328
Excess of revenue and other sources over expenditures and other financing uses	\$ 19,149	\$ 19,149	1,066,178	\$ 1,047,029
Fund equity, beginning of year			1,443,184	
Fund equity, end of year			\$ 2,509,362	

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2019

	Agency Fund 2019	Agency Fund 2018
Assets		
Cash	\$ 45,380	\$ 35,740
Total assets	<u>\$ 45,380</u>	<u>\$ 35,740</u>
Liabilities		
Student extraclassroom activity funds	\$ 45,380	\$ 35,740
Total liabilities	<u>\$ 45,380</u>	<u>\$ 35,740</u>

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2019

	2019		2018
Assets			
Cash and cash equivalents	\$ 73,750	\$	32,171
State and federal aid receivable	-		21,321
Receivable from third party provider	41,315		43,559
Due from general fund	-		46,876
Inventories	4,216		8,229
Capital assets, net	-		2,203
	<hr/>		
Total assets	\$ 119,281	\$	154,359
<hr/>			
Liabilities			
Accounts payable	\$ -	\$	72,840
Unearned revenue	6,954		9,978
Due to general fund	29,736		-
	<hr/>		
Total liabilities	36,690		82,818
<hr/>			
Net Position			
Invested in capital assets	-		2,203
Unrestricted	82,591		69,338
	<hr/>		
Total net position	82,591		71,541
	<hr/>		
Total liabilities and net position	\$ 119,281	\$	154,359
	<hr/>		

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

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	2019	2018
Operating revenue		
Food service revenue	\$ 134,163	\$ 140,040
Operating expenses		
Cost of sales	20,922	27,521
Contractual	313,730	349,627
Depreciation	2,203	4,020
Other operating expenses	481	691
Total operating expenses	337,336	381,859
Net operating loss	(203,173)	(241,819)
Non-operating revenues		
State sources	11,181	10,946
Federal sources	202,707	198,223
Interest income	335	152
Interfund transfers	-	29,736
Total non-operating revenues	214,223	239,057
Change in net position	11,050	(2,762)
Total net position, beginning	71,541	74,303
Total net position, ending	\$ 82,591	\$ 71,541

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Cash flows from operating activities		
Cash received from sale of meals	\$ 131,139	\$ 142,682
Cash received from general fund - return of prior year advance	-	44,716
Cash paid to vendors and other funds	(304,368)	(370,399)
Net cash used in operating activities	<u>(173,229)</u>	<u>(183,001)</u>
Cash flows from non-capital financing activities		
Cash received from interfund transfer from general fund	-	29,447
State sources	12,465	10,969
Federal sources	202,008	171,624
Net cash provided by non-capital financing activities	<u>214,473</u>	<u>212,040</u>
Cash flows from investing activities		
Interest received	<u>335</u>	<u>152</u>
Net change in cash	41,579	29,191
Cash balance, beginning of year	32,171	2,980
Cash balance, end of year	<u>\$ 73,750</u>	<u>\$ 32,171</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (203,173)	\$ (241,819)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	2,203	4,020
Non-cash items (donated commodities)	20,736	27,053
Changes in assets and liabilities:		
Change in receivable from third party provider	2,244	(43,559)
Change in inventory	4,013	(2,023)
Change in due from general fund	76,612	-
Change in unearned revenue	(3,024)	2,642
Change in operating receivables/payables	(72,840)	70,685
Net cash used in operating activities	<u>\$ (173,229)</u>	<u>\$ (183,001)</u>
Supplemental Schedule of Non-Cash Activities		
Activities not affecting cash flows are as follows:		
Surplus food	\$ 20,736	\$ 27,053
Total non-cash activity	<u>\$ 20,736</u>	<u>\$ 27,053</u>

JOHNSONBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances - governmental funds \$ 2,509,362

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 21,458,456	
Accumulated depreciation	<u>(13,193,435)</u>	8,265,021

Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows or resources in the funds. The District has also reserved approximately 2% or \$5,900 of delinquent taxes receivable. 238,337

Net deferred outflows (inflows) of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions. 54,235

Net deferred outflows (inflows) of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions. (48,897)

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 the following:

Other post-employment benefits	(1,311,053)	
Compensated absences	(69,912)	
Net pension liability	<u>(15,650,000)</u>	<u>(17,030,965)</u>

Total net position (deficit) - governmental activities \$ (6,012,907)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 3,055,113	\$ -	\$ -	\$ -	\$ 3,055,113
Taxes receivable	398,899	(5,900)	-	-	392,999
State and federal aid receivable	555,967	-	-	-	555,967
Other receivables	9,118	-	-	-	9,118
Due from food service fund	29,736	-	-	-	29,736
Prepaid expenses	7,074	-	-	-	7,074
Capital assets, net	-	8,265,021	-	-	8,265,021
Total assets	4,055,907	8,259,121	-	-	12,315,028
Deferred outflows of resources					
Deferred outflows related to pensions and OPEB	-	2,205,120	-	-	2,205,120
Total assets and deferred outflows of resources	\$ 4,055,907	\$ 10,464,241	\$ -	\$ -	\$ 14,520,148
Liabilities, Deferred Inflows of Resources & Fund Equity/Net Position (deficit)					
Liabilities					
Accounts payable	\$ 72,119	\$ -	\$ -	\$ -	\$ 72,119
Accrued liabilities	1,230,189	-	-	-	1,230,189
Other post-employment benefits	-	-	1,311,053	-	1,311,053
Compensated absences	-	-	69,912	-	69,912
Net pension liability	-	-	15,650,000	-	15,650,000
Total liabilities	1,302,308	-	17,030,965	-	18,333,273
Deferred inflows of resources					
Revenues not available - taxes	244,237	-	(244,237)	-	-
Deferred inflows related to pensions and OPEB	-	-	2,199,782	-	2,199,782
Total deferred inflows of resources	244,237	-	1,955,545	-	2,199,782
Fund equity & net position (deficit)	2,509,362	10,464,241	(18,986,510)	-	(6,012,907)
Total liabilities, deferred inflows of resources and fund equity/net position (deficit)	\$ 4,055,907	\$ 10,464,241	\$ -	\$ -	\$ 14,520,148

JOHNSONBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds \$ 1,066,178

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 43,501	
Depreciation expense	<u>(492,854)</u>	(449,353)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred inflows of resources related to property taxes and the reserve for delinquent taxes receivable changed by this amount during the year. 5,446

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to the pension plan. 369,068

District's proportionate share of actuarial calculated OPEB expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contribution to the plans. (5,565)

In the statement of activities, certain operating expenses - compensated absences 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. During the current year, compensated absences changed by this amount. 21,367

Change in net position of governmental activities \$ 1,007,141

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes, levied for general purposes	\$ 1,949,858	\$ 5,446	\$ -	\$ -	\$ 1,955,304
Other taxes levied	678,977	-	-	-	678,977
Interest and earnings	36,114	-	-	-	36,114
Other local sources	349,212	-	-	(281,751)	67,461
State sources	7,612,272	-	-	(2,198,512)	5,413,760
Federal sources	26,149	-	-	(26,149)	-
Total revenue	10,652,582	5,446	-	(2,506,412)	8,151,616
Expenditures					
Instruction	5,660,480	303,428	(256,949)	(1,747,273)	3,959,686
Instructional student support	616,018	23,054	(30,060)	(167,855)	441,157
Administrative and financial support services	1,225,847	60,761	(54,592)	(158,352)	1,073,664
Operation and maintenance of plant services	1,035,057	53,552	(29,696)	(48,176)	1,010,737
Pupil transportation	519,376	27,558	-	(287,171)	259,763
Central support	121,869	6,254	(6,242)	(18,890)	102,991
Other support services	27,607	-	-	-	27,607
Student activities	296,168	18,247	(7,331)	(38,214)	268,870
Facilities acquisition, construction and improv.	83,982	(43,501)	-	(40,481)	-
Debt service	-	-	-	-	-
Total expenditures	9,586,404	449,353	(384,870)	(2,506,412)	7,144,475
Excess (deficiency) of revenue over expenditures	1,066,178	(443,907)	384,870	-	1,007,141
Net change for year	\$ 1,066,178	\$ (443,907)	\$ 384,870	\$ -	\$ 1,007,141

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The *Johnsonburg Area School District* is governed by the Education Law and other general laws of the State of Pennsylvania. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by or significantly influenced by, the Board of Education. Essentially, the primary function of the School District is to provide education for pupils. Support services such as transportation of pupils, administration, finance and plant maintenance are also included. The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

B. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state subsidy, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants. Business-type activities include the District's food service operation which is financed through sales and reimbursements of breakfasts and lunches.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

a. Governmental Fund Types

Governmental funds are those funds used to account for and report the operations of the School District. The acquisition, use, and balances of financial resources and related assets and liabilities are reported therein. The measurement focus is the determination of changes in financial position rather than net income determination. The following funds and aggregate governmental fund types are employed in accounting for and reporting School District operations. The District reports the following major governmental funds:

General Fund - The General Fund is the principal operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

b. Proprietary Fund Types

Proprietary Fund Types are used to account and report activities that are similar to business operations in the private sector where the focus is on determining net income and cash flows. Proprietary Fund Types include the following fund:

Food Service Fund - Accounts for all revenue and expenses pertaining to cafeteria operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

c. Fiduciary Fund Types

Fiduciary Fund Types are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting.

C. Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgeting Policies - Governmental Fund Types

1. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is for the School District administration to culminate a proposed budget for approval by the Board of Education prior to commencement of a new fiscal year. Appropriations established by adoption of the budget constitute a limitation on expenditures which may be incurred.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve applicable appropriations, is employed as a control in preventing overexpenditure of established appropriations. Open encumbrances are reported as a reservation of fund equity since such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

E. Local Taxes

Real property taxes are levied annually by the Board of Education and received by tax collectors by December 31. Uncollected real property taxes are subsequently enforced by Elk County. An amount representing uncollected real property taxes transmitted to the County for re-levy is recorded as deferred inflows of resources in the governmental fund financial statements until collected by the County.

Per capita, earned income and realty transfer taxes are levied annually by the Board of Education. Uncollected taxes are subsequently enforced by the tax collectors.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

Inventories of food in the Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2012. For assets acquired prior to June 30, 2012, estimated historical costs, based on appraisals conducted by independent third-party professionals was used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Land and Site improvements	\$ 5,000	Straight-line	20 years
Furniture and equipment	\$ 5,000	Straight-line	5-20 years
Vehicles	\$ 5,000	Straight-line	8 years

H. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reporting in the district-wide Statement of Net Position which represents actuarial differences that are deferred and amortized. Lastly is the District contributions to the pension and OPEB systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Outflows and Inflows of Resources (continued)

net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The final item is related to OPEB reporting in the district-wide Statement of Net Position which represents actuarial differences that are deferred and amortized.

I. Long-Term Debt

1. General Long-Term Indebtedness

Bonds and general obligation notes and capital leases are recognized when issued.

2. Compensated Absences

The District does not permit the carryover of unused vacation days. Thus, unused days are lost as of June 30, and the financial statements, accordingly, do not contain a provision for unused vacation time.

The District provides compensated absences benefits for all employees. The support staff accrues \$14 per sick day pay up to a maximum of \$1,120 and is paid only upon retirement. The professional staff accrues \$60 per sick day pay up to a maximum of \$15,000, and is payable upon retirement. Administration accruals range from \$42-\$65 a day for unused sick time and is payable upon retirement. In the district-wide statement of net position as of June 30, 2019, \$69,912 was accrued for compensated absences.

J. Pensions

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

J. Pensions (continued)

Plan description

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who became 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 to 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 by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

J. Pensions (continued)

Benefits provided (continued)

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

Contributions

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (Membership Class T-D) of the member's qualifying compensation.

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

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

Employer contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 33.43% (32.60% - pension and .83% - health care contributions) 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 owed to the pension plan from the District were approximately \$1,403,000 for the year ended June 30, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Other Post-employment Benefits

Plan Descriptions

The Johnsonburg Area School District has two separate other post-employment benefit plans that are provided to District employees and retirees which include a District Plan based on bargaining agreements and the Health Insurance Premium Assistance Program offered through the Pennsylvania Public School Employees' Retirement System.

District Plan

General Information

The District maintains a single-employer defined benefit healthcare plan (the District Plan). The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The District Plan does not issue a publicly available financial report. Eligibility for the District Plan is established by the District and specified in the District's employment contracts. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan is determined on the basis of an actuarial valuation dated July 1, 2017.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2019 the plan had total active employees of 91 and retirees of 8.

Health Insurance Premium Assistance Program

General Information

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

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Other Post-employment Benefits (continued)

Health Insurance Premium Assistance Program (continued)

General Information (continued)

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Other Post-employment Benefits (continued)

Health Insurance Premium Assistance Program (continued)

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$36,000 for the year ended June 30, 2019.

L. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned).

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District had committed fund balance totaling \$500,000 as of June 30, 2019 related to facility and technology improvements.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure.

2. Designation for Subsequent Years Expenditures

The amount of \$- has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2020.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Invested in Capital Assets, Net of Related Debt

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

L. Fund Equity (continued)

**2. Government-wide financial statements
(continued)**

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

M. Investments

Investments are carried at market value which approximates cost.

N. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Interfund Activity

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

During the course of operations, the *Johnsonburg Area School District* has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

P. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenditures/expenses.

Q. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered as cash equivalents. This includes certificates of deposit, treasury notes and treasury bills.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**A. Total Fund Equity of Governmental Funds vs. Net
Position of Governmental Activities**

Total fund equity of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of three broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities**

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

NOTE 3 - CASH AND INVESTMENTS

A. Deposits

The School District invests excess funds with banks or trust companies authorized to do business in Pennsylvania. All funds were held by commercial banks and trust companies are authorized by the Board of Education as the official depositories for the District's funds.

The District's cash and investments are required to be secured (for funds in excess of the FDIC insurance limitation of \$250,000) by a pledge of governmental securities having a market value at least equal to the amount on deposit. The banks use the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, State statutes govern the District's investment policies. At June 30, 2019, the District's bank deposits were fully collateralized.

Total financial institution balances at June 30, 2019, per the bank, were approximately \$3,222,000 of which \$250,000 was secured by FDIC insurance and \$2,972,000 was secured by the banks as required by Act 72 of 1971.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance 06/30/18	Net Change	Ending Balance 06/30/19
Governmental activities:			
Capital assets:			
Land and site improvements	\$ 1,987,250	\$ 43,501	\$ 2,030,751
Buildings and improvements	18,761,304	-	18,761,304
Furniture and equipment	417,223	-	417,223
Vehicles	249,178	-	249,178
Total historical cost	<u>21,414,955</u>	<u>43,501</u>	<u>21,458,456</u>
Accumulated depreciation:			
Land and land improvements	1,101,389	91,854	1,193,243
Buildings and improvements	11,018,822	371,000	11,389,822
Furniture and equipment	331,192	30,000	361,192
Vehicles	249,178	-	249,178
Less accumulated depreciation:	<u>12,700,581</u>	<u>\$ 492,854</u>	<u>13,193,435</u>
Total net book value	<u>\$ 8,714,374</u>		<u>\$ 8,265,021</u>
Proprietary/business-type activities:			
Building, furniture and equipment	\$ 319,023	\$ -	\$ 319,023
Less accumulated depreciation:	<u>316,820</u>	<u>\$ 2,203</u>	<u>319,023</u>
Total net book value	<u>\$ 2,203</u>		<u>\$ -</u>

	Governmental	Proprietary/ Business-type
Depreciation expense:		

Instruction	\$ 304,921	\$ -
Support services	173,612	-
Non-instructional services	<u>14,321</u>	<u>2,203</u>
	<u>\$ 492,854</u>	<u>\$ 2,203</u>

NOTE 5 - INDEBTEDNESS

A. Short-Term Debt

1. Tax and Revenue Anticipation Notes

The District did not issue any tax or revenue anticipation notes during the current fiscal year.

B. Long-Term Debt

1. Bonds Payable

The District did not have any outstanding bonds payable as of June 30, 2019.

2. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities outstanding, at June 30, 2019:

Description	Balance June 30, 2019	Amounts Due Within One Year	Balance June 30, 2018
Other post-employment benefits	\$ 1,311,053	-	\$ 1,304,649
Net pension liability	15,650,000	-	16,990,000
Compensated absences	<u>69,912</u>	<u>-</u>	<u>91,279</u>
	<u>\$ 17,030,965</u>	<u>\$ -</u>	<u>\$ 18,385,928</u>

Net pension liability decreased by \$1,340,000 and resulted from of a decrease of the District's proportionate share of the net pension liability of the State's pension system. Other post-employment benefits increased by \$6,404, and compensated absences decreased by \$21,367.

3. Long-term Debt Interest

The district had no long-term interest during the fiscal year ended June 30, 2019.

NOTE 6 - RETIREMENT PLAN

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

At June 30, 2019, the District reported a liability of \$15,650,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .0326%, which was a decrease of .0018% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$1,039,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 77,000	\$ --
Difference between expected and actual experience	126,000	242,000
Changes in proportions	102,000	1,812,000
Changes in assumptions	292,000	--
Contributions subsequent to the measurement date	1,511,235	--
	<u>\$ 2,108,235</u>	<u>\$ 2,054,000</u>

\$1,511,235 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2020	\$ (254,000)
2021	(507,000)
2022	(637,000)
2023	(59,000)
2024	-
Net deferred outflow/inflow:	<u>\$ (1,457,000)</u>

NOTE 6 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 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 increases – effective average of 5.0%, which reflects an allowance for inflation of 2.75% and real wage growth and merit or seniority increases of 2.25%
- Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.
- 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 actuarial assumptions used in the June 30, 2017 valuation were based on the experience study performed for the five year period ended June 30, 2015.

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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0)%	0.9%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - RETIREMENT PLAN (continued)

Discount rate

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$19,399,000	\$ 15,650,000	\$12,480,000

District's proportionate share of the net pension liability	\$19,399,000	\$ 15,650,000	\$12,480,000
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System Net Pension Liability

The components of the total PSERS net pension liability as of June 30, 2018 are as follows:

	(Dollar Amounts in Thousands)
Total pension liability	\$ 104,368,679
Less: System fiduciary net position	56,363,714
System net pension liability	<u>\$ 48,004,965</u>
System fiduciary net position as a percentage of total pension liability	54.00%

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.pfers.state.pa.us.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFIT PLANS

District Plan

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

At June 30, 2019, the District reported a liability of \$631,053. The net OPEB liability was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2017.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

District Plan (continued)

For the year ended June 30, 2019, the District recognized OPEB expense of \$58,885. At June 30, 2019, 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
Differences between expected and actual experience	\$ --	\$ 43,782
Net difference between projected and actual earnings	--	--
Changes in proportion	--	--
Changes in assumptions	10,565	--
Contributions subsequent to the measurement date	34,320	--
Total	<u>\$ 44,885</u>	<u>\$ 43,782</u>

\$34,320 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended:	
2020	\$ (3,028)
2021	(3,028)
2022	(3,028)
2023	(3,028)
2024	(3,028)
Thereafter	(18,077)

Actuarial Assumptions

The Total OPEB Liability as of the measurement date of July 1, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – composed of a 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increase which varies by age from 0% to 2.75%.
- Assumed Healthcare cost trends of 6% in 2018, and 5.5% in 2019 through 2021. Rates decrease from 5.4% in 2022 to 3.8% in 2075.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

District Plan (continued)

Actuarial Assumptions (continued)

- 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.

Changes in the Total OPEB Liability

Service cost	\$	42,300
Interest		19,613
Differences between expected and actual experience		-
Changes in assumptions		1,212
Benefit payments		(35,721)
Net changes		27,404
Net OPEB liability – beginning of year		603,649
Net OPEB liability – end of year	\$	631,053

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 (2.8%-4.5%)	Current Assumption (3.8%-5.5%)	1% Increase (4.8%-6.5%)
Total District Plan OPEB liability	\$ 563,837	\$ 631,053	\$ 711,369

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (1.98%)	Current Assumption (2.98%)	1% Increase (3.98%)
Total District Plan OPEB liability	\$ 672,798	\$ 631,053	\$ 591,818

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS - Health Insurance Premium Assistance Program

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

At June 30, 2019, the District reported a liability of \$680,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. 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, 2019, the District's proportion was .0326%, which was a decrease of .0018% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$17,000. At June 30, 2019, 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
Differences between expected and actual experience	\$ 4,000	\$ --
Changes in assumptions	11,000	26,000
Net difference between projected and actual earnings	1,000	--
Changes in proportion	--	76,000
Difference between employer contributions and proportionate share of total contributions	--	--
Benefit payments subsequent to measurement date	36,000	--
Total	\$ 52,000	\$ 102,000

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS - Health Insurance Premium Assistance Program (continued)

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

\$36,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:		
2020	\$	(16,000)
2021		(16,000)
2022		(16,000)
2023		(17,000)
2024		(17,000)
Thereafter		(4,000)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98% - 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%

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Cored Fixed income	92.8%	1.2%
Non-US Developed Fund	1.3%	.4%
	<u>100%</u>	

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

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, 2018.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS - Health Insurance Premium Assistance Program (continued)

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	Current Assumption	1% Increase
Total Health Insurance Premium Assistance OPEB liability	\$ 680,000	\$ 680,000	\$ 680,000

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (1.98%)	Current Assumption (2.98%)	1% Increase (3.98%)
Total Health Insurance Premium Assistance OPEB liability	\$ 773,000	\$ 680,000	\$ 602,000

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.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - RECEIVABLES

Taxes Receivable

Taxes receivable amounted to \$398,899 at June 30, 2019 and consist of the estimated delinquent real property taxes levied by the District but not yet collected and earned income taxes collected in the first two months of the 2020 fiscal year. Real property taxes are ultimately collectible either by payment from the property owner or from the proceeds of a public sale of the levied property. The District recorded a \$5,900 reserve for potential uncollectible delinquent real estate taxes on the district-wide financial statements.

State and Federal Aid Receivable

Included in the state and federal aid receivable balance of \$555,967 in the General Fund as of June 30, 2019 are amounts due from the Pennsylvania State Department of Education for reimbursement of expenditures incurred by the District.

Other Receivables

Other receivables include \$9,118 in the General Fund as of June 30, 2019 due from the Seneca Highlands Intermediate Unit of Education for reimbursement of expenditures incurred by the District.

NOTE 9 – DEFERRED INFLOWS OF RESOURCES – REVENUES NOT AVAILABLE - TAXES

Deferred inflows of resources are reported on the District's combined balance sheet. Deferred inflows of resources revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows of resources also arises when resources are received by the District 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 recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred inflows of resources is removed and revenue is recognized.

Deferred inflows of resources in the General Fund amounted to \$244,237 as of June 30, 2019. This balance pertains to taxes receivable at the end of the fiscal year less amounts collected within sixty days subsequent to the year-end. This amount is recognized as revenue in the Statement of Activities.

NOTE 10 – UNEARNED REVENUE

Unearned revenue recorded in the Proprietary fund relates to amounts owed to the District to students who have a prepaid balance on their school lunch account. Also, included in this amount are donated commodity inventories from the United States Department of Agriculture not yet utilized for operations.

NOTE 11 - COMPENSATED ABSENCES

The District does not accrue a liability in the governmental funds for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$180,000 at June 30, 2019 for accumulating, non-vesting sick leave.

In the district-wide statements, as of June 30, 2019, \$69,912 was accrued for accumulating, vesting sick leave and longevity payments.

NOTE 12 – FUND EQUITY

The District's fund equity is comprised of various components as presented below:

<u>Category/Fund</u>	<u>Description</u>	<u>Balance June 30, 2019</u>
Nonspendable:		
General	Prepaid expense	\$ <u>7,074</u>
Committed:		
General	Facility Improvements	\$ 450,000
General	Technology Improvements	50,000
		\$ <u>500,000</u>

NOTE 13 - CONTINGENCIES AND COMMITMENTS

A. Federal and State Grants

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

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 13 - CONTINGENCIES AND COMMITMENTS
(CONTINUED)**

B. Litigation

The School District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

C. Self-Insurance

The School District is a participant in a multiple employer cost-sharing trust established for the purpose of self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization amount. On a yearly basis, the administrator reconciles claims paid against premiums received.

D. Risk Financing and Related Insurance

1. General Information

The *Johnsonburg Area School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

For its employee health and accident coverage, *Johnsonburg Area School District* is a participant in a Blue Cross and Blue Shield Medical Plan consortium, a public entity risk pool operated for the benefit of individual governmental units located within the Seneca Highlands Intermediate Unit 9. The School District pays monthly premiums to the Plan for this health coverage.

The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. Excess claims over premiums are funded from a stabilization fund held by the Seneca Highlands Intermediate Unit Insurance Trust, while premiums in excess of the claims are refunded to the Insurance Trust.

2. Risk Sharing Pools

For its workers compensation insurance, *Johnsonburg Area School District* is a participant in the Pennsylvania Insurance Consortium for Schools, a public entity risk pool operated for the benefit of school districts located throughout the State of Pennsylvania.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District recorded a prior period adjustment in the amount of \$1,122,210 as a reduction in the District's net position as a result of this change in accounting principle.

OPEB liability	District Plan	\$	(393,931)
	PSERS Plan		(800,000)
Benefits paid subsequent to measurement date	District Plan		35,721
	PSERS Plan		36,000
		\$	<u>(1,122,210)</u>

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through December 12, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

JOHNSONBURG AREA SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF REVENUE AND EXPENDITURES - GENERAL FUND

<i>Fiscal years ended June 30,</i>	2019	2018
Revenue		
Local sources:		
Taxes:		
Current real estate taxes	\$ 1,706,237	\$ 1,645,140
Per capita	179,411	197,108
Realty transfer and earned income	470,499	470,858
Public utility realty tax	2,501	2,498
Payment in lieu of taxes	76,025	75,881
Delinquent real estate taxes	194,162	183,022
Total tax revenue	<u>2,628,835</u>	<u>2,574,507</u>
Interest and earnings	36,114	14,325
Federal revenue received from intermediate and local sources	259,304	120,186
Receipts from other LEAs in Pennsylvania	16,485	-
Refunds of prior year expenditures	15,771	20,349
Athletic receipts	12,915	13,898
Miscellaneous	44,737	18,391
Total local sources	<u>3,014,161</u>	<u>2,761,656</u>
State sources:		
Basic instructional subsidy	5,129,930	5,093,711
Property tax relief subsidy	283,830	283,894
Rental	-	205,056
Transportation	287,171	269,402
Special education	492,589	489,743
Social security and retirement	1,099,679	1,125,604
Vocational education	43,908	38,999
Health services	10,302	10,216
Safe schools grant	25,000	-
PA Pre-K counts	106,250	127,500
PA accountability grant	133,613	133,613
Total state sources	<u>7,612,272</u>	<u>7,777,738</u>
Federal sources:		
Rural Education Achievement Program	26,149	29,525
Title I	-	155,682
Title IIA	-	25,328
Safe and Drug Free Schools	-	6,000
Cafeteria equipment grant	-	16,167
Medical Assistance	-	27,609
Total federal sources	<u>26,149</u>	<u>260,311</u>
 Total revenue and other sources	 <u><u>\$ 10,652,582</u></u>	 <u><u>\$ 10,799,705</u></u>

Fiscal years ended June 30,**Expenditures****Instruction:**

	<u>2019</u>	<u>2018</u>
Regular programs	\$ 3,854,599	\$ 3,965,511
Special programs	1,228,227	1,442,404
Vocational education programs	274,203	314,654
Other instructional programs	172,380	222,675
Pre-kindergarten	131,071	119,749
Total instruction	<u>5,660,480</u>	<u>6,064,993</u>

Support services:

Pupil personnel	<u>309,277</u>	<u>176,534</u>
Instructional staff	<u>126,105</u>	<u>128,526</u>

Administration:

Board services	18,051	16,923
Tax collections	41,820	30,144
Legal	5,155	7,281
Superintendent	196,353	189,817
Principals	568,929	565,637
Other administration	12,663	19,272
Total administration	<u>842,971</u>	<u>829,074</u>

Other support services

Pupil health	180,636	167,215
Business	382,876	388,058
Operation and maintenance of plant services	1,035,057	1,036,585
Student transportation services	519,376	579,967
Central support services	121,869	141,479
Other support services	27,607	26,629
Total other support services	<u>2,267,421</u>	<u>2,339,933</u>
Total support services	<u>3,545,774</u>	<u>3,474,067</u>

Noninstructional services:

Student activities	247,144	233,328
Athletic expenses	49,024	46,090
Total noninstructional services	<u>296,168</u>	<u>279,418</u>

Facilities, acquisition and improvement

	<u>83,982</u>	<u>60,030</u>
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Other financing uses:

Debt service	-	555,900
Interfund transfers	-	29,736
Total other financing uses	<u>-</u>	<u>585,636</u>
Total expenditures and other financing uses	<u>9,586,404</u>	<u>10,464,144</u>

**Excess (deficiency) of revenue and other sources
over expenditures and other financing uses**

	<u>\$ 1,066,178</u>	<u>\$ 335,561</u>
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JOHNSONBURG AREA SCHOOL DISTRICT**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND**

	Balances July 01, 2018	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2019
Senior Class	\$ 877	\$ 56,168	\$ 57,045	\$ 55,403	\$ 1,642
Junior Class	9,826	26,193	36,019	21,556	14,463
Sophomore Class	4,402	1,562	5,964	614	5,350
Freshman Class	3,788	3,478	7,266	3,788	3,478
Stand Tall	692	1,241	1,933	1,202	731
FFA	618	24,640	25,258	23,981	1,277
Drama Club	152	8,047	8,199	5,705	2,494
Student Council -Elem	188	1,586	1,774	1,738	36
Yearbook-Elem	561	528	1,089	528	561
Library Club-Elem	178	5,974	6,152	5,966	186
Music Club	51	-	51	-	51
Stand Tall- Elem	210	1,159	1,369	1,250	119
Other - Elem	556	1,117	1,673	700	973
French Club	1,631	7	1,638	415	1,223
National Honor Society	1,138	586	1,724	226	1,498
Student Council	1,802	4,353	6,155	4,097	2,058
Yearbook	7,021	8,489	15,510	8,712	6,798
Science Club	1,820	7,038	8,858	6,494	2,364
Varisty Club	44	329	373	329	44
DECA Club	185	-	185	185	-
Jr. High Club	-	643	643	609	34
Total activity funds	\$ 35,740	\$ 153,138	\$ 188,878	\$ 143,498	\$ 45,380

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB
LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

District Plan – Other Post-Employment Benefits

As of the measurement date of July 1,	2018	2017
Total OPEB Liability		
Service cost	\$ 42,300	\$ 45,025
Interest	19,613	16,077
Differences between expected and actual experience	-	(51,742)
Changes in assumptions	1,212	11,164
Benefit payments	(35,721)	(38,229)
Net change in total OPEB liability	27,404	(17,705)
Total OPEB liability - beginning	603,649	227,423
Prior period adjustment	-	393,931
Total OPEB liability - ending	\$ 631,053	\$ 603,649
 Plan fiduciary net position		
Contributions - employer	\$ 35,721	\$ 38,229
Benefit payments	(35,721)	(38,229)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
 District's net OPEB liability	\$ 631,053	\$ 603,649
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ 4,214,691	\$ 4,214,691
 District's net OPEB liability as a percentage of covered-employee payroll	14.97%	14.32%
 Notes to Schedule:		
Benefit Changes: None		
Changes in assumptions: Discount rate changes - from 3.13% as of July 1, 2017 to 2.98% as of July 1, 2018		

**JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB
LIABILITY AND RELATED RATIOS – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

PSERS Plan – Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2018	2017
Total OPEB Liability		
Service cost	\$ 11,000	\$ 12,000
Interest	19,000	19,000
Differences between projected and actual investment earnings	-	1,000
Differences between expected and actual experience	4,000	-
Changes in assumptions	18,000	(31,000)
Changes in proportions	(37,000)	(62,000)
Benefit payments	(36,000)	(38,000)
Net change in total OPEB liability	(21,000)	(99,000)
Total OPEB liability - beginning	701,000	-
Prior period adjustment	-	800,000
Total OPEB liability - ending	\$ 680,000	\$ 701,000
 Plan fiduciary net position		
Contributions - employer	\$ 36,000	\$ 38,000
Benefit payments	(36,000)	(38,000)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
 District's net OPEB liability	\$ 680,000	\$ 701,000
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ 4,394,852	\$ 4,575,441
 District's net OPEB liability as a percentage of covered-employee payroll	15.47%	15.32%
 Notes to Schedule:		
Benefit Changes: None		
Changes in assumptions: Discount rate changes - from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018		

**JOHNSONBURG AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB - DISTRICT PLAN
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

District Plan – Other Post-Employment Benefits

As of the measurement date of July 1,	2018	2017
Actuarially determined contributions	\$ 35,721	\$ 38,229
Contributions in relation to the actuarially determined contribution	(35,721)	(38,229)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,214,691	\$ 4,214,691
Contributions as a percentage of District's covered-employee payroll	0.85%	0.91%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of the measurement date of July 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.98% - based on S&P Municipal Bond 20 Year High at July 1, 2018
Healthcare cost trend rates	6% in 2018, and 5.5% in 2019 through 2021, rates gradually decrease from 5.4% in 2022 to 3.8% in 2075
Salary increases	Composed of 2.5% cost of living adjustment, 1% real wage growth and for teachers and admin. A merit increase from 0%-2.75%
Mortality	Same assumptions as those used in PSERS retirement plan
Retiree Cost Sharing	Retirees pay 100% of the premiums
Participants	91 active participants and 8 retired participants

**JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

PSERS Plan – Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2018	2017
Actuarially determined contributions	\$ 36,000	\$ 38,000
Contributions in relation to the actuarially determined contribution	(36,000)	(38,000)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,394,852	\$ 4,575,441
Contributions as a percentage of District's covered-employee payroll	0.82%	0.83%

Notes to Schedule

Valuation date: June 30, 2017 and actuarially rolled forward to June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.98% - as of June 30, 2018
Healthcare cost trend rates	Premium Assistance reimbursement is capped at \$1,200 per year.
Salary increases	2.25% per year
Mortality	RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2015

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDING JUNE 30, 2013 THROUGH 2018

Measurement date ended June 30,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0326%	0.0344%	0.0372%	0.0396%	0.0385%	0.0378%
District's proportionate share of the net pension liability	\$ 15,650,000	\$ 16,990,000	\$ 18,435,000	\$ 17,153,000	\$ 15,239,000	\$ 15,474,000
District's covered-employee payroll	\$ 4,394,852	\$ 4,575,441	\$ 4,820,946	\$ 5,089,250	\$ 4,918,235	\$ 4,854,600
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.0985%	371.3303%	382.3938%	337.0438%	309.8469%	318.7492%
Plan fiduciary net position as a percentage of the total pension liability	54.0044%	51.8367%	50.1385%	54.3573%	57.2382%	54.4909%

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDING JUNE 30, 2013 THROUGH 2018

Measurement date ended June 30,	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,393,168	\$ 1,336,029	\$ 1,205,237	\$ 1,043,296	\$ 786,918	\$ 558,279
Contributions in relation to the contractually required contribution	(1,393,168)	(1,336,029)	(1,205,237)	(1,043,296)	(786,918)	(558,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,394,852	\$ 4,575,441	\$ 4,820,946	\$ 5,089,250	\$ 4,918,235	\$ 4,854,600
Contributions as a percentage of covered-employee payroll	31.7%	29.2%	25.0%	20.5%	16.0%	11.5%

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

**To the President and
Members of the Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of *Johnsonburg Area School District* as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise *Johnsonburg Area School District's* basic financial statements and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. There can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified three deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the District's internal control described in the accompanying schedule of findings and questioned costs as items II.A.2019-001, II.A.2019-002 and II.A.2019-003 to be material weaknesses.

Compliance and Other Matters

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

Johnsonburg Area School District's Responses to Findings

Johnsonburg Area School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Johnsonburg Area School District's* responses were not subjected to auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 12, 2019**

**JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of **Johnsonburg Area School District**.
2. Three material weaknesses relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards." These weaknesses are described in the accompanying schedule of findings and questioned costs as items II.A.2019-001, II.A.2019-002 and II.A.2019-003.
3. There were no instances of noncompliance material to the financial statements of **Johnsonburg Area School District** reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards."
4. A single audit in accordance with the Uniform Guidance was not required during the fiscal year ended June 30, 2019, as the District's expenditures of federal awards were below \$750,000.

**JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2019

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording taxes receivable and applicable deferred inflows of resources, subsidy receivables and revenue, accrued expenses, accounts payable and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

Effect: AU-C Section 265, entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements. Lastly, the District considers such assistance provided by the auditors to be the most cost effective in preparing such information.

2019-002 Segregation of Duties

Year ended June 30, 2019

Condition and Criteria: Although there is a limited number of personnel in the business office, we noted that different functions within the cash receipts, cash disbursements and payroll cycles, along with the preparation of bank reconciliations are not properly segregated.

Effect: A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the District. Generally, assigning different individuals the responsibilities of authorizing transactions, recording transactions, and maintaining the custody of the related assets reduces the opportunities for any individual to both perpetrate and conceal errors or fraud in the normal course of business.

II. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2019-002 Segregation of Duties (continued)

Year ended June 30, 2019 (continued)

Auditor's recommendation: We recognize that the District has attempted to mitigate the lack of segregation of duties by having other individuals perform certain ancillary duties of record-keeping including: opening the mail; signing of checks; distribution of payroll and vendor checks; and bank reconciliations. These duties could be enhanced by having the individual responsible for the preparation of bank reconciliations compare the reconciled bank balances to the District's general ledger software on a monthly basis, as currently reconciliations are compared against manual worksheets. In addition, we recommend that the individual responsible for opening mail also maintain a cash receipts log, with someone independent of the cash receipts function reconciling the log to the general ledger and bank statements at certain times during the year. For mitigating controls over the District's payroll, the District should consider having the Superintendent review a monthly change report showing any changes in pay rates or employees. Finally, for controls over cash disbursements, the Board should account for the sequence of checks for each disbursement register to ensure that all checks are being reviewed. In addition a report should be generated that documents any new vendors added to the payable module. This report could be approved monthly by the Superintendent.

District's Response: The District understands the importance of having strong segregation of duties and will attempt to separate certain responsibilities as outlined above.

2019-003 Capital Assets

Year ended June 30, 2019

Condition and Criteria: Under the governmental financial reporting model of GASB No. 34, capital assets of the District are to be reported in the government-wide financial statements at historical cost. The District presently does not maintain a schedule of capital asset acquisitions, historical cost, depreciation, or disposal.

Cause and Effect: Without detailed records of capital assets, the District has reported capital assets based on estimates of annual depreciation expense.

Auditor's Recommendation: The District should obtain an appraisal of capital assets for financial statement reporting purposes. In addition, annual updates of the appraisal should be performed to account for additions, disposals, and annual depreciation expense.

District's Response: A fixed asset inventory has been conducted by a third party, however their report was not available during the audit.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2019

No findings related to compliance and other matters are being reported upon during the fiscal year ended June 30, 2019.

I. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2018

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2019, identified as finding 2019-001.

2018-002 Segregation of Duties

Year ended June 30, 2018

Summary of Prior Year Finding: We noted that only a few individuals are primarily responsible for the record keeping and financial reporting functions, including cash receipts, cash disbursements, and payroll functions. A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the District.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2019, identified as finding 2019-002.

2018-003 Capital Assets

Year ended June 30, 2018

Summary of Prior Year Finding: Under the governmental financial reporting model of GASB No. 34, capital assets of the District are to be reported in the government-wide financial statements at historical cost. The District presently does not maintain a schedule of capital asset acquisitions, historical cost, depreciation, or disposal.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2019, identified as finding 2019-003.



**To the President and Members of
The Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

To the Board Members and Administration:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2019 and have issued our reports thereon dated December 12, 2019. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles in the United States of America for governments and school districts located in the Commonwealth of Pennsylvania. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Johnsonburg Area School District* for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a summary of additional comments which we desire to bring to the Board and Administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. In addition, attached to this letter is a summary of revenue and expense comparisons and analysis of fund equity for the school years ended June 30, 2015 through June 30, 2019.

We have reviewed the financial statements extensively with the Superintendent and the Business Manager. These individuals have a good understanding of the financial condition of the District as well as the comments expressed in our annual report. We have enjoyed working with the District and wish to thank all of the staff who have assisted us during our audit.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 12, 2019**

JOHNSONBURG AREA SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Revenue and other sources					
Tax revenue	\$ 2,629	\$ 2,575	\$ 2,483	\$ 2,462	\$ 2,425
Other local sources	385	187	218	254	247
State aid	7,612	7,778	7,801	7,704	7,553
Federal aid	26	260	185	183	198
	<u>10,652</u>	<u>10,800</u>	<u>10,687</u>	<u>10,603</u>	<u>10,423</u>
Expenditures and other uses					
Instruction	5,660	6,065	6,167	6,057	6,339
Administration	843	829	1,028	986	987
Other support services	2,703	2,645	2,695	2,681	2,651
Noninstructional services	296	279	274	254	271
Facilities acquisition and construction	84	60	90	20	413
Debt service	-	556	546	838	827
All other	-	30	29	-	1
	<u>9,586</u>	<u>10,464</u>	<u>10,829</u>	<u>10,836</u>	<u>11,489</u>
Excess (deficiency) of revenue over expenditures	1,066	336	(142)	(233)	(1,066)
Fund equity					
Beginning of year	1,444	1,108	1,250	1,584	2,650
Prior period adjustments	-	-	-	(101)	-
End of year	<u>\$ 2,510</u>	<u>\$ 1,444</u>	<u>\$ 1,108</u>	<u>\$ 1,250</u>	<u>\$ 1,584</u>

**JOHNSONBURG AREA SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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Below are comments that were made during prior year audits and are continuing to be made:

Prioritization of Audit Recommendations

Within this management letter and audit report, recommendations to improve internal controls within the District and reduce risk have been identified. We are cognizant, that many of these initiatives require time commitments and realize it is not feasible for the District to immediately dedicate resources to address all of these areas of concern. The District should consider developing a written plan or matrix that prioritizes and schedules these areas as to when each would be addressed. This plan should take into consideration the District resources, both financial and personnel available to address these issues, along with the level of potential risk. The various auditors of the District may be able to provide assistance in developing this prioritization. The prioritization should receive input from the Board who would be responsible for oversight and monitoring to ensure the initiatives are being addressed in accordance with targets.

Monthly Review of Balance Sheet Accounts

During the audit, significant adjusting journal entries were proposed by the auditors and recorded by the District. The majority of these entries involved adjusting significant balance sheet accounts including, receivables, prepaid expenses, accounts payable and accrued expenses. We recommend that the Business Manager perform a detailed review of the balance sheet on a monthly basis. This review should consist of comparing balance sheet accounts levels with that recorded in the prior month and prior year-end. In addition, the District should consider maintaining a binder each month that includes documentation that substantiates specific balance sheet account. Had the District performed a similar review during 2019 in all likelihood, a significant amount of the adjusting journal entries recorded would have been detected by the District and corrected in a timely fashion.

PSERS Reconciliation

During the audit we noted a large service adjustment was included on the November 2018 retirement statement in the amount of approximately \$80,000. It is our understanding that this was due to an error when inputting a service adjustment into the PSERS's retirement system. Subsequent to year end an adjustment was made to correct the error. Also, we noted that the October 2018 retirement withholding reports have not yet been submitted to PSERS totaling approximately \$52,000. Because these reports were not submitted the PSERS subsidy revenue has not been received. We recommend the District consider having someone independent of the payroll clerk review the monthly PSERS statements for accuracy and reconcile to the District's accounting records.

Future Governmental Accounting Standards

GASB 84 – Fiduciary Activities

In 2017, the Government Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2020. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including extraclassroom activities. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

GASB 87 – Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2021. The primary objective of this new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases). We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

**JOHNSONBURG AREA SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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Every Student Succeeds Act Reporting

As part of a Federal mandate, school districts will be required to report per-pupil expenditure data at the school level as mandated by the Every Student Succeeds Act (ESSA). The new ESSA financial requirements include reporting money spend on staff compared with other expenses at the school and the levels of federal, state, and local funding provided to each school building. Because of these new reporting models we recommend that the District continue to review any new guidance and seek opportunities to attend future educational seminars if they arise.

Delinquent Tax Collections Reconciliation

Although the District currently reconciles current year tax collections received from its tax collectors as compared to that turned over to Elk County for collections, the District does not reconcile delinquent taxes outstanding on a regular basis. We recommend that the District implement a process whereby delinquent taxes outstanding are reconciled with Elk County's records on a regular basis throughout the year.

Student Activities

Point of sale records

We noted several instances within the extraclassroom activity funds where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer. In additions, we recommend that gross margins for each fundraising activity be maintained and closely scrutinized by the treasurer with any deviances from that expected being immediately investigated. The gross margin analysis serves the purpose of determining whether actual profits are in line with estimated profits, along with determining whether the fundraiser was ultimately successful.

Enhanced documentation

During our audit in the prior year, we provided the District with a packet of information related to Student Activity Funds which included samples of purchase requisition forms, payment orders, treasurer's receipts, profit and loss statements and fundraising approval forms. The District should consider utilizing these forms in conjunction with the forms already utilized to enhance the documentation maintained in the Student Activity funds.

Check Signers

Currently all checks are signed electronically by utilizing a signature plate and include three signatures two of which do not perform a review of the disbursement listing prior to the checks being issued. The purpose of multiple signatures on checks is to enhance controls over cash disbursements so that checks are not authorized without proper approval. Since no review is being performed by these individuals the control in place does not serve its purpose. The District should either evaluate the necessity of having three signatures on each check or have the two individuals currently not involved in the process receive information that could be reviewed and provide authorization to attach their signatures to the check.