

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SINGLE AUDIT REPORT**  
**ORWIGSBURG, PENNSYLVANIA**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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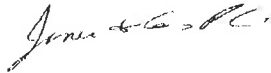
**Board of School Directors**  
**Blue Mountain School District**  
**Orwigsburg, Pennsylvania**

We have performed the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Blue Mountain School District for the year ended June 30, 2018. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than nine months after the year end (March 31, 2019).

The Single Audit was done to fulfill the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance). It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; (3) a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

When filing the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.



November 08, 2018  
Pottsville, Pennsylvania

**BLUE MOUNTAIN SCHOOL DISTRICT**

**LIST OF REPORT DISTRIBUTION**

**JUNE 30, 2018**

- |   |   |
|---|---|
| 1 Single Audit Report,<br>Data Collection Form and<br>Single Audit Reporting<br>Package Checklist | Must be submitted Via Electronic Mail (E-mail)<br>Commonwealth of Pennsylvania<br>Office of the Budget - Bureau of Audits,<br>Special Audit Services Division<br><a href="mailto:RA-BOASingleAudit@state.pa.us">RA-BOASingleAudit@state.pa.us</a> |
| 1 Single Audit Report and<br>Data Collection Form   | Federal Audit Clearinghouse<br>Via Internet Website<br><a href="http://www.harvester.census.gov/sac">www.harvester.census.gov/sac</a>   |
| 1 Single Audit Report   | Schuylkill Intermediate Unit #29<br>Box 130, Second Floor<br>Marlin, PA 17951   |
| 1 Single Audit Report   | Prothonotary Office<br>Schuylkill County Courthouse<br>401 North Second Street<br>Pottsville, PA 17901  |

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**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Blue Mountain School District  
Orwigsburg, Pennsylvania

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

### **Change in Accounting Principles**

As described in Note 10 to the financial statements, in 2018, the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-20 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*

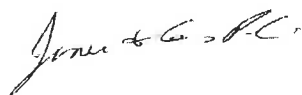
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Mountain School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S.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

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

The schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions, District's proportionate share of the NET OPEB Liability and the schedule of the District's contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 08, 2018, on our consideration of the Blue Mountain School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Blue Mountain School District's internal control over financial reporting and compliance.



November 08, 2018  
Pottsville, Pennsylvania

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**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**

Board of School Directors  
Blue Mountain School District  
Orwigsburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Blue Mountain School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Blue Mountain School District's basic financial statements, and have issued our report thereon dated November 08, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



November 08, 2018  
Pottsville, Pennsylvania



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

Board of School Directors  
Blue Mountain School District  
Orwigsburg, Pennsylvania

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

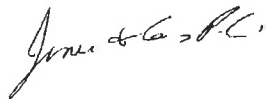
## Report on Internal Control over Compliance

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

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

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

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



November 08, 2018  
Pottsville, Pennsylvania

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

The discussion and analysis of Blue Mountain School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. The discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

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

### FINANCIAL HIGHLIGHTS

- Net assets decreased by \$13,376,205, which includes a loss of \$1,724,215 along with a prior period adjustment of 11,651,990 to adjust OPEB liability at 7/1/2017. Program revenues accounted for \$8,960,291 or 21.09% of total revenues, and general revenues accounted for \$33,516,037 or 78.91%.
- The Board did not increase Real Estate or Occupation Assessment Taxes for the 2017/2018 fiscal year. The district showed a decrease of \$422,791 or 1.83% over the prior year's tax revenues.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District. The first two statements are **District-wide financial statements** that provide both short-term and long-term information about the District's overall financial status. The remaining statements are **fund financial statements** that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The governmental funds statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

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

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

**District-wide Statements**

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

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

In the District-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities** – Most of the District's basic services are included here, such as regular and special education, operation and maintenance of plant services, transportation and administration. Property taxes and state aid formula finance most of these activities.
- **Business-type activities** – The District charges fees to cover the cost of certain services it provides. The District's food service is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and 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. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds:

- **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 can readily be converted into cash inflows and outflows and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to 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 long-term focus of the District-wide statements, we provide additional information with the governmental funds statements to explain the relationship between them.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District uses internal service funds to report activities, which provide services to the District's other programs and activities. The District currently has one internal service fund for health and welfare benefits.

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net assets.** The District's combined net assets were less on June 30, 2018 when compared to the prior fiscal year. Total net position decreased 27.23% during the year from \$(49,146,327) to \$(62,528,280) on June 30, 2018. (See Table A-1.)

**Table A-1  
Blue Mountain School District  
Fiscal Year Ended June 30, 2018  
Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$20,689,340	\$19,528,647	\$658,921	\$651,152	\$21,348,261	\$20,179,799
Capital assets	39,067,082	38,286,440	30,881	26,651	39,097,963	\$38,313,091
Deferred Outflows	(345,625)	(184,932)	0	0	(345,625)	(184,932)
Pension Obligation	5,125,000	2,243,000	0	0	5,125,000	2,243,000
<b>Total Assets</b>	<b>\$64,535,797</b>	<b>\$59,873,155</b>	<b>\$689,802</b>	<b>\$677,803</b>	<b>\$65,225,599</b>	<b>\$60,550,958</b>
Long-term debt outstanding	106,359,399	114,562,382	33,205	29,201	106,392,604	114,591,583
Other Liabilities	7,821,555	8,155,135	148,104	143,283	7,969,659	8,298,418
Deferred Inflows	0	177,000	9,663	12,237	9,663	189,237
<b>Total Liabilities</b>	<b>\$114,180,954</b>	<b>\$122,894,517</b>	<b>\$190,972</b>	<b>\$184,721</b>	<b>\$114,371,926</b>	<b>\$123,079,238</b>
Invested in capital assets, net of related debt	2,128,441	3,792,376	30,880	26,651	2,159,321	3,819,027
Restricted for Capital Projects	0	0	0	0	0	0
Unrestricted (deficit)	(51,773,598)	(66,813,738)	467,950	466,431	(51,305,648)	(66,347,307)
<b>Total Net Position</b>	<b>\$(49,645,157)</b>	<b>\$(63,021,362)</b>	<b>\$498,830</b>	<b>\$493,082</b>	<b>\$(49,146,327)</b>	<b>(62,528,280)</b>

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

**Table A-2**  
**Blue Mountain School District**  
**Fiscal Year Ended June 30, 2018**  
**Statement of Activities**

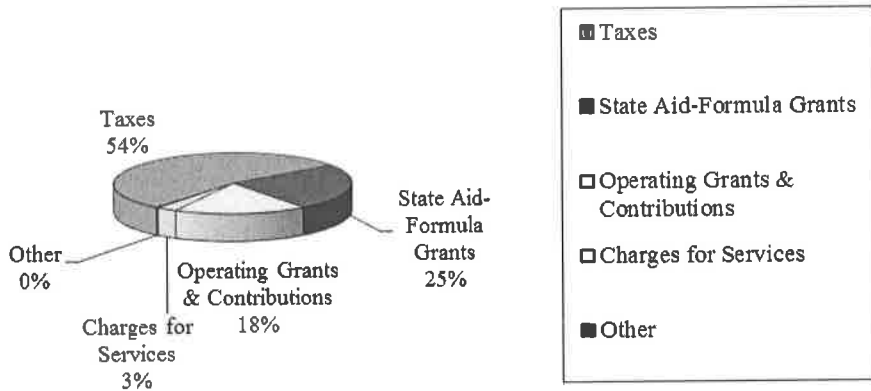
	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>Revenues</b>						
Program Revenues						
Charges for services	\$395,216	\$384,709	\$774,612	\$747,455	\$ 1,169,828	\$ 1,132,164
Operating, Capital grants and contributions	7,132,981	7,274,250	523,371	553,877	\$ 7,656,352	\$ 7,828,127
General Revenues						
Property taxes and other taxes levied for general purposes	23,156,370	22,733,579	0	0	23,156,370	22,733,579
State formula aid	10,481,871	10,500,781	0	0	10,481,871	10,500,781
Investment Income	53,411	218,927	398	4,565	53,809	223,492
Other	30,266	(30,321)	73,720	88,506	103,986	58,185
Transfer	0	0	0	0	0	0
<b>Total Revenues</b>	<b>\$ 41,250,115</b>	<b>41,081,925</b>	<b>\$1,372,101</b>	<b>\$1,394,403</b>	<b>\$42,622,216</b>	<b>\$42,476,328</b>
<b>Expenses</b>						
Instruction	25,314,222	25,854,094	0	0	25,314,222	25,854,094
Instructional student support	2,555,486	2,442,047	0	0	2,555,486	2,442,047
Administration	5,265,450	5,785,585	0	0	5,265,450	5,785,585
Operation and maintenance of plant services	3,681,853	3,498,033	0	0	3,681,853	3,498,033
Pupil Transportation	2,355,822	2,483,488	0	0	2,355,822	2,483,488
Student Activities	887,594	847,066	0	0	887,594	847,066
Community Services	306,872	324,518	0	0	306,872	324,518
Facilities, Construction and Improvements	0	568,022				568,022
Interest	1,410,548	1,003,287	0	0	1,410,548	1,003,287
Food Service	0	0	1,329,437	1,400,151	1,329,437	1,400,151
Transfer	0	0	0	0	0	0
<b>Total Expenses</b>	<b>\$41,777,847</b>	<b>42,806,140</b>	<b>\$1,329,437</b>	<b>\$1,400,151</b>	<b>\$43,107,284</b>	<b>\$44,206,291</b>
<b>Increase (Decrease) in net assets</b>	<b>\$(527,732)</b>	<b>\$(1,724,215)</b>	<b>\$42,664</b>	<b>\$(5,748)</b>	<b>\$(485,068)</b>	<b>\$(1,729,963)</b>

**Statement of Activities.** The District's total revenues were \$42,476,328 for the year ended June 30, 2018. (See Table A-2.) Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$22,733,579 or 53.52% of total revenues. Another 24.72% or \$10,500,781 came from state formula aid, which includes basic education and student transportation subsidies. Approximately 18.43% or \$7,828,127 came from operating grants and contributions, with the remainder of \$1,413,841 or 3.33% coming from fees charged for services and other miscellaneous sources. The total cost of all programs and services was \$44,206,291. (See Table A-2). The majority of the District's costs in the amount of \$28,296,141 or 64.01% were directly related to instruction. Student support services (transportation, food service, student activities) accounted for \$4,730,705 or 10.70%. The remaining costs of \$11,179,445 or 25.29% included administration, operation and maintenance of plant services, community services, and interest.

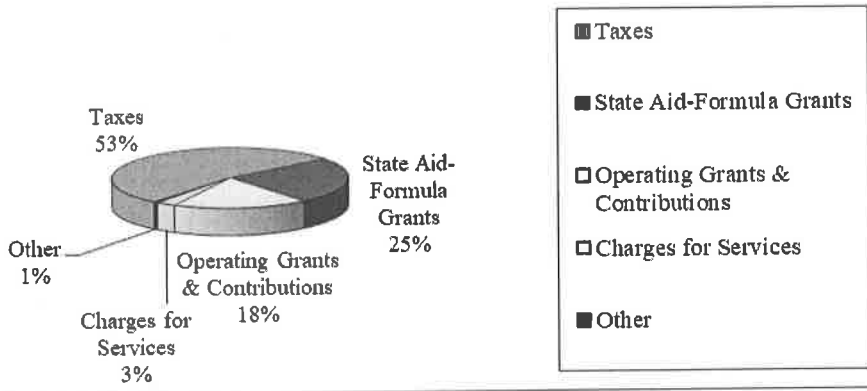
BLUE MOUNTAIN SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
 FOR THE YEAR ENDED JUNE 30, 2018

Total expenditures exceeded revenue, decreasing net assets by \$1,729,963.

**Figure A-4 Sources of Blue Mountain School District Revenues for Fiscal Year 2017**

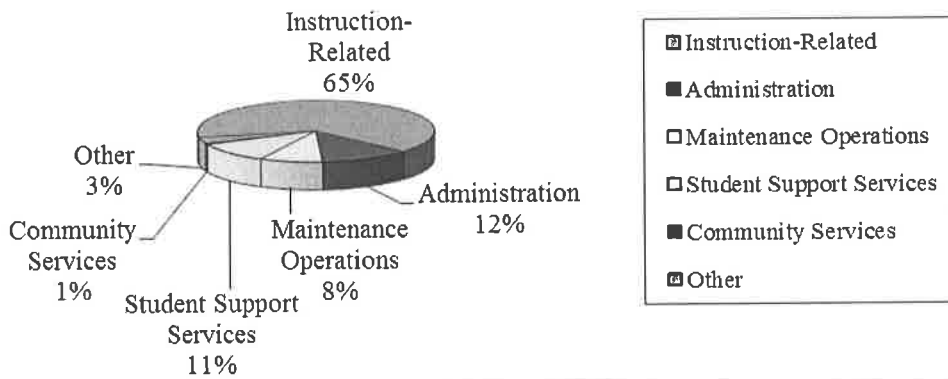


**Figure A-4 Sources of Blue Mountain School District Revenues for Fiscal Year 2018**

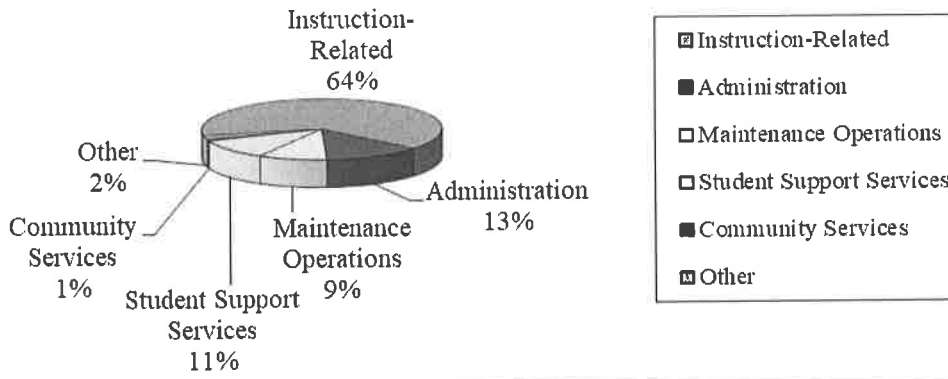


BLUE MOUNTAIN SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
 FOR THE YEAR ENDED JUNE 30, 2018

**Figure A-6 Blue Mountain School District Expenses for Fiscal Year 2017**



**Figure A-6 Blue Mountain School District Expenses for Fiscal Year 2018**





BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

The cost of all District activities was \$44,206,291. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$1,132,164).
- Federal and state governments subsidized certain programs with grants and contributions (\$7,828,127).
- Most of the District's costs (\$33,516,037), however, were paid for by District taxpayers and taxpayers of our state.
  - This portion of governmental activities was paid for with \$22,733,579 in taxes, \$10,500,781 of state aid based on the statewide education aid formula and with investment earnings and other general revenues.

Total Cost of Services for the District increased by 2.55% while the Net cost of Services increased by 2.81%.

**Blue Mountain School District  
Fiscal Year Ended June 30, 2018  
Net Cost of Activities**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2018	2017-2018	2017	2018	2017-2018
Instruction	\$25,314,222	\$25,854,094	2.13%	\$21,351,089	\$21,772,634	1.97%
Instructional Student Support	2,555,486	2,442,047	(4.44)%	2,176,941	2,038,428	(6.36)%
Administration	5,265,450	5,785,585	9.88%	4,909,797	5,396,523	9.91%
Operation and maintenance of plant services	3,681,853	3,498,033	(4.99)%	3,450,172	3,246,999	(5.89)%
Pupil transportation	2,355,822	2,483,488	5.42%	696,022	825,133	18.55%
Student activities	887,594	847,066	(4.57)%	616,615	567,467	(7.97)%
Community services	306,872	324,518	5.75%	279,712	324,518	16.02%
Interest	1,410,548	1,003,287	(28.87)%	769,302	407,457	(47.04)%
Food service	1,329,437	1,400,151	5.32%	31,454	98,819	2.14%
Facilities, Construction & Improvements	0	568,022	100%	0	568,022	100%
	<b>\$43,107,284</b>	<b>\$44,206,291</b>	<b>2.55%</b>	<b>\$34,281,104</b>	<b>\$35,246,000</b>	<b>2.81%</b>

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$9,831,923, a decrease of \$743,207 from the prior year. The schedule below summarizes the fund balances and the total change in fund balances as of June 30, 2017 and 2018:

	Fund Balance 6/30/2017	Fund Balance 6/30/2018	Increase (Decrease)
General	\$ 8,567,101	\$ 8,198,389	\$(368,712)
Capital Projects	7,461	7,556	95
Capital Reserve	1,741,092	1,621,544	(119,548)
Special Revenue	255,098	0	(255,098)
Debt Service	4,378	4,434	56
<b>Total</b>	<b>\$ 10,575,130</b>	<b>\$ 9,831,923</b>	<b>\$ (743,207)</b>

**GENERAL FUND**

The following schedule provides a summary of General Fund revenues and other financing sources:

	Year Ended 6/30/2017	Year Ended 6/30/2018	Increase (Decrease)	% Change
Local Sources				
Taxes	\$22,733,000	\$23,417,878	\$684,878	3.01%
Interest	41,485	197,782	156,297	376.76%
Other	972,545	11,046,508	10,073,963	1035.84%
State Sources	16,417,801	16,643,244	225,443	1.37%
Federal Sources	639,013	582,821	(56,192)	8.79%
<b>Total Revenue</b>	<b>40,803,844</b>	<b>51,888,233</b>	<b>11,084,389</b>	<b>27.17%</b>

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

General Fund revenue increased by \$11,084,389 or 27.17%, from the previous year. Overall, tax collections have increased \$684,878 or 3.01%. Real estate tax revenue increased \$206,703 or 1.21%. There was an increase in the earned income tax collection from the prior year in the amount of \$39,186 or 1.54%. The occupation assessment tax remained the same at \$230 and income from this tax increased by \$7,047 or .45% from the prior year.

Revenues from state sources represent an increase of \$225,443 or 1.37% from the previous year. The Basic education subsidy increased in the amount of \$45,711 or .57%. The Special education subsidy increased in the amount of \$35,999 or 2.30%. As some fixed expenditures increase for the district, the state reimburses school districts for a portion of those costs. The major expenses the state contributes money towards are transportation, which the reimbursement increased by \$8,310 or .51% over the prior year, retirement, which increased by \$302,009 or 11.84% and social security, which decreased by \$40,935 or 5.97%. Transportation revenues are driven by a state formula while social security and retirement are solely reimbursed on the size of the overall payroll. Revenues from federal sources represent a decrease of \$56,192 or 8.79%.

The following schedule presents a summary of General Fund expenditures and other financing uses:

	Year Ended 6/30/2017	Year Ended 6/30/2018	Increase (Decrease)	% Change
Salaries	\$16,278,256	\$16,758,566	\$480,310	2.95%
Employee Benefits	11,321,170	12,119,879	798,709	7.06%
Purchased Services	7,464,879	7,993,438	528,559	7.08%
Supplies, Material, Equipment	1,520,895	1,475,548	(45,347)	(2.98)%
Debt Service	4,023,525	13,780,379	9,756,854	2.42%
Other Expenditures	42,391	129,135	86,744	204.63%
<b>Total Expenditures</b>	<b>40,651,116</b>	<b>52,256,945</b>	<b>11,605,829</b>	<b>28.55%</b>

Total General Fund expenditures increased \$11,605,829 or 28.55% from the previous year. This decrease can be attributed to the fact that no General Obligation Bond refunding was done this year as was the previous year.

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs.

The District's final budget for the General Fund anticipated that expenditures and other financing uses would be \$527,698 greater than revenues and other financing sources, with the balance of revenues to be taken from the unassigned fund balance. Actual results show that expenditures and other financing uses exceeded revenues and other financing sources by \$368,712.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund was established in the 2008/2009 year to account for the proceeds of our \$20,000,000 bond issue which was borrowed to fund the Elementary East building renovation and improvement project.

**CAPITAL ASSETS**

The District invested \$83,868,228 in a broad range of capital assets, including school buildings, computer, and audio-visual equipment. (See Table A-8) Total depreciation expense for the year totaled \$1,680,785.

Table A-8  
Blue Mountain School District  
Fiscal Year Ended June 30, 2018  
Capital Assets

	Governmental		Business-type		Totals		Percentage
	Activities		Activities				Change
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
Land	\$9,396,742	\$9,396,742	\$0	\$0	\$9,396,742	\$9,396,742	0%
Building and Building Improvements	61,659,157	61,783,290	0	0	61,659,157	61,783,290	.20%
Furniture and Equipment	11,912,186	12,688,196	182,045	182,043	12,094,231	12,870,239	6.42%
Less: Accumulated Depreciation	(43,901,003)	(45,581,788)	(151,164)	(155,391)	(44,052,167)	(45,737,179)	3.83%
<b>Total</b>	<b>\$39,067,082</b>	<b>\$38,286,440</b>	<b>\$30,881</b>	<b>\$26,652</b>	<b>\$39,097,963</b>	<b>\$38,313,092</b>	<b>(2.01)%</b>

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

**LONG-TERM LIABILITIES**

At year-end, the District had \$33,998,000 in general obligation bonds, a decrease of 6.98% from last year. (See Table A-9).

The implementation of GASB 45 required the District to account for estimated liabilities for future post employment benefits.

The total of \$12,427,164 represents the difference between the estimated annual cost and the amount paid.

	<u>Totals</u>		<u>% Change</u>	
	<u>2017</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>2017-2018</u>
General Obligation Bonds	\$36,550,000	\$33,998,000	(\$2,552,000)	(6.98)%
Capital Leases	43,017	311,132	268,115	(623.28)%
Compensated Absences	1,010,720	1,162,577	151,857	15.02%
Other Postemployment Benefit Obligation	8,582,680	18,051,844	9,469,164	110.33%
Other Postemployment Benefit Obligation-PSERS	0	2,958,000	2,958,000	100%
Accrued pension obligation	63,036,000	61,143,000	(1,893,000)	(3.00)%
<b>Total</b>	<u>\$109,222,417</u>	<u>\$117,624,553</u>	<u>8,402,136</u>	<u>7.69%</u>

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

The district is experiencing a slower growth phase in the residential housing market due to the economic downturn. The Blue Mountain School District is comprised of nine (9) boroughs and townships and is mainly a residential community with minimal support from commercial/manufacturing development. The infrastructure for development is minimal and thus limits new commercial/manufacturing development opportunities. A demographic and growth pattern and projections of enrollments study by the Pennsylvania Economy League dated November 16, 2007, indicates a slight increase in enrollments over the next five years. Actual trends show a slight decrease in enrollment.

The professional staff’s collective bargaining agreement is in place through June 30, 2018. The service personnel have a collective bargaining agreement through June 30, 2020.

BLUE MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2018

Act 1 continues to pose an additional concern to the financial structure of the District. The administration will continue to monitor its contractual obligations and seek alternative revenue sources for maintaining the financial credibility of the Blue Mountain School District. Residential property tax is the mainstay of the district's tax base and with little hope for increase in state or federal funding more of the tax burden will be placed on the individual property owner. During 2017-2018 Real Estate Taxes comprised 33 percent of revenues collected.

Costs related to the District's contribution to the Pennsylvania School Employees Retirement System (PSERS) started to climb in 2010-2011 and are expected to increase over the next 10 years. Rates increased from 5.64 percent in 2010-2011 to 8.65 percent in 2011-2012, 12.36 percent in 2012-2013, 16.93 percent for 2013-2014, 21.40 percent for 2014-2015, 25.84 percent for 2015-2016, 30.03 percent for 2016-2017 and 32.57 for 2017-2018.

Rates are projected to increase annually every year until 2025-2026. This increase will have a major effect on the District's expenditures.

In 2011-2012 the District implemented a self-insured health plan. Self-insured health costs are difficult to forecast. To smooth the impact of these increases and decreases in costs, the District established a health insurance trust.

The District will continue to face budget challenges as federal, state and local revenue sources are projected to remain stagnant or decline.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information please contact Angel Green, Business Administrator, at the Blue Mountain School District, 685 Red Dale Road, Orwigsburg, Pennsylvania 17961, (570)-366-0515.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION (DEFICIT)**

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 12,705,329	\$ 360,868	\$ 13,066,197
Taxes receivable, net	3,496,719	0	3,496,719
Accounts receivable	16,048	66,429	82,477
Internal balances	52,736	72,625	125,361
Intergovernmental receivables	1,979,385	0	1,979,385
Other receivables	86,363	79,979	166,342
Prepaid expenses	1,192,067	39,134	1,231,201
Inventories	0	32,117	32,117
<b>TOTAL CURRENT ASSETS</b>	<b>19,528,647</b>	<b>651,152</b>	<b>20,179,799</b>
<b>NON-CURRENT ASSETS</b>			
Land	9,396,742	0	9,396,742
Building and improvements (net acc dep)	27,171,065	0	27,171,065
Furniture and equipment (net acc dep)	1,313,120	26,651	1,339,771
Site improvements (net acc dep)	405,513	0	405,513
<b>TOTAL NON-CURRENT ASSETS</b>	<b>38,286,440</b>	<b>26,651</b>	<b>38,313,091</b>
<b>TOTAL ASSETS</b>	<b>57,815,087</b>	<b>677,803</b>	<b>58,492,890</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bond premiums/discounts - net of amortization	(184,932)	0	(184,932)
Pension obligation	2,243,000	0	2,243,000
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,058,068</b>	<b>0</b>	<b>2,058,068</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 59,873,155</b>	<b>\$ 677,803</b>	<b>\$ 60,550,958</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>			
<b>CURRENT LIABILITIES</b>			
Internal balance	\$ 71,955	\$ 52,736	\$ 124,691
Accounts payable	445,297	16,296	461,593
Intergovernmental payables	6,187	0	6,187
Accrued salaries and benefits	2,540,970	38,953	2,579,923
Payroll deductions and withholdings	1,482,189	0	1,482,189
Current portion of long-term debt	3,062,170	0	3,062,170
Accrued interest	338,721	0	338,721
Claims lag	207,646	6,817	214,463
Other current liabilities	0	28,481	28,481
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,155,135</b>	<b>143,283</b>	<b>8,298,418</b>
<b>NON-CURRENT LIABILITIES</b>			
Loan payable	0	4,000	4,000
Bonds payable	31,065,000	0	31,065,000
Lease purchase obligations	181,961	0	181,961
Other postemployment benefit obligations	18,051,844	0	18,051,844
Other postemployment benefit obligations - PSERS	2,958,000	0	2,958,000
Accrued pension obligation	61,143,000	0	61,143,000
Long-term portion of compensated absences	1,162,577	25,201	1,187,778
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>114,562,382</b>	<b>29,201</b>	<b>114,591,583</b>
<b>TOTAL LIABILITIES</b>	<b>122,717,517</b>	<b>172,484</b>	<b>122,890,001</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>177,000</b>	<b>12,237</b>	<b>189,237</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>122,894,517</b>	<b>184,721</b>	<b>123,079,238</b>
<b>NET POSITION (DEFICIT)</b>			
Prior period adjustment	(11,651,990)	0	(11,651,990)
Invested in capital assets, net of related debt	3,792,376	26,651	3,819,027
Unrestricted (Deficit)	(55,161,748)	466,431	(54,695,317)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(63,021,362)</b>	<b>493,082</b>	<b>(62,528,280)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$ 59,873,155</b>	<b>\$ 677,803</b>	<b>\$ 60,550,958</b>

See notes to financial statements  
which are an integral part of this statement.

BLUE MOUNTAIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 25,854,094	\$ 250,353	\$ 3,831,107	\$ 0	\$ (21,772,634)	\$ 0	\$ (21,772,634)
Instructional student support	2,442,047	0	403,619	0	(2,038,428)	0	(2,038,428)
Administrative and financial support services	5,785,585	0	389,062	0	(5,396,523)	0	(5,396,523)
Operation and maintenance of plant services	3,498,033	0	251,034	0	(3,246,999)	0	(3,246,999)
Pupil transportation	2,483,488	0	1,658,355	0	(825,133)	0	(825,133)
Student activities	847,066	134,356	145,243	0	(567,467)	0	(567,467)
Community services	324,518	0	0	0	(324,518)	0	(324,518)
Facilities, construction and improvements	568,022	0	0	0	(568,022)	0	(568,022)
Interest on long-term debt	1,003,287	0	0	595,830	(407,457)	0	(407,457)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>42,806,140</b>	<b>384,709</b>	<b>6,678,420</b>	<b>595,830</b>	<b>(35,147,181)</b>	<b>0</b>	<b>(35,147,181)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food services	1,400,151	747,455	553,877	0	0	(98,819)	(98,819)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>44,206,291</b>	<b>1,132,164</b>	<b>7,232,297</b>	<b>595,830</b>	<b>(35,147,181)</b>	<b>(98,819)</b>	<b>(35,246,000)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>							
Taxes:							
Property taxes, levied for general purposes, net					18,205,515	0	18,205,515
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net					4,528,064	0	4,528,064
Grants, subsidies, and contributions not restricted					10,500,781	0	10,500,781
Investment earnings					218,927	4,565	223,492
Transfers					0	0	0
Miscellaneous					(30,321)	88,506	58,185
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>33,422,966</b>	<b>93,071</b>	<b>33,516,037</b>
<b>CHANGE IN NET ASSETS</b>					<b>(1,724,215)</b>	<b>(5,748)</b>	<b>(1,729,963)</b>
<b>NET POSITION - BEGINNING</b>					<b>(49,645,157)</b>	<b>498,830</b>	<b>(49,146,327)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>					<b>(11,651,990)</b>	<b>0</b>	<b>(11,651,990)</b>
<b>NET POSITION (DEFICIT) - BEGINNING, AS RESTATED</b>					<b>(61,297,147)</b>	<b>498,830</b>	<b>(60,798,317)</b>
<b>NET POSITION (DEFICIT) - ENDING</b>					<b>\$ (63,021,362)</b>	<b>\$ 493,082</b>	<b>\$ (62,528,280)</b>

See notes to financial statements which are an integral part of this statement.



**BLUE MOUNTAIN SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND DEFERRED</b>						
<b>OUTFLOWS OF RESOURCES</b>						
Cash and cash equivalents	\$ 9,766,971	\$ 7,556	\$ 1,620,263	\$ 0	\$ 4,434	\$ 11,399,224
Taxes receivable, net	3,496,719	0	0	0	0	3,496,719
Due from other funds	52,736	0	0	0	0	52,736
Intergovernmental receivables	1,979,385	0	0	0	0	1,979,385
Other receivables	85,082	0	1,281	0	0	86,363
<b>TOTAL ASSETS</b>	<u>15,380,893</u>	<u>7,556</u>	<u>1,621,544</u>	<u>0</u>	<u>4,434</u>	<u>17,014,427</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 15,380,893</u>	<u>\$ 7,556</u>	<u>\$ 1,621,544</u>	<u>\$ 0</u>	<u>\$ 4,434</u>	<u>\$ 17,014,427</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Due to other funds	\$ 71,955	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,955
Intergovernmental payables	6,187	0	0	0	0	6,187
Accounts payable	444,307	0	0	0	0	444,307
Accrued salaries and benefits	2,540,970	0	0	0	0	2,540,970
Payroll deductions and withholdings	1,502,594	0	0	0	0	1,502,594
Deferred revenue	2,616,491	0	0	0	0	2,616,491
<b>TOTAL LIABILITIES</b>	<u>7,182,504</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,182,504</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0	0	0	0
<b>FUND BALANCES</b>						
Committed:						
Athletic fund	26,000	0	0	0	0	26,000
Health care costs	402,083	0	0	0	0	402,083
Retirement	1,600,000	0	0	0	0	1,600,000
Educational programs	300,000	0	0	0	0	300,000
Capital Improvements	1,684,000	0	0	0	0	1,684,000
Restricted:						
Capital projects	0	7,556	0	0	0	7,556
Capital reserve	0	0	1,621,544	0	0	1,621,544
Debt service	0	0	0	0	0	0
Special revenue	0	0	0	0	4,434	4,434
Unassigned	4,186,306	0	0	0	0	4,186,306
<b>TOTAL FUND BALANCES</b>	<u>8,198,389</u>	<u>7,556</u>	<u>1,621,544</u>	<u>0</u>	<u>4,434</u>	<u>9,831,923</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 15,380,893</u>	<u>\$ 7,556</u>	<u>\$ 1,621,544</u>	<u>\$ 0</u>	<u>\$ 4,434</u>	<u>\$ 17,014,427</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (DEFICIT)**

**GOVERNMENTAL FUNDS**

**AS OF JUNE 30, 2018**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 9,831,923
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Cost of capital assets	83,868,228	
Less: accumulated depreciation	<u>(45,581,787)</u>	38,286,441
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.</p>		
Bond payable	(33,998,000)	
Accrued compensated absences	(1,162,577)	
Other postemployment benefit obligation	(18,051,844)	
Other postemployment benefit obligation - PSERS	(2,958,000)	
Deferred outflows (inflows)	2,066,000	
Pension obligation	(61,143,000)	
Capital leases payable	<u>(311,131)</u>	(115,558,552)
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.</p>		
		2,616,491
<p>Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums, discounts, and deferred charges are reported as an unamortized asset or liability in the District-wide financial statements.</p>		
		(184,932)
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>		
		(338,721)
<p>Activities of internal service funds properly included within governmental activities.</p>		
		<u>2,325,988</u>
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>		<b>\$ <u><u>(63,021,362)</u></u></b>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General	Capital Projects	Capital Reserve	Debt Service	Special Revenue	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 24,593,070	\$ 95	\$ 27,654	\$ 0	\$ 56	\$ 24,620,875
State sources	16,643,244	0	0	0	0	16,643,244
Federal sources	582,821	0	0	0	0	582,821
<b>TOTAL REVENUES</b>	<u>41,819,135</u>	<u>95</u>	<u>27,654</u>	<u>0</u>	<u>56</u>	<u>41,846,940</u>
<b>EXPENDITURES</b>						
Instructional	23,350,856	0	0	0	0	23,350,856
Support services	13,460,207	0	12,870	0	0	13,473,077
Operation of non-instructional services	1,139,298	0	0	0	0	1,139,298
Capital outlay	433,689	0	134,332	0	0	568,021
Refund of prior year receipts	92,516	0	0	0	0	92,516
Debt service	13,780,379	0	0	0	0	13,780,379
<b>TOTAL EXPENDITURES</b>	<u>52,256,945</u>	<u>0</u>	<u>147,202</u>	<u>0</u>	<u>0</u>	<u>52,404,147</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(10,437,810)	95	(119,548)	0	56	(10,557,207)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Bond Issuance	9,814,000	0	0	0	0	9,814,000
Transfer from Debt Services Fund	255,098	0	0	(255,098)	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>10,069,098</u>	<u>0</u>	<u>0</u>	<u>(255,098)</u>	<u>0</u>	<u>9,814,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(368,712)</u>	<u>95</u>	<u>(119,548)</u>	<u>(255,098)</u>	<u>56</u>	<u>(743,207)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>8,567,101</u>	<u>7,461</u>	<u>1,741,092</u>	<u>255,098</u>	<u>4,378</u>	<u>10,575,130</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 8,198,389</u>	<u>\$ 7,556</u>	<u>\$ 1,621,544</u>	<u>\$ 0</u>	<u>\$ 4,434</u>	<u>\$ 9,831,923</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (743,207)</b>
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(780,642)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,444,579
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(16,523)
Because some property taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the governmental funds.	(672,500)
Postemployment benefits are recognized when they are paid on the fund statements. With the implementation of GASB #45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.	(1,941,174)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(151,857)
An internal service fund is used by the District's management to charge the cost of health insurance to the individual funds. The net revenue of the internal service fund is recognized in governmental activities.	<u>137,109</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(1,724,215)</u></b>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 24,198,155	\$ 24,199,155	\$ 24,593,070	\$ 393,915
State sources	16,377,104	16,377,104	16,643,244	266,140
Federal sources	535,949	535,949	582,821	46,872
<b>TOTAL REVENUES</b>	<u>41,111,208</u>	<u>41,112,208</u>	<u>41,819,135</u>	<u>706,927</u>
<b>EXPENDITURES</b>				
Regular programs	15,673,352	15,563,942	15,748,932	(184,990)
Special programs	5,706,258	5,709,643	5,875,333	(165,690)
Vocational programs	1,635,675	1,644,432	1,702,286	(57,854)
Other instructional programs	10,899	11,800	21,995	(10,195)
Non-public school programs	0	0	2,310	(2,310)
Pupil personnel services	1,625,738	1,626,348	1,549,414	76,934
Instructional staff services	659,816	688,416	712,243	(23,827)
Administrative services	2,543,580	2,542,210	2,699,372	(157,162)
Pupil health	778,286	777,192	795,905	(18,713)
Business services	512,818	512,818	512,476	342
Operation and maintenance of plant services	3,778,833	3,775,833	3,414,962	360,871
Student transportation services	2,352,197	2,397,197	2,479,655	(82,458)
Central and other support services	1,106,750	1,184,351	1,296,180	(111,829)
Student activities	833,411	833,431	822,369	11,062
Community services	299,102	299,102	316,929	(17,827)
Building Acquis & Construction Services	0	0	3,945	(3,945)
Existing Building Improvement Services	0	0	429,744	(429,744)
Debt service (principal and interest)	4,073,191	4,073,191	13,872,895	(9,799,704)
<b>TOTAL EXPENDITURES</b>	<u>41,589,906</u>	<u>41,639,906</u>	<u>52,256,945</u>	<u>(10,617,039)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(478,698)	(527,698)	(10,437,810)	(9,910,112)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bond Issuance	0	0	9,814,000	9,814,000
Transfer from Debt Services Fund	0	0	255,098	255,098
Sale of or Compensation for Loss of Fixed Assets	1,000	0	0	0
Budgetary reserve	(50,000)	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(49,000)</u>	<u>0</u>	<u>10,069,098</u>	<u>10,069,098</u>
<b>NET CHANGE IN FUND BALANCES</b>	(527,698)	(527,698)	(368,712)	158,986
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,654,666</u>	<u>7,654,666</u>	<u>8,567,101</u>	<u>912,435</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,126,968</u>	<u>\$ 7,126,968</u>	<u>\$ 8,198,389</u>	<u>\$ 1,071,421</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Food Service</u>	<u>Internal Service</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 317,990	\$ 1,348,982
Due from other funds	71,955	21,075
Other receivables	145,880	16,575
Prepaid expenses	0	1,231,201
Inventories	32,117	0
<b>TOTAL CURRENT ASSETS</b>	<u>567,942</u>	<u>2,617,833</u>
<b>NON-CURRENT ASSETS</b>		
Furniture and equipment (net)	26,652	0
<b>TOTAL NON-CURRENT ASSETS</b>	<u>26,652</u>	<u>0</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 594,594</u>	<u>\$ 2,617,833</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,264	\$ 1,022
Compensated absences	25,201	0
Prepaid meals	28,481	0
Due to other funds	56,736	0
Claims lag	0	214,463
Accrued salaries and benefits	38,953	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>165,635</u>	<u>215,485</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenues	12,237	0
<b>NET POSITION</b>		
Invested in capital assets - net of related debt	26,652	0
Restricted for legal purposes	0	2,402,348
Unrestricted	390,070	0
<b>TOTAL NET POSITION</b>	<u>416,722</u>	<u>2,402,348</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 594,594</u>	<u>\$ 2,617,833</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Food Service</u>	<u>Internal Service</u>
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 747,455	\$ 0
Charges for services	0	5,017,285
Other operating revenues	<u>88,507</u>	<u>0</u>
<b>TOTAL OPERATING REVENUES</b>	<u>835,962</u>	<u>5,017,285</u>
 <b>OPERATING EXPENSES</b>		
Salaries	361,055	0
Employee Benefits	298,319	4,887,024
Purchased professional and technical services	608,860	19,314
Purchased property services	25,720	0
Supplies	88,496	0
Depreciation	4,229	0
Other operating expenses	<u>3,403</u>	<u>0</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,390,082</u>	<u>4,906,338</u>
 <b>OPERATING INCOME (LOSS)</b>	 (554,120)	 110,947
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Earnings on investments	4,565	16,092
State sources	37,033	0
Federal sources	<u>516,844</u>	<u>0</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>558,442</u>	<u>16,092</u>
 <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	 4,322	 127,039
 <b>CONTRIBUTIONS AND TRANSFERS</b>	 <u>0</u>	 <u>0</u>
 <b>CHANGE IN NET ASSETS</b>	 4,322	 127,039
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>412,400</u>	 <u>2,275,309</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 416,722</u>	 <u>\$ 2,402,348</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Food Service</u>	<u>Internal Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from users	\$ 613,222	\$ 4,891,622
Cash received from other operating revenue	88,507	0
Cash payments to employees for service	(654,282)	0
Cash payments for insurance	0	(4,883,772)
Cash payments to suppliers for goods and services	(668,694)	0
Cash payments for other operating expenses	(3,403)	(19,314)
<b>NET CASH PROVIDED (USED FOR) OPERATING ACTIVITIES</b>	<u>(624,650)</u>	<u>(11,464)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State sources	37,033	0
Federal sources	516,844	0
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>553,877</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	4,565	16,092
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(66,208)	4,628
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>384,198</u>	<u>1,344,354</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ <u>317,990</u>	\$ <u>1,348,982</u>
<b>OPERATING INCOME (LOSS)</b>	\$ (554,120)	\$ 110,947
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Changes in current assets and current liabilities		
Depreciation and net amortization	4,229	0
(Increase) Decrease in accounts receivable	(136,807)	(110,939)
(Increase) Decrease in advance from other funds	76,327	(14,724)
(Increase) Decrease in inventories	(9,242)	0
Increase (Decrease) in accounts payable	594	3,252
Increase (Decrease) in accrued salaries and benefits	5,096	0
Increase (Decrease) in deferred revenue	2,574	0
Increase (Decrease) in other current liabilities	(536)	0
Increase (Decrease) in advances to other funds	(12,765)	0
<b>TOTAL ADJUSTMENTS</b>	<u>(70,530)</u>	<u>(122,411)</u>
<b>TOTAL CASH PROVIDED (USED FOR) OPERATING ACTIVITIES</b>	\$ <u>(624,650)</u>	\$ <u>(11,464)</u>

See notes to financial statements  
which are an integral part of this statement.



BLUE MOUNTAIN SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 157,545	\$ 6,183
	<u>157,545</u>	<u>6,183</u>
<b>TOTAL ASSETS</b>	157,545	6,183
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ <u>157,545</u>	\$ <u>6,183</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 0	\$ 250
Other current liabilities	<u>157,545</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	157,545	250
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0
<b>NET POSITION</b>		
Unrestricted	<u>0</u>	<u>5,933</u>
<b>TOTAL NET POSITION</b>	0	5,933
	<u>0</u>	<u>5,933</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ <u>157,545</u>	\$ <u>6,183</u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Investment income	\$ 77
<b>TOTAL ADDITIONS</b>	<u>77</u>
<b>DEDUCTIONS</b>	
Scholarship expense in accordance with trust agreements	250
<b>TOTAL DEDUCTIONS</b>	<u>250</u>
<b>CHANGE IN NET POSITION</b>	<u>(173)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,106</u>
<b>NET POSITION - END OF YEAR</b>	\$ <u><u>5,933</u></u>

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Blue Mountain School District (the "District") is governed by the Blue Mountain School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds.

The District has implemented the provisions of Statement No. 34 as well as other new standards related to note disclosure, non-exchange transactions and certain liabilities and expenditures.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**REPORTING ENTITY**

As required by GAAP, these financial statements present the District and its component unit, Blue Mountain Insurance Trust Employee Benefit Plan, for which the District is considered to be financially accountable. The District is not a component unit of any other primary government.

The Blue Mountain Insurance Trust Employee Benefit Plan is a nonprofit organization established to provide health and welfare benefits to active and retired District employees. The Insurance Trust exclusively services the District, and is presented as an internal service fund of the District.

**BASIS OF PRESENTATION**

*District-wide statements* - The statement of net assets and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**BASIS OF PRESENTATION - continued**

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

*Fund Financial Statements* - The fund financial 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**BASIS OF PRESENTATION - continued**

The District reports the following major governmental funds:

**General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Capital Reserve Fund** - The Capital Reserve Fund is used to account for maintenance of facilities, capital improvements, replacement and additions to public works and improvements, purchase of school buses, and for debt service incurred for capital improvements.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports the following major proprietary fund types:

**Food Service Fund** - The Food Service Fund is used to account for all financial transactions related to the food service operation.

**Internal Service Fund** - The District has a single internal service fund, which accounts for the activities of the District's health and welfare benefits.

Other fund types:

**Agency Funds** - These funds account for assets held by the District as an agent for various student groups and clubs.

**Private Purpose Trust Fund** - These funds account for assets held by the District as an agent for an outside party, who has placed restrictions on the use of the fund's assets.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**BASIS OF PRESENTATION - continued**

Additionally, the District reports the following non-major governmental fund:

**Debt Service Fund** - The Debt Service Fund accounts for accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**BASIS OF ACCOUNTING**

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take 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.

Governmental funds 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 they are collected within sixty days after year-end. 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 liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**BUDGETING**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations, however, with proper approval by the school board, budgetary transfers between account can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

**DEPOSITS AND INVESTMENTS**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

**TAXES ASSESSED**

The following is a listing of the taxes assessed along with their respective tax levy:

Tax Type	Millage/Rate	Assessed Valuation
Real Estate - Schuylkill County	37.254	\$ 18,296,569
Occupation Tax - Act 511	\$230.00/person	3,264,850
<b>Total Assessed Valuation</b>		<b>\$ 21,561,419</b>



**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**TAXES ASSESSED - continued**

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	November 1 to December 31
Delinquent date	December 31

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. An allowance has been established to recognize the uncollectible portion.

**INVENTORY**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the fund based financial statements, commodities received are recorded as deferred revenue until consumed.

**CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**CAPITAL ASSETS - continued**

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

<u>Description</u>	<u>Useful Life</u>
Land	Not Depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

**COMPENSATED ABSENCES**

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method, which has no current maximum per employee. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical. The District also records estimated vested retirement incentives for employees.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**RESTRICTED ASSETS**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the District-wide financial statements.

**FUND EQUITY**

In the fund financial statements, governmental funds report fund balance in accordance with GASB No. 54 (See Note 9).

**NET ASSETS**

Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

**OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS**

During the year ended June 30, 2018, the District adopted the provisions of GASB Statement No. 74, "*Financial Reporting for Postemployment Benefits Plan other than Pension Plan*" and GASB Statement No. 75, "*Accounting and Financial Reporting for Post Employment Benefits Other than Pensions.*" This statement provides the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. For the purpose of the financial statements, GASB Statement No. 75 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. Accordingly, the District's net OPEB obligation for 2018 was reported on the statement of net assets.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to:

Deposit in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

At June 30, 2018, the carrying amount of the District's deposits was \$13,229,724. and the bank balance was \$13,712,110. Of the bank balance, \$250,000. was covered by federal depository insurance coverage, and \$13,462,110. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - CAPITAL ASSETS:**

A summary of capital asset activity during the fiscal year follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Net Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Governmental Activities:</b>			
Capital Assets, Not Being Depreciated			
Land	\$ 9,396,742	\$ 0	\$ 9,396,742
Total Capital Assets, Not Being Depreciated	<u>9,396,742</u>	<u>0</u>	<u>9,396,742</u>
Capital Assets, Being Depreciated:			
Buildings and Improvements	58,270,194	124,133	58,394,327
Site Improvements	3,388,963	0	3,388,963
Furniture and Equipment	11,912,186	776,010	12,688,196
Total Capital Assets, Being Depreciated	<u>73,571,343</u>	<u>900,143</u>	<u>74,471,486</u>
Accumulated Depreciation For			
Buildings and Improvements	(29,929,353)	(1,293,909)	(31,223,262)
Site Improvements	(2,885,796)	(97,654)	(2,983,450)
Furniture and Equipment	(11,085,854)	(289,222)	(11,375,076)
Total Accumulated Depreciation	<u>(43,901,003)</u>	<u>(1,680,785)</u>	<u>(45,581,788)</u>
Total Depreciable Assets, Net	<u>29,670,340</u>	<u>(780,642)</u>	<u>28,889,698</u>
<b>Governmental Activities - Capital Assets, Net</b>	<u>\$ 39,067,082</u>	<u>\$ (780,642)</u>	<u>\$ 38,286,440</u>
<b>Business-Type Activities:</b>			
Furniture/Equipment	\$ 182,046	0	\$ 182,046
Less: Accumulated Depreciation	<u>(151,165)</u>	<u>(4,229)</u>	<u>(155,394)</u>
<b>Business-Type Activities - Capital Assets, Net</b>	<u>\$ 30,881</u>	<u>\$ (4,229)</u>	<u>\$ 26,652</u>

Depreciation expense was charged to functions of the District as follows:

Instructional	\$ 1,033,394
Instructional Student Support	355,059
Administration	41,272
Operation and Maintenance of Plant Services	201,783
Total Depreciation Expense	<u>\$ 1,631,508</u>

BLUE MOUNTAIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - GENERAL LONG-TERM DEBT:

A summary of general long-term debt is as follows:

	Accrued Absences	Other Post Employment Benefits	Capital Leases	General Obligation Bond Series of 2012	General Obligation Bond Series of 2013	General Obligation Bond Series of 2013A	General Obligation Bond Series of 2014A	General Obligation Bond Series of 2014AA	General Obligation Bond Series of 2015	General Obligation Bond Series of 2017	Total
Balance - July 1, 2017	\$ 1,010,719	\$ 8,582,680	\$ 43,017	\$ 9,635,000	\$ 1,210,000	\$ 680,000	\$ 1,715,000	\$ 9,855,000	\$ 13,455,000	\$ 0	\$ 46,186,416
Additions	151,857	9,469,164	535,036	0	0	0	0	0	0	9,814,000	19,970,057
Reductions	0	0	(266,921)	0	(1,210,000)	(5,000)	(675,000)	(5,000)	(825,000)	(11,000)	(2,997,921)
Reductions - Refinancing	0	0	0	(9,635,000)	0	0	0	0	0	0	(9,635,000)
Balance - June 30, 2018	\$ 1,162,576	\$ 18,051,844	\$ 311,132	\$ 0	\$ 0	\$ 675,000	\$ 1,040,000	\$ 9,850,000	\$ 12,630,000	\$ 9,803,000	\$ 53,523,552
Due Within One Year	\$ 0	\$ 0	\$ 129,170	\$ 0	\$ 0	\$ 5,000	\$ 1,040,000	\$ 5,000	\$ 1,745,000	\$ 138,000	\$ 3,062,170

A summary of general long-term debt, principal maturities, and interest requirements follows:

Year Ending June 30,	Capital Leases	General Obligation Bond Series of 2012	General Obligation Bond Series of 2013	General Obligation Bond Series of 2013A	General Obligation Bond Series of 2014A	General Obligation Bond Series of 2014AA	General Obligation Bond Series of 2015	General Obligation Bond Series of 2017	Total
2019	\$ 142,941	\$ 0	\$ 0	\$ 22,031	\$ 1,060,800	\$ 280,619	\$ 2,294,600	\$ 378,430	\$ 4,179,421
2020	142,941	0	0	21,906	1,060,800	280,519	3,410,600	381,935	5,298,701
2021	49,095	0	0	21,781	0	280,419	3,414,125	379,341	4,144,761
2022	0	0	0	21,656	0	310,019	3,400,750	376,722	4,109,147
2023	0	0	0	546,531	0	393,394	1,634,875	379,017	2,953,817
2024-2028	0	0	0	128,281	0	10,274,659	0	9,733,585	20,136,525
2029-2033	334,977	0	0	0	0	0	0	284,200	284,200
Total	(23,845)	0	0	762,187	2,121,600	11,819,629	14,154,950	11,913,230	41,106,572
Less: Interest	311,132	0	0	(87,187)	(20,800)	(1,969,629)	(1,524,950)	(2,110,230)	(5,736,641)
Outstanding Principal	\$ 311,132	\$ 0	\$ 0	\$ 675,000	\$ 2,100,800	\$ 9,850,000	\$ 12,630,000	\$ 9,803,000	\$ 35,369,931

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 - CHANGES IN LONG-TERM DEBT – continued**

**GENERAL OBLIGATION BONDS – SERIES OF 2013A**

During February 2013, the District issued General Obligation Bonds in the amount of \$700,000. The Bonds were issued to finance renovations and improvements to the Elementary West and other capital improvements. The Bonds carry interest ranging from 1.45% to 2.62% and mature in various yearly installments until 2024.

**GENERAL OBLIGATION BONDS – SERIES OF 2014A**

During February 2014, the District issued General Obligation Bonds in the amount of \$3,690,000. The Bonds were issued to refund the District's General Obligation Bonds Series AA of 2009. The Bonds carry interest ranging from 0.35% to 2.00% and mature in various yearly installments until 2019.

**GENERAL OBLIGATION BONDS – SERIES OF 2014AA**

During April 2014, the District issued General Obligation Bonds in the amount of \$9,865,000. The Bonds were issued to partially refund the District's General Obligation Bonds Series A of 2009. The Bonds carry interest ranging from 2.00% to 3.00% and mature in various yearly installments until 2025

**GENERAL OBLIGATION BONDS – SERIES OF 2015**

During July 2015, the District issued General Obligation Bonds in the amount of \$14,365,000. The Bonds were issued to refund the District's General Obligation Bonds Series of 2005, the General Obligation Bonds Series A of 2009, the General Obligation Bonds Series of 2010. The Bonds carry interest ranging from .30% to 5.00% and mature in various yearly installments until 2022.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 - CHANGES IN LONG-TERM DEBT – continued**

**GENERAL OBLIGATION BONDS – SERIES OF 2017**

During July 2017, the District issued General Obligation Bonds in the amount of \$9,814,000. The Bonds were issued to refund the District's General Obligation Bonds Series of 2012 and the General Obligation Bonds Series of 2013. The Bonds carry interest shall be fixed at 2.47% for a period of approximately seven (7) years, ending July 15, 2024. After the initial fixed interest rate period, the rate shall be reset at 67% of the Wall Street Journal Prime Rate (or its equivalent).

**COMPENSATED ABSENCES**

Compensated absences at June 30, 2018, consist of the following:

	Long-Term Debt	Food Service	Total
Retirement Incentive	\$ 313,000	\$ 7,500	\$ 320,500
Sick Leave/Personal Days	503,671	17,701	521,372
Vacation	320,705	0	320,705
<b>Total</b>	<b>\$ 1,137,376</b>	<b>\$ 25,201</b>	<b>\$ 1,162,577</b>



**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 - RISK MANAGEMENT AND LITIGATION:**

This District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains coverage from commercial insurance companies to cover these risks of loss.

On November 1, 1981, the District established the Blue Mountain Insurance Trust Employee Benefit Plan (the "Trust") for the purpose of providing health and welfare benefits to active and retired District employees. The District has combined the Trust as a component unit and recorded its results of operation on Internal Service Fund. Interfund premiums have been reported as quasi-external transaction.

**FUTURE LIABILITY**

The District, along with the participating districts of the Schuylkill Vocational Education Center, will be responsible for a portion of a liability due to another sending school district based on an overpayment made by the member district. At the time of this report, the total amount due for all districts is \$128,873.28 as of June 30, 2018. The District was responsible for approximately 15.448% of 2017-2018 costs and approximately 15.989% of 2018-2019 costs. The remaining portion due will be paid over three years and will be calculated based on the sending school districts' enrollment.

**GRANT PROGRAMS**

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT**

**PLAN DESCRIPTION**

The Blue Mountain School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

**FUNDING POLICY**

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts and benefit plans. Plan members are required to pay \$100. per month towards the premium for medical, drugs, dental, and vision. The District pays the remaining premium for the member and remaining premium for member and spouse for those under Act 93 Agreement. The District also pays the full premium for life insurance in varying amounts. The length of benefits coverage ranges from five years or from date of retirement to age 65.

For 2017, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$822,331. for 2018. These costs are recognized as an expense when claims or premiums are paid.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT-continued**

**Plan Membership**

Inactive plan member or beneficiaries currently receiving benefits	36
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>331</u>
	<u>367</u>
	=====

**Components of the net OPEB liability**

Total OPEB liability	\$ 18,051,844.
Plan fiduciary net position	<u>0.</u>
Net OPEB liability	<u>\$ 18,051,844.</u>
	=====

Plan fiduciary net position of the total OPEB liability 0.00%

**Sensitivity of the Net OPEB liability to changes in the discount rate**

	<u>1% Decrease 2.00%</u>	<u>Current Discount Rate 3.00%</u>	<u>1% Increase 4.00%</u>
Net OPEB liability (asset)	\$ 19,864,130	\$ 18,051,844	\$ 16,402,238

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates**

	<u>1% Decrease 5.00% decreasing to 4.00%</u>	<u>Current Healthcare cost Trend Rates 6.00% decreasing to 5.00%</u>	<u>1.00% Increase 7.00% decreasing to 6.00%</u>
Net OPEB liability (asset)	\$ 16,145,702	\$ 18,051,844	\$ 20,334,476

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT-continued**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2017 actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 10% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 20 years.

**NOTE 7 – OPERATING LEASES:**

The District leases copiers and mailing system under various operating leases. The total monthly lease payments are for a five year term with leases beginning January 2008 through June 2023. The District has the option to purchase the copiers for fair market value, determined by the lessor, at the end of the lease or the option to continue the lease on a month to month basis, or return the equipment.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7 – OPERATING LEASES - continued**

The future minimum rental payments are as follows:

Year Ending June 30,	Amount
2019	\$ 88,305
2020	70,668
2021	70,668
2022	68,874
2023	11,180
<b>Total</b>	<b>\$ <u>309,695</u></b>

Rental expenses for all operating leases for the year ended June 30, 2018 was \$88,653.

**NOTE 8 - GASB STATEMENT NO. 54:**

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are as follows:

**Nonspendable** – Amounts that cannot be spend because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

**Restricted** – Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

**Committed** – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

**Assigned** – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8 - GASB STATEMENT NO. 54 – continued**

**Unassigned** – Residual amounts available for any purpose not contained in other classifications.

The District assigned fund balance is fund balance reporting occurring by the School Board Administration Authority, under the direction of the Business Manager.

**ORDER OF FUND BALANCE SPENDING POLICY**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, nonspendable fund balances are determined. Then, restricted fund balances for the nongeneral funds are classified as restricted fund balance.

It is possible for the nongeneral funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the nongeneral fund.

**BALANCE SHEET - GOVERNMENTAL FUNDS**

	<b>JUNE 30, 2018</b>						Total
	<u>General</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Governmental Funds</u>
<b>EQUITY</b>							
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0
Restricted	0	7,556	1,621,544	0	4,434		1,633,534
Committed	2,328,083	0	0	0	0		2,328,083
Assigned for	0	0	0	0	0		0
Unassigned	5,870,306	0	0	0	0		5,870,306
<b>TOTAL FUND BALANCE</b>	<u>\$ 8,198,389</u>	<u>\$ 7,556</u>	<u>\$ 1,621,544</u>	<u>\$ 0</u>	<u>\$ 4,434</u>		<u>\$ 9,831,923</u>

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 9 - RELATED ORGANIZATIONS:**

Not included in the School's District financial statements are any Parent-Teacher Associations (PTA), Parent-Teacher Organizations (PTO) and athletic and band booster clubs. These agencies provide services to students and employees of the School District, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School District. The School District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

**NOTE 10 - PRIOR PERIOD ADJUSTMENT:**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 – Financial Reporting for Postemployment Benefits Plan other than Pension Plans and Statement No. 75 – Accounting and Financial Reporting For Postemployment Benefits other than pension. These statements are intended to improve accounting and financial reporting by state and local governments for other Postemployment Benefits. It also improves information provided by state and local governmental employers about financial support for other Postemployment Benefits provided by other entities. This statement replaces the requirements of Statement 45 Accounting and Financial Reporting by employer for Postemployment Benefits other than pension.

The District adopted Statement No. 74 and Statement No. 75 effective July 1, 2017.

The effects of the change in accounting was to decrease the beginning net position and increase the Net OPEB liability by \$11,651,990.

**NOTE 11 – PENSION:**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**PENSIONS**

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION - continued**

***General Information about the Pension Plan***

**PLAN DESCRIPTION**

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

**BENEFITS PROVIDED**

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

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



**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION – 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 6.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

Members who joined the System after June 30, 2011, automatically contributed at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elected Class T-F membership, contribute at 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

**Employer Contributions:**

The school district's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,735,000. for the year ended June 30, 2017.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION - continued**

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

At June 30, 2018, the District reported a liability of \$61,143,000. for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District proportion was .1238%, which was a decrease of .0034% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$989,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ 638,000	\$ 369,000
Changes in Assumptions	1,661,000	0
Net Difference Between Projected and Actual Investment Earnings	1,417,000	0
Changes in Proportion	763,000	1,867,000
Difference Between Employer Contributions and Proportionate Share of Total Contributions	0	0
Contributions Subsequent to the Measurement Date	0	0
	<u>\$ 4,479,000</u>	<u>\$ 2,236,000</u>

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS  
OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED  
TO PENSIONS – continued***

\$4,479,000. reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2018	\$	209,000
2019		1,551,000
2020		991,000
2021		(508,000)
<b>Total Deferred Outflows/ Inflows of Resources</b>	<b>\$</b>	<b>2,243,000</b>

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

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION - continued**

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – continued***

ACTUARIAL ASSUMPTIONS – continued

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk party	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.00%	1.1%
	<u>100%</u>	

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – PENSION - continued**

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

**SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 75,262,000	\$ 61,143,000	\$ 49,223,000

**PENSION PLAN FIDUCIARY NET POSITION**

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS)**

**1. Summary of Significant Accounting Policies**

Other Postemployment Benefits

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

***General Information about the Health Insurance Premium Assistance Program***

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

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](http://www.psers.pa.gov).

Benefits provided

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

Employer Contributions:

The school districts’ contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$137,000 for the year ended June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$2,522,000. for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District’s proportion was .1238% percent, which was a decrease of .0034% from its proportion measured as of June 30, 2017.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred  
Inflows of Resources Related to OPEB- continued**

For the year ended June 30, 2018, the District recognized OPEB expense of \$395,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	117,000
Net difference between projected and actual investment earnings	0	0
Changes in proportion	3,000	63,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
<b>Total All Funds</b>	<u>\$ 3,000</u>	<u>\$ 180,000</u>

\$3,000. 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>June 30,</u>	<u>Amount</u>
2018	\$ (29,000)
2019	(29,000)
2020	(29,000)
2021	(30,000)
2022	(30,000)
Thereafter	<u>(30,000)</u>
<b>Total Deferred Outflows/ Inflows of Resources</b>	<u>\$ (177,000)</u>



**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSERS) - continued**

**3. Actuarial Assumptions**

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

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

The following assumptions were used to determine the contribution rate:

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSRES) - continued**

**3. Actuarial Assumptions - continued**

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	76.4%	0.6%
Fixed Income	23.6%	1.5%
	100.0%	

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

Discount rate

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

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’  
RETIREMENT SYSTEM (PSRES) - continued**

**3. Actuarial Assumptions - continued**

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 2,522,000	\$ 2,522,000	\$ 2,523,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 2,867,000	\$ 2,522,000	\$ 2,236,000

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](http://www.psers.pa.gov).

# **SUPPLEMENTAL INFORMATION**

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**A. SUMMARY OF AUDIT RESULTS**

1. Auditor's report expresses an unqualified opinion on the financial statements of the Blue Mountain School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Blue Mountain School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Blue Mountain School District expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for Blue Mountain School District.
7. The programs tested as major programs were as follows:

IDEA PART B	84.027
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8. The threshold for distinguishing types A and B Programs was \$750,000.
9. The Blue Mountain School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:**

None

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grants* Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue June 30, 2017	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2018
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed Through State Department of Education: E.S.E.A. Title I - Improving Basic Programs	(I)	84.010	013-18-0042	\$ 329,947	07-01-17/09-30-18	\$ 283,094	\$ 0	\$ 314,481	\$ 314,481	\$ 31,387
E.S.E.A. Title II - Improving Teacher Quality	(I)	84.367	020-18-0042	76,270	07-01-17/09-30-18	54,556	0	51,183	51,183	(3,373)
E.S.E.A. Title III - Improving Teacher Quality	(I)	84.424	144-18-0042	10,000	07-01-17/09-30-18	4,286	0	8,777	8,777	4,491
Title IV - Student Support and Academic Enrichment										
Passed Through Schuykill I.U. #29:										
IDEA - B	(I)	84.027	62-110029	441,986	07-01-17/06-30-18	441,986	0	441,986	441,986	0
IDEA - Section 619	(I)	84.173	62-110029	7,380	07-01-17/06-30-18	7,380	0	7,380	7,380	0
<b>TOTAL DEPARTMENT OF EDUCATION</b>				865,583		791,302	0	823,807	823,807	32,505
Passed Through Schuykill I.U. #1 Dyslexia and Early Intervention Pilot	(I)	84.027	62-15-0-032	20,000	07-01-17/06-30-18	15,477	0	16,283	16,283	806
<b>TOTAL DEPARTMENT OF EDUCATION</b>				20,000		15,477	0	16,283	16,283	806
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
Passed Through State Department of Welfare: Medical Assistance Reimbursement for Administration	(I)	93.778	044-00-7042	14,216	07-01-17/06-30-18	4,809	0	14,216	14,216	9,407
<b>TOTAL DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>				14,216		4,809	0	14,216	14,216	9,407
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Passed Through State Department of Education: Regular/Needy Breakfast	(I)	10.553	129-54-080-3	40,130	07-01-16/06-30-17	842	842	0	0	0
Regular/Needy Breakfast	(S)	10.553	129-54-080-3	49,732	07-01-17/06-30-18	42,230	0	49,732	49,732	7,502
Regular/Needy Breakfast	(S)	N/A	129-54-080-3	3,392	07-01-16/06-30-17	67	67	0	0	0
Regular/Needy Breakfast	(S)	N/A	129-54-080-3	3,949	07-01-17/06-30-18	3,373	0	3,949	3,949	576
National School Lunch	(I)	10.555	129-54-080-3	370,903	07-01-16/06-30-17	7,525	7,525	0	0	0
National School Lunch	(I)	10.555	129-54-080-3	385,107	07-01-17/06-30-18	332,039	0	385,107	385,107	53,068
National School Lunch	(S)	N/A	129-54-080-3	32,858	07-01-16/06-30-17	640	640	0	0	0
National School Lunch	(S)	N/A	129-54-080-3	33,084	07-01-17/06-30-18	28,521	0	33,084	33,084	4,563
Passed Through State Department of Agriculture: Value of USDA Commodities	(I)	10.555	129-54-080-3	82,005	07-01-17/06-30-18	84,579	(9,663)	82,005	82,005	(12,237)
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>				1,001,160		499,816	(589)	553,877	553,877	53,472
<b>SUB-TOTAL</b>				1,900,959		1,311,404	(589)	1,408,183	1,408,183	96,190
<b>STATE AWARD EXPENDITURES</b>				36,250		707	707	0	0	0
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				\$ 1,864,709		\$ 1,310,697	(1,296)	\$ 1,408,183	\$ 1,408,183	\$ 96,190

Source Code Legend:  
(I) Indicates indirect federal financial assistance funding.  
(S) Indicates State matching funding.

Other Code Legend:  
(A) Indicates value of USDA commodities received in current year.  
(B) Indicates beginning inventory value of USDA commodities.  
(C) Indicates value of USDA commodities used in current year.  
(D) Indicates ending inventory value of USDA commodities.

See notes to financial statements  
which are an integral part of this report.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**NOTE 2 - COMMODITIES:**

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)</b>				
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)</b>	\$ 61,143,000	\$ 63,036,000	\$ 54,057,000	\$ 49,080,000
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996	\$ 16,475,021	\$ 16,052,348	\$ 15,818,808
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	370.90%	382.61%	336.75%	310.25%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	51.84%	50.14%	54.30%	52.24%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.



**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ 4,735,000	\$ 4,047,000	\$ 3,222,000	\$ 2,470,000
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>4,735,000</u>	<u>4,047,000</u>	<u>3,222,000</u>	<u>(2,470,000)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996	\$ 16,475,021	\$ 16,052,348	\$ 15,818,808
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	28.72%	24.56%	20.07%	15.61%

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**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OPEB- PSERS LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	June 30, 2016
<b>DISTRICT'S PROPORTION OF THE NET OPEB- PSERS LIABILITY (ASSET)</b>		
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET)</b>	\$ 2,522,000	\$ 2,740,000
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996	\$ 16,475,021
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	15.30%	16.63%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB - PSERS LIABILITY</b>	N/A	N/A

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See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB PSERS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ <u>137,000</u>
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>137,000</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ <u><u>0</u></u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	0.83%

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**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)</b>		
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)</b>	\$ 18,051,844	\$ 17,494,670
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996	\$ 16,475,021
<b>DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL</b>	109.50%	106.19%
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See notes to financial statements  
which are an integral part of this statement.

**BLUE MOUNTAIN SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017
<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	\$ <u>N/A</u>
<b>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<u>N/A</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ <u><u>0</u></u>
<b>DISTRICT'S COVERED-EMPLOYEE PAYROLL</b>	\$ 16,484,996
<b>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented

See note to financial statements  
which are an integral part of this statement.