

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017

LEWISBURG AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2017

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Lewisburg Area School District
Lewisburg, 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 Lewisburg Area School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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 District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Harrisburg	Philadelphia	Pittsburgh	Greensburg
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103	210 Tollgate Hill Road Greensburg, PA 15601 724.834.2151 Fax 724.834.5969

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Board of School Directors
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Adoptions of New Governmental Accounting Standards Board's

As described in Note 1 to the financial statements, in 2017 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", Statement No. 77, "*Tax Abatement Disclosures*", Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*", and certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". Our opinion is not modified in respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the statement of revenues, expenditures, and changes in fund balance budget and actual – General Fund, the schedule of funding progress for postemployment benefits other than pensions, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – pension plan on pages 4 through 12 and pages 53 through 56 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

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Board of School Directors
Lewisburg Area School District
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
November 10, 2017

Management Discussion and Analysis for the
Fiscal Year Ended June 30, 2017
(Unaudited)

The discussion and analysis of Lewisburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review any notes to the financial statements to enhance their understanding of the School District's financial performance. Please note there may be slight differences to the audited financial statements due to rounding.

Financial Highlights

Key financial highlights for 2016-17 are as follows:

The Net Change in the Fund Balance for Governmental Funds decreased by \$10,106,043. Total Governmental Fund revenues were \$37,148,828 compared to expenditures in the amount of \$47,991,832, and other net financing sources in the amount of \$736,961.

General fund revenues were \$37,860,094, consisting of 66.8% local revenue, 29.8% state revenue, 1.4% federal revenues, and 2.0% Other Revenue. Other revenue funds include the Food Service Fund with revenues of \$824,452.

The School District had \$37,683,983 in general fund expenses. Debt service expenditures included within the general fund were \$2,886,830 or 7.7% of the total expenses.

The district's fund balance includes reserves established by Board policy at an amount equal to a minimum of 6% of the district's budgeted expenses, in addition to compensated absences, and post-retirement benefits. Any excess surplus above this criteria is used as a fund balance transfer in the next year's budget to eliminate or to have a minimum tax increase or to the district Capital Reserve Fund.

Using the Annual Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lewisburg Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the

short-term as well as what remains for future spending. The fund financial statements also looks at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Lewisburg Area School District, the general fund is by far the most significant fund. Please note the amounts in the Management Discussion and Analysis Financial Statements may vary slightly from the financial statements found later due to rounding of amounts.

Reporting the School District as a Whole

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016-2017?" These statements include all assets and liabilities using the accrual basis of accounting for expenses and modified accrual basis for revenues, which is similar to the accounting methods used by most private-sector companies.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. The School District's major funds are the general fund and capital reserve fund.

General Fund – The general fund accounts for all financial resources of the district except those that are specifically required by law to be accounted for in another fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. The general fund information will help you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Capital Projects Fund – Accounts for financial resources to acquire or construct major capital facilities. All fund proceeds for Capital Projects should be accounted for in this fund. The sale of general obligation bonds is the most common source of revenue. Capital Reserve Funds are included as part of the Capital Projects Fund.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities. This fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the expenses of providing the goods or services are recovered through fees and user charges rather than taxes. The district Food Service Fund is considered a proprietary fund and should operate as self-funded with no support from local taxpayers.

Fiduciary Funds – Account for funds held by the district purely in a trustee capacity. The district currently is trustee of the A C Slifer Fund that is used to support and enhance the High School rose garden and any other shrubs that may enhance the landscaping of the district. The district also maintains several other scholarships funds. Student Activity Funds that are controlled by various student organizations and funded by student fundraisers are displayed as agency type funds.

Lewisburg Area School District
Balance Sheet - Governmental Funds
Year Ending June 30

	<u>2017</u>			<u>2016</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Cash Equivalents	\$ 7,722,985	\$ 2,821,827	\$ 10,544,812	\$ 7,296,140	\$ 15,170,437	\$ 22,466,577
Investments	-	-	-	-	-	-
Taxes Receivable (Net)	1,704,750	-	1,704,750	1,324,533	-	1,324,533
Due from Other Governments	913,132	-	913,132	670,371	-	670,371
Due from Other Funds	849	1,000,000	1,000,849	821	500,000	500,821
Other Receivables	28,314	-	28,314	6,598	-	6,598
Prepaid Expenses	6,600	-	6,600	11,428	-	11,428
Total Assets	\$ 10,376,631	\$ 3,821,827	\$ 14,198,458	\$ 9,309,892	\$ 15,670,437	\$ 24,980,329
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 274,843	\$ 34,541	\$ 309,384	\$ 361,009	\$ 1,600,996	\$ 1,962,005
Accrued Salaries and Benefits	2,325,905	-	2,325,905	2,235,360	-	2,235,360
Due to Other Funds	1,041,338	-	1,041,338	534,249	-	534,249
Unearned Revenue	396,916	-	396,916	17,758	-	17,758
Total Liabilities	\$ 4,039,003	\$ 34,541	\$ 4,073,544	\$ 3,148,377	\$ 1,600,996	\$ 4,749,372
Fund Balances						
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Capital Projects	-	1,384,407	1,384,407	-	12,342,894	12,342,894
Committed for Capital Projects	-	-	-	-	-	-
Non Spendable Fund Balance	6,600	-	6,600	11,428	-	11,428
Assigned For:						
Future Pension Costs	2,551,178	-	2,551,178	2,370,238	-	2,370,238
Tax Appeals	250,000	-	250,000	250,000	-	250,000
Capital Projects	1,000,000	2,402,880	3,402,880	1,000,000	1,726,547	2,726,547
Unassigned	2,529,850	-	2,529,850	2,529,850	-	2,529,850
Total Fund Balances	\$ 6,337,628	\$ 3,787,286	\$ 10,124,914	\$ 6,161,516	\$ 14,069,441	\$ 20,230,957
Total Liabilities and Fund Balances	\$ 10,376,631	\$ 3,821,827	\$ 14,198,458	\$ 9,309,892	\$ 15,670,437	\$ 24,980,329

Lewisburg Area School District
Statement of Activities
Fiscal Year Ending June 30th

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES						
Program Revenues						
Charge for Services	\$ 330,001	\$ 426,818	\$ 756,819	\$ 317,058	\$ 420,070	\$ 737,128
Operating Grants & Contributions	8,617,263	392,013	9,009,275	4,974,080	388,969	5,363,050
General Revenues						
Property Taxes	16,908,312	-	16,908,312	16,484,047	-	16,484,047
Other Taxes	7,935,941	-	7,935,941	7,173,859	-	7,173,859
Grants, Subsidies and Contributions	3,537,169	-	3,537,169	3,288,841	-	3,288,841
Investment Earnings	84,472	2,657	87,129	111,634	2,568	114,202
Interfund Transfer	(2,964)	2,964	-	(744)	744	-
Gain / (Loss) on Disposal	(1,096,885)	(2,286)	(1,099,171)	8,116	-	8,116
Other	872,511	-	872,511	186,541	1,094	187,635
TOTAL REVENUES	\$ 37,185,820	\$ 822,166	\$ 38,007,985	\$ 32,543,432	\$ 813,444	\$ 33,356,876
EXPENSES						
Instructional	\$ 21,997,702	\$ -	\$ 21,997,702	\$ 21,027,622	\$ -	\$ 21,027,622
Instructional Student Support	5,116,978	-	5,116,978	3,008,145	-	3,008,145
Administration & Financial Support	2,276,541	-	2,276,541	2,127,717	-	2,127,717
Operations & Maintenance of Plant	2,674,646	-	2,674,646	2,425,461	-	2,425,461
Pupil Transportation	1,287,720	-	1,287,720	1,216,457	-	1,216,457
Student Activities	927,071	-	927,071	842,535	-	842,535
Community Services	186,694	-	186,694	145,237	-	145,237
Facilities Improvements	-	-	-	-	-	-
Interest & Financial Charges	1,542,280	-	1,542,280	1,796,557	-	1,796,557
Food Service	-	847,680	847,680	-	814,333	814,333
TOTAL EXPENSES	\$ 36,009,632	\$ 847,680	\$ 36,857,312	\$ 32,589,732	\$ 814,333	\$ 33,404,065
Change in Net Position	\$ 1,176,188	\$ (25,515)	\$ 1,150,673	\$ (46,300)	\$ (889)	\$ (47,189)
Net Position - July 1, 2016	\$ (29,567,543)	\$ 533,885		\$ (29,521,243)	\$ 534,774	
Restatement of July 1, 2016 Position *	\$ (124,074)	\$ 455,599		\$ -	\$ -	
Net Position - June 30, 2017	\$ (28,515,429)	\$ 963,969		\$ (29,567,543)	\$ 533,885	

* See Note 16 on Restatement of Net Position

Lewisburg Area School District
Statement of Revenues, Expenditures and Fund Balances
For the Year Ending June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 25,304,227	\$ 28,658	\$ 25,332,885
State Sources	11,287,548	-	11,287,548
Federal Sources	528,394	-	528,394
Total Revenues	\$ 37,120,169	\$ 28,658	\$ 37,148,828
Expenditures			
Instruction	\$ 19,295,159	\$ 81,848	\$ 19,377,007
Support Services	9,933,059	47,397	9,980,456
Operation of Noninstructional Services	1,055,616	-	1,055,616
Facilities Acquisition, Construction and Improvement	-	13,858,713	13,858,713
Debt Service / Refund of Prior Year Receipts	2,888,281	831,759	3,720,040
Total Expenditures	\$ 33,172,115	\$ 14,819,717	\$ 47,991,832
Excess of Revenues Over (Under) Expenditures	\$ 3,948,055	\$ (14,791,059)	\$ (10,843,004)
Other Financing Sources (Uses)			
Interfund Transfers	\$ (4,511,868)	\$ 4,508,904	\$ (2,964)
Sale / Compensation for Capital Assets	739,925	-	739,925
Bonds Issued	-	-	-
Total Other Financing Sources (Uses)	\$ (3,771,943)	\$ 4,508,904	\$ 736,961
Net Change in Fund Balances	\$ 176,112	\$ (10,282,155)	\$ (10,106,043)
Fund Balance - July 1, 2016	6,161,515	14,069,441	20,230,957
Fund Balance - June 30, 2017	\$ 6,337,627	\$ 3,787,287	\$ 10,124,914

Lewisburg Area School District
Statement of Net Position
Year Ending June 30, 2017

Assets	Governmental	Business-Type	Total
	Activities	Activities	
Current Assets			
Cash and Cash Equivalents	\$ 10,544,812	\$ 509,474	\$ 11,054,286
Taxes Receivable (Net)	1,704,750	-	1,704,750
Due from Other Governments	913,132	9,806	922,938
Other Receivables	28,314	-	28,314
Internal Balance	(40,489)	40,489	-
Prepaid Expenses	6,600	-	6,600
Inventories	-	15,157	15,157
Total Current Assets	\$ 13,157,120	\$ 574,925	\$ 13,732,045
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	\$ 461,022	\$ -	\$ 461,022
Building and Building Improvements	42,165,868	-	42,165,868
Furniture and Equipment	1,174,443	428,554	1,602,997
Total Noncurrent Assets	\$ 43,801,333	\$ 428,554	\$ 44,229,887
Total Assets	\$ 56,958,453	\$ 1,003,479	\$ 57,961,932
Deferred Outflow of Resources			
Deferred Amounts Related to Pensions	9,276,873	-	9,276,873
Total Deferred Outflow of Resources	9,276,873	-	9,276,873
Liabilities			
Current Liabilities			
Accounts Payable	\$ 309,384	\$ 4,865	\$ 314,249
Current Portion of Long-Term Debt	1,270,000	-	1,270,000
Accrued Salaries and Benefits	2,325,905	-	2,325,905
Other Current Liabilities	570,839	24,154	594,993
Unearned Revenue	-	-	-
Total Current Liabilities	\$ 4,476,129	\$ 29,018	\$ 4,505,147
Non-Current Liabilities			
Bonds and Notes Payable	\$ 38,580,799	\$ -	\$ 38,580,799
Other Post-Employment Benefits	1,194,327	-	1,194,327
Long-Term Portion of Comp. Absences	293,501	10,492	303,993
Net Pension Liability	49,656,000	-	49,656,000
Total Non-Current Liabilities	\$ 89,724,628	\$ 10,492	\$ 89,735,119
Total Liabilities	\$ 94,200,756	\$ 39,510	\$ 94,240,266
Deferred Inflow of Resources			
Deferred Amounts Related to Pensions	550,000	-	550,000
Total Deferred Inflow of Resources	550,000	-	550,000
Net Position			
Net Investment in Capital Activities	\$ 6,772,361	\$ 428,554	\$ 7,200,915
Unrestricted	(35,287,791)	535,415	(34,752,376)
Total Net Position / (Deficit)	\$ (28,515,430)	\$ 963,969	\$ (27,551,461)
Total Liabilities and Net Position	\$ 65,685,326	\$ 1,003,479	\$ 66,688,805

Governmental Activities: General Fund

Since there was a need for additional operating funds to fund the current and future retirement expenditures along with employee salary and wage increases the Board needed to increase any revenues. The real estate taxes were set at 17.03 mills of the assessed value.

The school districts dependent upon property taxes are hampered by a lack of revenue growth and will regularly need to increase local taxes or eliminate staff and programs. Local taxes and revenues made up 66.8% of revenues for Lewisburg Area School District in fiscal year 2016-2017. General Fund revenues are provided from the following sources:

Local Revenues	\$25,304,227
State Revenues	\$11,287,548
Federal Revenues	\$ 528,394
Other Revenues	<u>\$ 739,925</u>
Total Revenues	\$37,860,094

Expenses consisted of the following:

Salaries	35.1%
Benefits	26.5%
Contracted Professional Services	3.9%
Contracted Property Services	1.7%
Transportation / Other Services	7.9%
Supplies	2.5%
Equipment Property	2.1%
Due, Fees, Debt Service Interest	2.2%
Other, Transfers, Bond Principal	18.1%

The above expenditures were used to support the following:

Instructional Programs	\$19,295,159
Support Services	\$ 9,933,059
Non-Instructional Services	\$ 1,055,616
Building Improvements	\$ - 0 -
Debt Service / Other	\$ 2,888,281
Interfund Transfers	\$ 4,511,868

The dependence upon local tax revenue is apparent. State subsidies accounted for 29.8% of the district's total revenue for the 2016-2017 school year. The community as a whole is by far the primary supporter for Lewisburg Area School District students.

The School District's Funds

Information about the School District's major funds is stated within our Independent Auditors Report. These funds are accounted for using the modified accrual basis of accounting. The most significant net change is in the General Fund Balance which increased by \$176,112, primarily due to additional unbudgeted state revenue.

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2016-2017 the School District had to amend its general fund budget numerous times, however none were significant. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Budget variances to actuals occur for a variety of reasons: employees may change health plans during the year, or may work more overtime than planned. Our revenues were greater than budget due to the Commonwealth of Pennsylvania paying out funds owed from previous years, such as PlanCon. Our transfers out of the General Fund were well over budget due to the transfer of additional gifts from the Green Dragon Foundation, and the Department of Community and Economic Development's LEED Grant to the High School Construction funds.

Capital Assets and Debt Administration

At the end of fiscal 2017 the School District had \$43,565,763 invested in land, buildings, construction in progress and equipment net of accumulated depreciation. This year the new High School was moved from Construction in Progress to Buildings. Also, a thorough audit of our existing facilities and equipment was conducted by an outside firm, resulting in changes in valuations of various district assets. Below is a summary of the capital assets.

Capital Assets – Net of Depreciation Fiscal Year End – June 30th

<u>Category</u>	<u>2016-2017</u>	<u>2015-2016</u>
Land and Site Improvements	\$ 461,022	\$ 136,080
Buildings and Building Improvements	\$42,165,868	\$ 7,467,306
Construction in Progress	\$ -0-	\$24,491,014
Furniture and Equipment	<u>\$ 938,873</u>	<u>\$ 869,843</u>
Total Capital Assets (Net of Depreciation)	\$43,565,763	\$32,964,243

As of June 30, 2017 the School District had a total debt of \$39.07 million in bonds and notes net of any interest. Below is a summary of debt for the district's outstanding bond issues and bank note:

<u>Bond Issue Date</u>	<u>Outstanding Principal</u>
2014A	\$29,985,000
2014B	\$ 965,000
2015	\$ 6,990,000
2015 SUN Tech	<u>\$ 1,131,000</u>
Total	\$39,071,000

For the Future

Lewisburg Area School District is strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of the general fund budget and the small tax increase the School District was able to continue its educational programs at the previous year level. Since the district's general fund balance is at the maximum allowable level of 8% of the total general fund expenditures and the district has other restricted and/or committed funds the financially condition of district is excellent.

Management must diligently plan expenses, staying carefully within the School District's five-year plan. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year plan.

Lewisburg Area School District has not anticipated any meaningful growth in State revenue. The concern is with \$67 of every \$100 paid in taxes for the School District coming from local revenues could have a significant impact on the School District's residential taxpayers. This will require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, Lewisburg School District has committed itself to financial excellence for many years. The School District has received outstanding audit reports since 1998 from the Department of The Auditor General. Copies are available upon request from the Business Office.

In addition, the School District's systems of budgeting are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances, and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact John Fairchild, Director of Administrative Services at Lewisburg Area School District, 1951 Washington Avenue, Department C.O., Lewisburg, Pa 17837, or you can email fairchild_j@lasd.us

BASIC FINANCIAL STATEMENTS

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 7,722,984	\$ 509,474	\$ 8,232,458
Restricted Cash	2,821,828	-	2,821,828
Investments	-	-	-
Taxes Receivable, net	1,704,750	-	1,704,750
Due from Other Governments	913,132	9,806	922,938
Other Receivables	28,314	-	28,314
Internal Balances	(40,489)	40,489	-
Prepaid Expenses	6,600	-	6,600
Inventories	-	15,157	15,157
Total Current Assets	13,157,119	574,926	13,732,045
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	461,022	-	461,022
Buildings and Building Improvements	42,165,868	-	42,165,868
Furniture, Equipment, and Vehicles	1,174,443	428,554	1,602,997
Total Noncurrent Assets	43,801,333	428,554	44,229,887
TOTAL ASSETS	56,958,452	1,003,480	57,961,932
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Pensions	9,276,873	-	9,276,873
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,276,873	-	9,276,873
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	309,384	4,865	314,249
Current Portion of Long-Term Debt	1,270,000	-	1,270,000
Accrued Salaries and Benefits	2,325,906	-	2,325,906
Accrued Interest Payable	570,839	-	570,839
Unearned Revenue	-	24,154	24,154
Total Current Liabilities	4,476,129	29,019	4,505,148
Noncurrent Liabilities:			
Bonds and Notes Payable, net	38,580,799	-	38,580,799
Other Postemployment Benefits Liability	1,194,327	-	1,194,327
Net Pension Liability	49,656,000	-	49,656,000
Compensated Absence Liability	293,501	10,492	303,993
Total Noncurrent Liabilities	89,724,627	10,492	89,735,119
TOTAL LIABILITIES	94,200,756	39,511	94,240,267
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Pensions	550,000	-	550,000
TOTAL DEFERRED INFLOWS OF RESOURCES	550,000	-	550,000
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,772,362	428,554	7,200,916
Unrestricted	(35,287,793)	535,415	(34,752,378)
TOTAL NET POSITION	\$ (28,515,431)	\$ 963,969	\$ (27,551,462)

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	\$ 21,997,703	\$ 1,560	\$ 6,308,789	\$ (15,687,354)	\$ -	\$ (15,687,354)
Instructional Student Support	5,116,977	20,785	595,559	(4,500,633)	-	(4,500,633)
Administrative and Financial Support Services	2,276,544	-	210,094	(2,066,450)	-	(2,066,450)
Operation and Maintenance of Plant Services	2,674,644	32,392	98,362	(2,543,890)	-	(2,543,890)
Pupil Transportation	1,287,721	-	529,901	(757,820)	-	(757,820)
Student Activities	927,069	90,350	-	(836,719)	-	(836,719)
Community Services	186,694	184,914	-	(1,780)	-	(1,780)
Interest and Fiscal Charges	1,542,281	-	874,558	(667,723)	-	(667,723)
Total Governmental Activities	36,009,633	330,001	8,617,263	(27,062,369)	-	(27,062,368)
Business-type Activities:						
Food service	847,680	426,818	392,012	-	(28,850)	(28,850)
Total Business-type Activities	847,680	426,818	392,012	-	(28,850)	(28,850)
Total	\$ 36,857,313	\$ 756,819	\$ 9,009,275	(27,062,369)	(28,850)	(27,091,218)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				16,908,312	-	16,908,312
Public utility realty and earned income taxes, levied for general purposes, net				7,935,943	-	7,935,943
Unrestricted Grants, Subsidies, and Contributions				3,537,169	-	3,537,169
Investment Earnings				84,470	2,657	87,127
Transfers				(2,964)	2,964	-
Miscellaneous Income				132,586	-	132,586
Sale of Capital Assets				739,925	-	739,925
Loss on Disposal of Capital Assets				(1,096,885)	(2,286)	(1,099,171)
Total General Revenues				28,238,556	3,335	28,241,891
Changes in Net Position				1,176,187	(25,515)	1,150,672
Net Position - Beginning, as restated (see Note 16)				(29,691,619)	989,484	(28,702,135)
Net Position - Ending				\$ (28,515,432)	\$ 963,969	\$ (27,551,463)

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	\$ 7,722,984	\$ -	\$ 7,722,984
Restricted Cash	-	2,821,828	2,821,828
Taxes Receivable, net	1,704,750	-	1,704,750
Due From Other Governments	913,132	-	913,132
Due From Other Funds	849	1,000,000	1,000,849
Other Receivables	28,314	-	28,314
Prepaid Expenses	6,600	-	6,600
Total Assets	\$ 10,376,629	\$ 3,821,828	\$ 14,198,457
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 274,843	\$ 34,541	\$ 309,384
Due to Other Funds	1,041,338	-	1,041,338
Accrued Salaries and Benefits	2,325,906	-	2,325,906
Total Liabilities	3,642,087	34,541	3,676,628
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Tax Revenue - Property Taxes	396,916	-	396,916
Total Deferred Inflows of Resources	396,916	-	396,916
FUND BALANCES:			
Nonspendable:			
Prepaid Expenses	6,600	-	6,600
Restricted for Capital Projects	-	1,384,407	1,384,407
Assigned For:			
Future Pension Costs	2,551,178	-	2,551,178
Tax Appeals	250,000	-	250,000
Capital Projects	1,000,000	2,402,880	3,402,880
Unassigned	2,529,848	-	2,529,848
Total Fund Balances	6,337,626	3,787,287	10,124,913
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,376,629	\$ 3,821,828	\$ 14,198,457

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ 10,124,913
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$57,970,837 and the accumulated depreciation is \$14,169,504	43,801,333
The funds record only the tax revenue received through a period of 60 days subsequent to year end. The statement of net position includes a receivable for the District's anticipated collections on the levy	396,916
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows	9,276,873
Deferred Inflows	(550,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds and Notes Payable	(39,850,799)
Accrued Interest on Bonds and Notes	(570,839)
Compensated Absences	(293,501)
Net Pension Liability	(49,656,000)
Other Postemployment Benefits	(1,194,327)
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ (28,515,431)</u>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local Sources	\$ 25,304,227	\$ 28,659	\$ 25,332,886
State Sources	11,287,549	-	11,287,549
Federal Sources	528,394	-	528,394
Total Revenues	37,120,170	28,659	37,148,829
EXPENDITURES:			
Instruction	19,295,161	81,848	19,377,009
Support Services	9,933,059	47,397	9,980,456
Operation of Noninstructional Services	1,055,615	-	1,055,615
Facilities Acquisition, Construction and Improvement Services	-	13,858,713	13,858,713
Debt Service			
Principal	2,144,000	-	2,144,000
Interest	742,830	831,759	1,574,589
Other	1,451	-	1,451
Total Expenditures	33,172,116	14,819,717	47,991,833
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,948,054	(14,791,058)	(10,843,004)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	4,508,904	4,508,904
Transfers Out	(4,511,868)	-	(4,511,868)
Sale of Capital Assets	739,925	-	739,925
Total Other Financing Sources/(Uses)	(3,771,943)	4,508,904	736,961
NET CHANGE IN FUND BALANCES	176,111	(10,282,154)	(10,106,043)
FUND BALANCE, BEGINNING	6,161,515	14,069,441	20,230,956
FUND BALANCE, ENDING	\$ 6,337,626	\$ 3,787,287	\$ 10,124,913

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ (10,106,043)
<p>Amounts reports for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period</p>	
Capital Outlays	13,179,723
Depreciation	(1,983,585)
Loss on Disposals	(1,096,885)
<p>Revenues in the statement of activities that do not provide current financial resources are not reposted as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:</p>	
Property Taxes	396,916
<p>Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds</p>	
Bond principal payments	2,144,000
<p>Governmental funds report the effect of discounts and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities</p>	
Bond premium amortization	82,112
Change in accrued interest on bonds and notes payable	32,168
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>	
Decrease in compensated absences	151,646
Increase in other postemployment benefits	(151,100)
Increase in pension expense	(1,472,764)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,176,188</u>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 JUNE 30, 2017

	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 509,474
Due From Other Governments	9,806
Inventories	15,157
Due From Other Funds	<u>41,338</u>
Total Current Assets	575,775
Noncurrent Assets:	
Furniture and Equipment, net	<u>428,554</u>
TOTAL ASSETS	<u><u>\$ 1,004,329</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 4,865
Unearned Revenues	24,154
Due to Other Funds	<u>849</u>
Total Current Liabilities	29,868
Noncurrent Liabilities:	
Compensated Absences Payable	<u>10,492</u>
Total Liabilities	<u>40,360</u>
NET POSITION:	
Net Investment in Capital Assets	428,554
Unrestricted	<u>535,415</u>
Total Net Position	<u>963,969</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 1,004,329</u></u>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2017

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 426,818
Total Operating Revenues	426,818
OPERATING EXPENSES:	
Salaries	183,606
Employee Benefits	215,366
Purchased Professional and Technical Service	58,648
Food and Supplies Consumed	329,857
Equipment and Depreciation	44,289
Other Expenses	15,914
Total Operating Expenses	847,680
OPERATING (LOSS)/INCOME	(420,862)
NONOPERATING REVENUES:	
Earnings on Investments	2,657
State Sources	56,651
Federal Sources	335,361
Loss on Disposal of Assets	(2,286)
Total Nonoperating Revenues	392,383
INCOME BEFORE TRANSFERS	(28,479)
TRANSFER IN	2,964
TOTAL TRANSFERS	2,964
CHANGE IN NET POSITION	(25,515)
NET POSITION, Beginning of year, as restated (see Note 16)	989,484
NET POSITION, End of year	\$ 963,969

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2017

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Users	\$ 429,500
Cash Payments to Employees for Services	(406,032)
Cash Payments to Suppliers for Goods and Services	(394,405)
Cash Payments for Other Operating Expenses	(25,720)
	<u>(396,657)</u>
Net Cash Provided by (Used In) Operating Activities	<u>(396,657)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers In	2,964
Federal Subsidies	335,361
State Subsidies	56,651
	<u>394,976</u>
Net Cash Provided by Noncapital Financing Activities	<u>394,976</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Earnings on Investments	<u>2,657</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	976
CASH AND CASH EQUIVALENTS, BEGINNING	<u>508,498</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 509,474</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated Commodities	<u>\$ 44,702</u>
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ (420,862)
Adjustment to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:	
Depreciation	41,479
Increase or Decrease in Assets and Liabilities	
Receivables	(9,806)
Inventories	(3,879)
Accounts Payable	789
Due From Other Funds	(7,089)
Due To Other funds	28
Compensated Absences	1
Unearned Revenue	2,682
	<u>24,205</u>
Total Adjustments	<u>24,205</u>
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	<u>\$ (396,657)</u>

See Notes to Financial Statements

LEWISUBRG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2017

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 163,100	\$ 189,877
Investments	105,917	-
Total Assets	<u>\$ 269,017</u>	<u>\$ 189,877</u>
 <u>LIABILITIES AND NET POSITION</u>		
LIABILITIES:		
Due to Student Groups		<u>\$ 189,877</u>
NET POSITION:		
Restricted for Student Scholarships	<u>\$ 269,017</u>	

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Contributions, net	\$ 11,190
Earnings on Investment	306
Total additions	<u>11,496</u>
DEDUCTIONS:	
Scholarships Awarded	<u>50,389</u>
Total Deductions	<u>50,389</u>
INCREASE IN NET POSITION	(38,893)
NET POSITION, BEGINNING	<u>307,910</u>
NET POSITION, ENDING	<u><u>\$ 269,017</u></u>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Lewisburg Area School District (the "District") provides public education to the residents of three townships and one borough with two elementary schools, one middle school, and one high school in Union County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member 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.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2017 for the SUN ATI are available at its business office.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the School District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's 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 nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The District's Fiduciary Funds are presented in the fund financial statements as a Private Purpose Trust Fund and an Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the District, these funds are not incorporated into the government-wide financial statements. The District's fiduciary funds are presented on the accrual basis of accounting.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Additionally the District reports the following funds:

- The Private Purpose Trust Funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs.
- Agency Funds are custodial in nature and account for assets held by the District as an agent for various student activities.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

2. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair market value based on quoted prices in actively traded markets as of year end.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

4. Inventories

The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$1,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

6. Capital Assets (Continued)

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building Improvements	20 years
Site Improvements	15 years
Furniture	20 years
Vehicle	4 years
Equipment	5-15 years

7. 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 using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

In the 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.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Director of Administrative Services.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Fund Balance (Continued)

- Unassigned fund balance – This classification represents amounts that are available for any purpose. The District strives to maintain an unassigned general fund balance of not less than six percent (6%) of the annual operating budget.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

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

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has two items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, and unavailable tax revenue.

Deferred outflows and inflows of resources related to pensions are described further in Note 10. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. Pensions

For purposes of measuring 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 Employee's 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 benefit terms. Investments are reported at fair value.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 77, "*Tax Abatement Disclosures*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The adoption of this statement had no effect on previously reported amounts.

The District adopted certain provisions of GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The adoption of this statement had no effect on previously reported amounts.

I. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The District is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The District is required to adopt Statement No. 81 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The District is required to adopt certain provisions of Statement No. 82 for its fiscal year 2017 and 2018 financial statements.

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The District is required to adopt the provisions of statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The District is required to adopt the provisions of statement No. 84 for its fiscal year 2020 financial statements.

In March 2017, the GASB issued Statement No. 85, "*Omnibus 2017*". The District is required to adopt the provisions of Statement No. 85 for its fiscal year 2018 financial statements.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Pending Changes in Accounting Principles (Continued)

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The District is required to adopt the provisions of Statement No. 86 for its fiscal year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2021 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. 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 funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2017, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$11,407,263 and its bank balances were \$11,577,398. Of these bank balances, \$11,326,512 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured.

At June 30, 2017, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund ("PSDLAF") of \$885. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by CliftonLarsonAllen LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

Investments and Fair Value – District investments consists of a publicly traded stock held in the Private Purpose Trust Fund as part of the AC Slifer Fund. Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, “*Fair Value Measurement and Application*”. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2017 the District's investment in the publically traded Exxon stock is valued at \$105,917 using quoted market prices (Level 1 inputs).

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

NOTE 4: RESTRICTED CASH

Assets whose use is limited to a specific purpose have been classified as “restricted” in the balance sheet. Restricted assets are composed of the following:

Governmental Funds

Restricted Cash

Cash restricted for future capital projects	\$2,821,828
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LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 5: TAXES ASSESSED

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. For the 2016-2017 year the tax rate was 17.30 mills levied upon assessed valuations provided by Union County of approximately \$1,022,563,010. Taxpayers are given a two percent discount if they pay their taxes by August 31. All taxes levied on July 1, become delinquent on November 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over to the Union County Tax Claim Bureau for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded.

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 financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2017 were \$502,820.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2017 as related to the District's governmental activities and business-type activities:

Governmental Activities:

Commonwealth of Pennsylvania:	
State Sources	\$ 788,809
Central Susquehanna Intermediate Unit #16	124,323
Total	<u>\$ 913,132</u>

Business-Type Activities:

Commonwealth of Pennsylvania:	
State Sources	\$ 710
Federal Sources	9,096
Total	<u>\$ 9,806</u>

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: CAPITAL ASSETS

During the fiscal year ended June 30, 2001, a fixed asset appraisal of assets was performed and through the use of alternative methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well-known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Record, etc., government CPI indexes, and the appraiser's own compilation of experience. Acquisition costs for the items of equipment inventory were also determined by the deflation indexing with appropriate indices.

Depreciation, where applicable, is straight line over the useful life of the asset. Property additions made subsequent to the 2001 appraisal were recorded at cost.

During the fiscal year ended June 30, 2017, another fixed asset appraisal of assets was performed. Beginning balances in the summary schedule below have been restated to reflect the addition of assets purchased prior to July 2016 identified during the appraisal process. The acquisition costs of these assets were also determined by the deflation indexing with appropriate indices. See Note 16 for a description of the effect of the asset restatement on previously reported net position amounts.

A summary of Capital Asset transactions for the year ended June 30, 2017 is as follows:

GOVERNMENTAL ACTIVITIES	Balance at July 1, 2016 (as restated)	Additions	Deletions	Balance at June 30, 2017
Land and Site Improvements	\$ 1,081,284	\$ 220,000	\$ (115,137)	\$ 1,186,147
Building and Building Improvements	18,409,065	36,961,334	(3,395,635)	51,974,764
Furniture, Equipment, and Vehicles	7,390,837	489,403	(3,070,314)	4,809,926
Construction in Progress	24,491,014	-	(24,491,014)	-
Total Cost	<u>51,372,200</u>	<u>37,670,737</u>	<u>(31,072,100)</u>	<u>57,970,837</u>
Less: Accumulated Depreciation:				
Land and Site Improvements	(775,704)	(55,397)	105,976	(725,125)
Building and Building Improvements	(10,892,003)	(1,359,076)	2,442,183	(9,808,896)
Furniture, Equipment, and Vehicles	(6,002,413)	(569,112)	2,936,042	(3,635,483)
Total Accumulated Depreciation	<u>(17,670,120)</u>	<u>(1,983,585)</u>	<u>5,484,201</u>	<u>(14,169,504)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 33,702,080</u>	<u>\$ 35,687,152</u>	<u>\$ (25,587,899)</u>	<u>\$ 43,801,333</u>
BUSINESS-TYPE ACTIVITIES	Balance at July 1, 2016 (as restated)	Additions	Deletions	Balance at June 30, 2017
Furniture and Equipment	\$ 1,571,488	\$ -	\$ (87,238)	\$ 1,484,250
Less: Accumulated Depreciation	(1,099,169)	(41,479)	84,952	(1,055,696)
Business-Type Activities				
Capital Assets, Net	<u>\$ 472,319</u>	<u>\$ (41,479)</u>	<u>\$ (2,286)</u>	<u>\$ 428,554</u>

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities:

Instruction	\$ 1,139,731
Instructional Student Support	381,775
Administrative and Financial Support Service	118,263
Operation and Maintenance of Plan Service	138,944
Pupil Transportation	66,895
Student Activities	48,160
Community Services	9,698
Interest and Fiscal Charges	80,119
Total Depreciation Expense	<u>\$ 1,983,585</u>

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2017, the District's long-term debt consisted of the following:

	*Restated Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Notes	\$ 41,215,000	\$ -	\$ 2,144,000	\$ 39,071,000	\$ 1,270,000
Less: Bond Premium/(Discount) *	861,911	-	82,112	779,799	-
Compensated Absences	445,147	-	151,646	293,501	-
Other Post Employment Benefits	1,043,227	416,647	265,547	1,194,327	-
Total Long Term Obligatons	<u>\$ 43,565,285</u>	<u>\$ 416,647</u>	<u>\$ 2,643,305</u>	<u>\$ 41,338,627</u>	<u>\$ 1,270,000</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 10,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,492</u>	<u>\$ -</u>

* See Note 16 for a description of the effect of amortizing bond premium on previously reported net position amounts.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below:

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
Series A of 2014	\$ 30,000,000	In 2014, the District issued General Obligation Bonds Series A of 2014 for the purpose of (1) capitalizing interest on a portion of the 2014A, (2) the acquisition, design, construction, furnishing, and equipping of a new high school on Newman Road, (3) other ongoing and proposed projects as determined by the District, and (4) paying issuance costs and expenses of issuing the bonds. The bonds mature serially through 2/15/2039 with interest rates of 2.00% to 4.25%.	\$ 29,985,000
Series B of 2014	5,750,000	In 2014, the District issued General Obligation Bonds Series B of 2014 for the purpose of refunding the General Obligation Bonds Series of 2005. The bonds mature serially through 2/15/2018 with an interest rate of 3.00%.	965,000
Series of 2015	7,000,000	In 2015, the District issued General Obligation Bonds Series of 2015 for the purpose of (1) capitalizing interest on a portion of the 2015 Bonds, (2) the acquisition, design, construction, furnishing, and equipping of a new high school on Newman Road and other school buildings, facilities, and grounds, as necessary, and (3) paying issuance costs and expense of issuing the bonds. The bonds mature serially through 2/15/2039 with interest rates of 3.00% to 4.00%.	6,990,000
Note of 2015	1,240,000	In 2015, the District issued General Obligation Note Series of 2015 for the purpose of payment towards a capital project consisting of planning, designing, acquiring, constructing, furnishing, and equipping alterations, additions, and renovations to real property to be used by the Sun Area Technical Institute in the execution of its educational mission. The note matures serially through 2/15/2026 with an interest rate of 2.23%.	1,131,000
Total			<u>\$ 39,071,000</u>

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2017:

	Principal	Interest	Total
2018	\$ 1,270,000	\$ 1,507,763	\$ 2,777,763
2019	1,278,000	1,485,074	2,763,074
2020	1,335,000	1,429,142	2,764,142
2021	1,368,000	1,397,328	2,765,328
2022	1,425,000	1,336,796	2,761,796
2023-2027	7,875,000	5,805,777	13,680,777
2028-2032	8,850,000	4,265,010	13,115,010
2033-3037	10,730,000	2,397,023	13,127,023
2038-2039	4,940,000	313,751	5,253,751
Totals	<u>\$ 39,071,000</u>	<u>\$ 19,937,664</u>	<u>\$ 59,008,664</u>

NOTE 9: COMPENSATED ABSENCES

The District's sick leave policy allows for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination and retirement, except as noted in the following paragraphs. The District has no obligation for accumulated sick leave until it is actually taken; therefore a liability was only recognized for those employees who are eligible to retire as of June 30, 2017 under the circumstances outlined below.

Upon completion of a minimum of 25 years of teaching, with the last 15 years in the District, teachers shall be eligible to receive a payment of \$70/day for each unused sick day.

Upon completion of a minimum of 25 years of service, with the last 15 years in the District, Act 93 employees under contract shall be eligible to receive a payment ranging from \$60/day to \$75/day based on their final employment tier at retirement.

Each union support staff "classified" employee who retires permanently from the public school system and is eligible to receive benefits from the Public School Employee's Retirement Fund shall be paid a bonus as follows:

Years of Service	15-19	20-24	25-29	29+
Payment Per Unused Sick Day	\$22	\$25	\$28	\$30
Maximum Benefit	\$2,200	\$3,000	\$4,480	\$5,400

Each non-union support staff "classified" employee who retires permanently from the public school system and is eligible to receive benefits from the Public School Employee's Retirement Fund shall be paid a bonus as follows:

Years of Service	10-15	15-19	20-24	25-29	30+
Payment Per Unused Sick Day	N/A	\$22	\$25	\$28	\$30
Maximum Benefit	\$600	\$2,640	\$3,500	\$5,040	\$6,000

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 9: COMPENSATED ABSENCES (CONTINUED)

The changes in the District's compensated absences in 2017 are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2016	\$ 445,147	\$ 10,492	\$ 455,639
Additions/(Reductions)	(151,646)	-	(151,646)
Balance, June 30, 2017	\$ 293,501	\$ 10,492	\$ 303,993

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

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

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, 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) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Contributions

Employer Contributions:

The contribution policy is set by the Code. The 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 \$3,858,873 for the year ended June 30, 2017

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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

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

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

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

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

At June 30, 2017, the District reported a liability of \$49,656,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.1002 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2015.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$5,230,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 2,768,000	\$ -
Changes in assumptions	1,792,000	-
Changes in proportion	858,000	136,000
Difference between expected and actual experience	-	414,000
Contributions subsequent to the measurement date	3,858,873	-
Total	\$ 9,276,873	\$ 550,000

\$3.859 million 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, 2017. 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:

2017	\$ 992,000
2018	992,000
2019	1,754,000
2020	1,130,000

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in the Total Pension Liability beginning June 30, 2016

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

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 10: PENSION BENEFITS (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 School District's proportionate share of the net pension liability to change in the discount rate

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

(in Thousands)	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 60,743	\$ 49,656	\$ 40,340

Pension plan fiduciary net position

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

At June 30, 2017, the District reported a payable of \$1,130,095 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The District provides postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. The plan provides healthcare insurance for eligible retirees and their spouses. Benefit provisions are based on bargaining agreements are negotiated from time to time. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District funds all contributions on a pay-as-you-go basis primarily through annual appropriations from the General Fund.

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amount vary depending on classification and years of services with the District. The District made contributions of \$237,609 for the fiscal year ended June 30, 2017.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following show the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Governmental Activities
Annual required contribution (ARC)	\$ 433,747
Interest on net OPEB obligation	46,945
Adjustment to ARC	(64,045)
Annual OPEB costs (expense)	416,647
Contributions made (Estimated)	(265,547)
Increase in net OPEB obligation	151,100
Net OPEB obligation - beginning of year	1,043,227
Net OPEB obligation - end of year	\$ 1,194,327

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The District's annual OPEB cost (estimated), the percentage of annual OPEB cost contributed to the plan (estimated), and the net OPEB obligation for June 30, 2017, 2016, and 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Obligation</u>
June 30, 2017	<u>\$416,647</u>	57%	<u>\$ 1,194,327</u>
June 30, 2016	<u>\$397,502</u>	72%	<u>\$ 1,043,227</u>
June 30, 2015	<u>\$399,909</u>	63%	<u>\$ 933,001</u>

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,448,243, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,448,243. The actuarial value of assets as a percentage of the actuarial accrued liability was 0%. The covered payroll was \$12,229,677, and the ratio of the UAAL to the covered payroll was 28.20%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the District's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. 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.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2016, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the District's deposits and investments, and an annual healthcare cost trend rate of 6.0% initially, reduced by .5% annually to a rate of 5.5% in 2016. The rates decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of payroll over a thirty year period on an open basis.

NOTE 12: RISK MANAGEMENT

The 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 provides for these risks through the purchase of commercial insurance coverage.

NOTE 13: CONTINGENT LIABILITIES

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

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 regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2017 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 financial statements for such contingencies.

The District has been represented in certain legal interests which routinely occur in local government operations. The effects of these proceeding on the financial statements are no known and accordingly no provision for losses has been recorded.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 849	\$ 1,041,338	\$ -	\$ 4,511,868
Capital Projects Fund	1,000,000	-	4,508,904	-
Food Service Fund	41,338	849	2,964	-
Total	<u>\$ 1,042,187</u>	<u>\$ 1,042,187</u>	<u>\$ 4,511,868</u>	<u>\$ 4,511,868</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

NOTE 15: LEASES

The District leases its copiers and postage machines under several lease agreements. It is the procedure of the District to regularly upgrade this equipment before the lease term expires. These continually revolving leases are classified as operating leases. Future minimum lease payments under the various leases are as follows:

2018	\$ 54,027
2019	40,715
2020	8,964
Total	<u>\$ 103,706</u>

The rental expense for these leases at June 30, 2017 was \$45,270.

NOTE 16: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect (1) the addition of capital assets reported in the asset appraisal received by the District, amounts of which had previously been expensed at the fund level, and (2) the addition of bond premiums, amounts of which are deferred and amortized into the statement of activities.

	Governmental Activities	Food Service
Net Position, beginning of year as previously stated	\$ (29,567,545)	\$ 533,882
Understatement due to capital asset additions	737,837	455,602
Overstatement due to bond premiums	(861,911)	-
Net Position, beginning of year as restated	<u>\$ (29,691,619)</u>	<u>\$ 989,484</u>

LEWISBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 17: EXCESS OF EXPENDITURES OVER APPROPRIATION IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended June 30, 2017.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess Expenditures Over Appropriations</u>
General Fund	\$ 33,124,531	\$ 33,172,116	0.14%

The excess expenditures over appropriations in the General Fund was funded by contributions and donations from private sources.

REQUIRED SUPPLEMENTAL INFORMATION

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 24,275,455	\$ 24,275,455	\$ 25,304,227	\$ 1,028,772
State Sources	8,727,556	8,902,881	11,287,549	2,384,668
Federal Sources	350,000	350,000	528,394	178,394
Total Revenues	33,353,011	33,528,336	37,120,170	3,591,834
EXPENDITURES:				
Instruction:				
Regular Programs	14,068,697	14,143,286	14,142,330	956
Special Programs	3,140,633	3,312,802	3,312,797	5
Vocational Educational Programs	1,244,288	1,232,958	1,232,337	621
Other Instructional Programs	471,478	460,890	460,282	608
Pre-Kindergarden Programs	154,633	147,433	147,415	18
Total Instruction	19,079,729	19,297,369	19,295,161	2,208
Support services:				
Pupil Personnel	1,424,035	1,441,753	1,441,752	1
Instructional Staff	2,160,565	2,271,814	2,263,341	8,473
Administration	1,664,197	1,674,872	1,674,865	7
Pupil Health	360,110	362,847	362,181	666
Business	403,358	408,979	408,974	5
Operation and Maintenance of Plant Services	2,632,616	2,535,076	2,535,004	72
Student Transportation Services	1,272,724	1,185,122	1,183,553	1,569
Central and Other Support Services	65,619	63,619	63,389	230
Total Support Services	9,983,224	9,944,082	9,933,059	11,023
Operation of Noninstructional Services:				
Student Activities	766,254	817,850	878,668	(60,818)
Community Services	130,219	176,948	176,947	1
Total Operation of Noninstructional Services	896,473	994,798	1,055,615	(60,817)
Debt Service				
Other	2,886,830	2,886,830	2,886,830	-
	-	1,452	1,451	1
Total Expenditures	32,846,256	33,124,531	33,172,116	(47,585)
EXCESS OF REVENUES OVER EXPENDITURES	506,755	403,805	3,948,054	3,544,249
OTHER FINANCING SOURCES (USES):				
Transfers Out	(181,755)	(4,511,868)	(4,511,868)	-
Sale of Capital Assets	-	-	739,925	-
Total Other Financing Sources/(Uses)	(181,755)	(4,511,868)	(3,771,943)	-
NET CHANGE IN FUND BALANCE	\$ 325,000	\$ (4,108,063)	\$ 176,111	\$ 3,544,249

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT
 SCHEDULE OF FUNDING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ -	\$ 3,448,243	\$ 3,448,243	0.00%	\$ 12,229,677	28.20%
1/1/2014	\$ -	\$ 3,604,183	\$ 3,604,183	0.00%	\$ 11,800,794	30.54%
1/1/2012	\$ -	\$ 2,311,645	\$ 2,311,645	0.00%	\$ 11,910,416	19.41%

LEWISBURG AREA SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS
 REQUIRED SUPPLEMENTAL INFORMATION

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0980%	0.0972%	0.0992%	0.1002%
District's proportionate share of the net pension liability	\$ 40,118,000	\$ 38,472,000	\$ 42,969,000	\$ 49,656,000
District's covered-employee payroll	\$ 12,573,567	\$ 12,408,037	\$ 12,760,235	\$ 12,970,582
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	313%	310%	337%	383%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years only for which information is available

LEWISBURG AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS - LAST 10 YEARS
 REQUIRED SUPPLEMENTAL INFORMATION

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,985,286	\$ 2,559,478	\$ 3,242,646	\$ 3,858,973
Contributions in relation to the contractually required contribution	(1,985,286)	(2,559,478)	(3,242,646)	(3,858,973)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,408,037	\$ 12,760,235	\$ 12,970,582	\$ 13,403,801
Contributions as a percentage of covered-employee payroll	16.00%	20.06%	25.00%	28.79%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years for which information is available

The covered-employee payroll amount has been revised from prior year presentation to reflect adjustments processed by PSERS.

**OTHER SUPPLEMENTAL INFORMATION
(SINGLE AUDIT)**

LEWISBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLB Title I	(I)	84.010	013-170227	\$ 271,777	7/1/16 - 9/30/17	\$ 271,777	\$ -	\$ 271,777	\$ 271,777	\$ -	\$ -
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-160227	67,674	7/1/15 - 9/30/17	22,525	(17,358)	39,883	39,883	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-170227	66,132	7/1/15 - 9/30/17	66,132	-	66,132	66,132	-	-
Total NCLB Title II Part A Improving Teacher Quality						88,657	(17,358)	106,015	106,015	-	-
Total State Department of Education				405,583		360,434	(17,358)	377,792	377,792	-	-
Passed Through Intermediate Units											
Special Education-Grants to States:											
CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16											
IDEA B	(I)	84.027	062-160016	254,081	7/1/15 - 6/30/16	83,764	83,764	-	-	-	-
IDEA B	(I)	84.027	062-170016	275,876	7/1/16 - 6/30/17	154,677	-	275,876	275,876	121,199	-
IDEA 619	(I)	84.173	131-160016	3,124	7/1/16 - 6/30/17	-	-	3,124	3,124	3,124	-
Total Central Susquehanna Intermediate Unit #16						238,441	83,764	279,000	279,000	124,323	-
INTERMEDIATE UNIT 1											
IDEA B	(I)	84.027	062-160032	1,500	7/1/15 - 6/30/16	1,500	1,500	-	-	-	-
Total Intermediate Unit 1						1,500	1,500	-	-	-	-
Total Special Education Cluster				534,581		239,941	85,264	279,000	279,000	124,323	-
TOTAL DEPARTMENT OF EDUCATION				940,164		600,375	67,906	656,792	656,792	124,323	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
National School Lunch	(I)	10.555	362	N/A	7/1/16- 6/30/17	236,016	-	243,419	243,419	7,403	-
National School Lunch	(S)	N/A	N/A	N/A	7/1/16- 6/30/17	18,843	-	19,434	19,434	591	-
School Breakfast	(I)	10.553	365	N/A	7/1/16- 6/30/17	45,548	-	47,241	47,241	1,693	-
School Breakfast	(S)	N/A	N/A	N/A	7/1/16- 6/30/17	3,272	-	3,391	3,391	119	-
Total State Department of Education						303,679	-	313,485	313,485	9,806	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	N/A	N/A	7/1/16- 6/30/17	(A) 44,702	(B) -	44,702	(C) 44,702	(D) -	-
TOTAL DEPARTMENT OF AGRICULTURE						348,381	-	358,187	358,187	9,806	-
LESS: STATE FUNDS											
Total Child Nutrition Cluster						22,115	-	22,825	22,825	-	-
						326,266	-	335,362	335,362	9,806	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 940,164		\$ 926,641	\$ 67,906	\$ 992,154	\$ 992,154	\$ 134,129	-

Source Code Legend:

(I) Indicates indirect funding
(S) Indicates State matching funding.

*Denotes tested as a major program

Other Code Legend:

(A) Indicates total commodities received.
(B) Indicates beginning commodity inventory
(C) Indicates commodities used.
(D) Indicates ending commodity inventory

See notes to Schedule of Expenditures of Federal Awards which are an integral part of this statement.

LEWISBURG AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1: REPORTING ENTITY

Lewisburg Area School District (the “District”) is the reporting entity for financial reporting purposes as defined in Note 1A to the District’s basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District’s reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1C to the District’s basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2017 threshold for determining Type A and Type B programs is \$750,000. The School District had no type A programs.

The following Type B program was audited as major for coverage:

Child Nutrition Cluster

The amount expended under the program audited as a major federal program for the year ended June 30, 2017, totaled \$335,362 or 33.8% of total federal awards expended.

NOTE 4: CLUSTER PROGRAMS

The following CFDAs have been deemed a cluster programs by the Office of Management and Budget, and therefore are treated as one program in determining the major programs to be audited:

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 47,241	84.027	\$ 275,876
10.555	288,121	84.173	3,124
Total	\$ 335,362	Total	\$ 279,000

NOTE 5: MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.

Zelenkofske Axelrod LLC

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
Lewisburg Area School District
Lewisburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewisburg Area School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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

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

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Zelenkofske Axelrod LLC

Board of School Directors
Lewisburg Area School District

Compliance and Other Matters

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

Purpose of this Report

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

Zelenkofske Axelrod LLC
Zelenkofske Axelrod LLC

Harrisburg, PA
November 10, 2017

Zelenkofske Axelrod LLC

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
Lewisburg Area School District
Lewisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Lewisburg Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 the 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 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 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 District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 District's internal control over compliance.

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Zelenkofske Axelrod LLC

Board of School Directors
Lewisburg Area School District

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.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, Pennsylvania
November 10, 2017

LEWISBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

LEWISBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

LEWISBURG AREA SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			