

**LEWISBURG AREA SCHOOL DISTRICT**  
**LEWISBURG, PENNSYLVANIA**  
**FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2018**

LEWISBURG AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2018

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**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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, 2018, 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.



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### **Adoptions of New Governmental Accounting Standards Board's**

As described in Note 1 to the financial statements, in 2018 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", Statement No. 81, "*Irrevocable Split-Interest Agreements*", certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No.68, and No.73*", Statement No. 85, "*Omnibus 2017*", and Statement No. 86, "*Certain Debt Extinguishment Issues*". 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 the district's proportionate share of the net PSERS OPEB liability, the schedule of the district's proportionate share of the net PSERS OPEB liability, schedule of the district contributions – PSERS OPEB plan, schedule of changes in the net OPEB liability and related ratios, schedule of employer contributions to the OPEB plan – last 10 years, 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 11 and pages 58 through 63 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



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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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania  
November 7, 2018

Management Discussion and Analysis for the  
Fiscal Year Ended June 30, 2018  
(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, 2018. 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 2017-18 are as follows:

The Net Change in the Fund Balance for Governmental Funds decreased by \$105,910. Total Governmental Fund revenues were \$34,733,406 compared to expenditures in the amount of \$34,906,000, and other net financing sources in the amount of \$66,684.

General fund revenues were \$34,778,785, consisting of 72.3% local revenue, 25.6% state revenue, 1.9% federal revenues, and 0.2% Other Revenue.

Other revenue funds include the Food Service Fund with revenues of \$848,594.

The School District had \$34,776,937 in general fund expenses. Debt service expenditures included within the general fund were \$2,777,635 or 8.0% 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 assignments for future pension costs, tax appeals, and capital projects. 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 look at the School District's most significant funds. 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 2017-2018?" 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 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

	2018			2017		
	Capital		Total	Capital		Total
	General Fund	Projects Fund	Governmental Funds	General Fund	Projects Fund	Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 7,596,102	\$ 3,163,500	\$ 10,759,602	\$ 7,722,985	\$ 2,821,827	\$ 10,544,812
Investments	19,422	-	19,422	-	-	-
Taxes Receivable (Net)	1,774,329	-	1,774,329	1,704,750	-	1,704,750
Due from Other Governments	835,652	-	835,652	913,132	-	913,132
Due from Other Funds	853	685,000	685,853	849	1,000,000	1,000,849
Other Receivables	147,396	-	147,396	28,314	-	28,314
Prepaid Expenses	-	-	-	6,600	-	6,600
<b>Total Assets</b>	\$ 10,373,754	\$ 3,848,500	\$ 14,222,253	\$ 10,376,631	\$ 3,821,827	\$ 14,198,458
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 359,975	\$ 168,971	\$ 528,946	\$ 274,843	\$ 34,541	\$ 309,384
Accrued Salaries and Benefits	2,584,868	-	2,584,868	2,325,905	-	2,325,905
Due to Other Funds	733,885	-	733,885	1,041,338	-	1,041,338
Unearned Revenue	355,552	-	355,551	396,916	-	396,916
<b>Total Liabilities</b>	\$ 4,034,280	\$ 168,971	\$ 4,203,250	\$ 4,039,003	\$ 34,541	\$ 4,073,544
<b>Fund Balances</b>						
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Capital Projects	-	792,849	792,849	-	1,384,407	1,384,407
Committed for Capital Projects	-	-	-	-	-	-
Non Spendable Fund Balance	-	-	-	6,600	-	6,600
Assigned For:						
Future Pension Costs	2,359,571	-	2,359,571	2,551,178	-	2,551,178
Tax Appeals	250,000	-	250,000	250,000	-	250,000
Capital Projects	1,000,000	2,886,680	3,886,680	1,000,000	2,402,880	3,402,880
Unassigned	2,729,903	-	2,729,903	2,529,850	-	2,529,850
<b>Total Fund Balances</b>	\$ 6,339,474	\$ 3,679,529	\$ 10,019,003	\$ 6,337,628	\$ 3,787,286	\$ 10,124,914
<b>Total Liabilities and Fund Balances</b>	\$ 10,373,754	\$ 3,848,500	\$ 14,222,253	\$ 10,376,631	\$ 3,821,827	\$ 14,198,458

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

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>REVENUES</b>						
Program Revenues						
Charge for Services	\$ 373,621	\$ 434,230	\$ 807,851	\$ 330,001	\$ 426,818	\$ 756,819
Operating Grants & Contributions	5,956,318	404,255	6,360,575	8,617,263	392,013	9,009,275
General Revenues						
Property Taxes	17,245,985	-	17,245,985	16,908,312	-	16,908,312
Other Taxes	7,285,309	-	7,285,308	7,935,941	-	7,935,941
Grants, Subsidies and Contributions	3,615,348	-	3,615,348	3,537,169	-	3,537,169
Investment Earnings	163,204	5,009	168,215	84,472	2,657	87,129
Interfund Transfer	(5,100)	5,100	-	(2,964)	2,964	-
Gain / (Loss) on Disposal	-	-	-	(1,096,885)	(2,286)	(1,099,171)
Other	124,040	-	124,040	872,511	-	872,511
<b>TOTAL REVENUES</b>	<b>\$ 34,758,725</b>	<b>\$ 848,596</b>	<b>\$ 35,607,321</b>	<b>\$ 37,185,820</b>	<b>\$ 822,166</b>	<b>\$ 38,007,985</b>
<b>EXPENSES</b>						
Instructional	\$ 22,056,900	\$ -	\$ 22,056,902	\$ 21,997,702	\$ -	\$ 21,997,702
Instructional Student Support	4,633,712	-	4,633,712	5,116,978	-	5,116,978
Administration & Financial Support	2,248,703	-	2,248,703	2,276,541	-	2,276,541
Operations & Maintenance of Plant	2,622,728	-	2,622,728	2,674,646	-	2,674,646
Pupil Transportation	1,230,195	-	1,230,195	1,287,720	-	1,287,720
Student Activities	905,658	-	905,658	927,071	-	927,071
Community Services	212,892	-	212,891	186,694	-	186,694
Facilities Improvements	-	-	-	-	-	-
Interest & Financial Charges	1,473,943	-	1,473,943	1,542,280	-	1,542,280
Food Service	-	846,588	846,590	-	847,680	
847,680 <b>TOTAL EXPENSES</b>	<b>\$ 35,384,732</b>	<b>\$ 846,590</b>	<b>\$ 36,231,322</b>	<b>\$ 36,009,632</b>	<b>\$ 847,680</b>	<b>\$ 36,857,312</b>
<b>Change in Net Position</b>	<b>\$ (626,006)</b>	<b>\$ 2,006</b>	<b>\$ (624,000)</b>	<b>\$ 1,176,188</b>	<b>\$ (25,515)</b>	<b>\$ 1,150,673</b>
Net Position - July 1, 2017	\$ (28,515,429)	\$ 963,969		\$ (29,567,543)	\$ 533,885	
Restatement of July 1, 2017 Position*	\$ (4,499,236)	\$ -		\$ (124,074)	\$ 455,599	
Net Position - June 30, 2018	<b>\$ (33,640,672)</b>	<b>\$ 965,975</b>		<b>\$ (28,515,429)</b>	<b>\$ 963,969</b>	

\* 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, 2018

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Local Sources	\$ 25,132,716	\$ 26,405	\$ 25,159,122
State Sources	8,912,645	-	8,912,645
Federal Sources	661,640	-	661,640
<b>Total Revenues</b>	<b>\$ 34,707,001</b>	<b>\$ 26,405</b>	<b>\$ 34,733,406</b>
<b>Expenditures</b>			
Instruction	\$ 19,878,272	\$ 56,256	\$ 19,934,527
Support Services	10,246,866	-	10,246,866
Operation of Noninstructional Services	1,072,894	-	1,072,894
Facilities Acquisition, Construction and Improvement	-	871,882	871,882
Debt Service / Refund of Prior Year Receipts	2,779,830	-	2,779,831
<b>Total Expenditures</b>	<b>\$ 33,977,863</b>	<b>\$ 928,138</b>	<b>\$ 34,906,000</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 729,138</b>	<b>\$ (901,733)</b>	<b>\$ (172,594)</b>
<b>Other Financing Sources (Uses)</b>			
Interfund Transfers	\$ (799,075)	\$ 793,975	\$ (5,100)
Sale / Compensation for Capital Assets	71,784	-	71,784
Bonds Issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (727,291)</b>	<b>\$ 793,975</b>	<b>\$ 66,684</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,848</b>	<b>\$ (107,758)</b>	<b>\$ (105,910)</b>
<b>Fund Balance - July 1, 2017</b>	<b>6,337,627</b>	<b>3,787,287</b>	<b>10,124,914</b>
<b>Fund Balance - June 30, 2018</b>	<b>\$ 6,339,474</b>	<b>\$ 3,679,529</b>	<b>\$ 10,019,004</b>

Lewisburg Area School District  
Statement of Net Position  
Year Ending June 30, 2018

Assets	Governmental		Business-Type
	Activities	Activities	Total
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 10,779,023	\$ 546,242	\$ 11,325,266
Taxes Receivable (Net)	1,774,329	-	1,774,329
Due from Other Governments	835,652	-	835,652
Other Receivables	147,396	-	147,396
Internal Balance	(48,032)	48,032	-
Prepaid Expenses	-	-	-
Inventories	-	16,492	16,492
<b>Total Current Assets</b>	<b>\$ 13,488,368</b>	<b>\$ 610,766</b>	<b>\$ 14,099,135</b>
<b>Noncurrent Assets</b>			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	\$ 452,641	\$ -	\$ 452,641
Building and Building Improvements	41,577,464	-	41,577,464
Furniture and Equipment	1,148,531	394,582	1,543,113
<b>Total Noncurrent Assets</b>	<b>\$ 43,178,636</b>	<b>\$ 394,582</b>	<b>\$ 43,573,218</b>
<b>Total Assets</b>	<b>\$ 56,667,005</b>	<b>\$ 1,005,348</b>	<b>\$ 57,672,353</b>
<b>Deferred Outflow of Resources</b>			
Deferred Amounts Related to Pensions	8,057,832	-	8,057,832
Deferred Amounts Related to OPEB	699,340	-	699,340
<b>Total Deferred Outflow of Resources</b>	<b>8,757,172</b>	<b>-</b>	<b>8,757,172</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 528,946	\$ 77	\$ 529,022
Current Portion of Long-Term Debt	1,278,000	-	1,278,000
Accrued Salaries and Benefits	2,584,868	-	2,584,868
Due to Other Funds	-	-	-
Other Current Liabilities	556,902	28,805	585,707
Unearned Revenue	-	-	-
<b>Total Current Liabilities</b>	<b>\$ 4,948,717</b>	<b>\$ 28,881</b>	<b>\$ 4,977,598</b>
<b>Non-Current Liabilities</b>			
Bonds and Notes Payable	\$ 37,220,687	\$ -	\$ 37,220,687
Other Post-Employment Benefits	6,395,511	-	6,395,511
Long-Term Portion of Comp. Absences	296,935	10,492	307,427
Net Pension Liability	49,734,000	-	49,734,000
<b>Total Non-Current Liabilities</b>	<b>\$ 93,647,133</b>	<b>\$ 10,492</b>	<b>\$ 93,657,625</b>
<b>Total Liabilities</b>	<b>\$ 98,595,850</b>	<b>\$ 39,373</b>	<b>\$ 98,635,223</b>
<b>Deferred Inflow of Resources</b>			
Deferred Amounts Related to Pensions	374,000	-	374,000
Deferred Amounts Related to OPEB	95,000	-	95,000
<b>Total Deferred Inflow of Resources</b>	<b>469,000</b>	<b>-</b>	<b>469,000</b>
<b>Net Position</b>			
Net Investment in Capital Activities	\$ 7,956,075	\$ 394,582	\$ 8,350,657
Unrestricted	(41,596,747)	571,393	(41,025,354)
<b>Total Net Position / (Deficit)</b>	<b>\$ (33,640,673)</b>	<b>\$ 965,975</b>	<b>\$ (32,674,698)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 64,955,177</b>	<b>\$ 1,005,348</b>	<b>\$ 65,960,525</b>

### **Governmental Activities: General Fund**

While 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 decided not to increase the real estate tax levy. The real estate taxes were kept 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 72.3% of revenues for Lewisburg Area School District in fiscal year 2017-2018. General Fund revenues are provided from the following sources:

Local Revenues	\$25,132,716
State Revenues	\$ 8,912,645
Federal Revenues	\$ 661,640
Other Revenues	\$ 71,784
Total Revenues	<u>\$34,778,786</u>

Expenses consisted of the following:

Salaries	38.6%
Benefits	30.4%
Contracted Professional Services	4.7%
Contracted Property Services	1.9%
Transportation / Other Services	8.1%
Supplies	2.8%
Equipment Property	2.3%
Due, Fees, Debt Service Interest	4.6%
Other, Transfers, Bond Principal	6.5%

The above expenditures were used to support the following:

Instructional Programs	\$19,878,272
Support Services	\$10,246,866
Non-Instructional Services	\$ 1,072,894
Building Improvements	\$ - 0 -
Debt Service / Other	\$ 2,779,830
Interfund Transfers	\$ 799,075

The dependence upon local tax revenue is apparent. State subsidies accounted for 25.6% of the district's total revenue for the 2017-2018 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 financial statements and footnotes. These funds are accounted for using the modified accrual basis of accounting. The most significant net change is in the Capital Projects Fund Balance which decreased by \$107,758, primarily due to working on completing the new high school project. The General Fund Balance increased by \$1,848. This was funded by additional revenue as described below, as well as conservative expenditures as needed to fund the educational program.

### **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 2017-2018 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 more than anticipated Earned Income Tax collections, and we were able to bill the ACCESS program for more services provided. Our transfers out of the General Fund were over budget due to the transfer of additional gifts from the Green Dragon Foundation, and additional funds to the Capital Projects Fund.

### **Capital Assets and Debt Administration**

At the end of fiscal 2018 the School District had \$43,178,636 invested in land, buildings, construction in progress and equipment net of accumulated depreciation. Below is a summary of the capital assets.

#### Capital Assets – Net of Depreciation Fiscal Year End – June 30<sup>th</sup>

<u>Category</u>	<u>2017-2018</u>	<u>2016-2017</u>
Land and Site Improvements	\$ 452,642	\$ 461,022
Buildings and Building Improvements	\$41,577,463	\$42,165,868
Furniture and Equipment	<u>\$ 1,148,531</u>	<u>\$ 938,873</u>
Total Capital Assets (Net of Depreciation)	\$43,178,636	\$43,565,763

As of June 30, 2018 the School District had a total debt of \$37.8 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	\$29,980,000
2015	\$ 6,805,000
2015 SUN Tech	<u>\$ 1,016,000</u>
Total	\$37,801,000

### **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 no 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 \$72 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, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 7,483,476	\$ 546,242	\$ 8,029,718
Restricted Cash	3,276,126	-	3,276,126
Investments	19,422	-	19,422
Taxes Receivable, net	1,774,329	-	1,774,329
Due from Other Governments	927,346	-	927,346
Other Receivables	55,702	-	55,702
Internal Balances	(48,032)	48,032	-
Prepaid Expenses	-	-	-
Inventories	-	16,492	16,492
Total Current Assets	13,488,369	610,766	14,099,135
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	452,642	-	452,642
Buildings and Building Improvements	41,577,463	-	41,577,463
Furniture, Equipment, and Vehicles	1,148,531	394,582	1,543,113
Total Noncurrent Assets	43,178,636	394,582	43,573,218
TOTAL ASSETS	56,667,005	1,005,348	57,672,353
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Other Post Employment Benefits	699,340	-	699,340
Deferred Amounts Related to Pensions	8,057,832	-	8,057,832
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,757,172	-	8,757,172
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	528,946	76	529,022
Current Portion of Long-Term Debt	1,278,000	-	1,278,000
Accrued Salaries and Benefits	2,584,868	-	2,584,868
Accrued Interest Payable	556,902	-	556,902
Unearned Revenue	-	28,805	28,805
Total Current Liabilities	4,948,716	28,881	4,977,597
Noncurrent Liabilities:			
Bonds and Notes Payable, net	37,220,687	-	37,220,687
Other Postemployment Benefits Liability	6,395,511	-	6,395,511
Net Pension Liability	49,734,000	-	49,734,000
Compensated Absence Liability	296,935	10,492	307,427
Total Noncurrent Liabilities	93,647,133	10,492	93,657,625
TOTAL LIABILITIES	98,595,849	39,373	98,635,222
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Other Post Employment Benefits	95,000	-	95,000
Deferred Amounts Related to Pensions	374,000	-	374,000
TOTAL DEFERRED INFLOWS OF RESOURCES	469,000	-	469,000
<u>NET POSITION</u>			
Net Investment in Capital Assets	7,956,075	394,582	8,350,657
Unrestricted	(41,596,747)	571,393	(41,025,354)
TOTAL NET POSITION	\$ (33,640,672)	\$ 965,975	\$ (32,674,697)

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>						
Instruction	\$ 22,056,900	\$ 43,855	\$ 4,095,365	\$ (17,917,680)	\$ -	\$ (17,917,680)
Instructional Student Support	4,633,711	29,105	753,461	(3,851,145)	-	(3,851,145)
Administrative and Financial Support Services	2,248,703	-	215,621	(2,033,082)	-	(2,033,082)
Operation and Maintenance of Plant Services	2,622,728	30,714	106,360	(2,485,654)	-	(2,485,654)
Pupil Transportation	1,230,195	-	533,134	(697,061)	-	(697,061)
Student Activities	905,658	86,512	-	(819,146)	-	(819,146)
Community Services	212,892	183,435	-	(29,457)	-	(29,457)
Interest and Fiscal Charges	1,473,943	-	252,377	(1,221,566)	-	(1,221,566)
<b>Total Governmental Activities</b>	<b>35,384,730</b>	<b>373,621</b>	<b>5,956,318</b>	<b>(29,054,791)</b>	<b>-</b>	<b>(29,054,791)</b>
<b>Business-type Activities:</b>						
Food service	846,588	434,230	404,255	-	(8,103)	(8,103)
<b>Total Business-type Activities</b>	<b>846,588</b>	<b>434,230</b>	<b>404,255</b>	<b>-</b>	<b>(8,103)</b>	<b>(8,103)</b>
<b>Total</b>	<b>\$ 36,231,318</b>	<b>\$ 807,851</b>	<b>\$ 6,360,573</b>	<b>(29,054,791)</b>	<b>(8,103)</b>	<b>(29,062,894)</b>
<b>General Revenues:</b>						
Taxes:						
Property taxes, levied for general purposes, net				17,245,985	-	17,245,985
Public utility realty and earned income taxes, levied for general purposes, net				7,285,309	-	7,285,309
Unrestricted Grants, Subsidies, and Contributions				3,615,348	-	3,615,348
Investment Earnings				163,204	5,009	168,213
Transfers				(5,100)	5,100	-
Miscellaneous Income				52,256	-	52,256
Sale of Capital Assets				71,784	-	71,784
<b>Total General Revenues</b>				<b>28,428,786</b>	<b>10,109</b>	<b>28,438,895</b>
<b>Changes in Net Position</b>				<b>(626,005)</b>	<b>2,006</b>	<b>(623,999)</b>
<b>Net Position - Beginning, as restated (see Note 16)</b>				<b>(33,014,667)</b>	<b>963,969</b>	<b>(32,050,698)</b>
<b>Net Position - Ending</b>				<b>\$ (33,640,672)</b>	<b>\$ 965,975</b>	<b>\$ (32,674,697)</b>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 7,483,476	\$ -	\$ 7,483,476
Restricted Cash	112,626	3,163,500	3,276,126
Investments	19,422	-	19,422
Taxes Receivable, net	1,774,329	-	1,774,329
Due From Other Governments	927,346	-	927,346
Due From Other Funds	853	685,000	685,853
Other Receivables	55,702	-	55,702
<b>Total Assets</b>	<b>\$ 10,373,754</b>	<b>\$ 3,848,500</b>	<b>\$ 14,222,254</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 359,975	\$ 168,971	\$ 528,946
Due to Other Funds	733,885	-	733,885
Accrued Salaries and Benefits	2,584,868	-	2,584,868
<b>Total Liabilities</b>	<b>3,678,728</b>	<b>168,971</b>	<b>3,847,699</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Tax Revenue - Property Taxes	355,552	-	355,552
<b>Total Deferred Inflows of Resources</b>	<b>355,552</b>	<b>-</b>	<b>355,552</b>
<b>FUND BALANCES:</b>			
Restricted for Capital Projects	-	792,849	792,849
<b>Assigned For:</b>			
Future Pension Costs	2,359,571	-	2,359,571
Tax Appeals	250,000	-	250,000
Capital Projects	1,000,000	2,886,680	3,886,680
Unassigned	2,729,903	-	2,729,903
<b>Total Fund Balances</b>	<b>6,339,474</b>	<b>3,679,529</b>	<b>10,019,003</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,373,754</b>	<b>\$ 3,848,500</b>	<b>\$ 14,222,254</b>

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, 2018

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TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$	10,019,003
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 \$58,708,708 and the accumulated depreciation is \$15,530,072		43,178,636
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		355,552
Deferred inflows and outflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds:		
Deferred Outflows		8,757,172
Deferred Inflows		(469,000)
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		(38,498,687)
Accrued Interest on Bonds and Notes		(556,902)
Compensated Absences		(296,935)
Net Pension Liability		(49,734,000)
Other Postemployment Benefits		(6,395,511)
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	\$	(33,640,672)

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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, 2018

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Local Sources	\$ 25,132,716	\$ 26,405	\$ 25,159,121
State Sources	8,912,645	-	8,912,645
Federal Sources	661,640	-	661,640
Total Revenues	<u>34,707,001</u>	<u>26,405</u>	<u>34,733,406</u>
<b>EXPENDITURES:</b>			
Instruction	19,878,272	56,256	19,934,528
Support Services	10,246,866	-	10,246,866
Operation of Noninstructional Services	1,072,894	-	1,072,894
Facilities Acquisition, Construction and Improvement Services	-	871,882	871,882
Debt Service			
Principal	1,270,000	-	1,270,000
Interest	1,507,635	-	1,507,635
Other	2,195	-	2,195
Total Expenditures	<u>33,977,862</u>	<u>928,138</u>	<u>34,906,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>729,139</u>	<u>(901,733)</u>	<u>(172,594)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	793,975	793,975
Transfers Out	(799,075)	-	(799,075)
Sale of Capital Assets	71,784	-	71,784
Total Other Financing Sources/(Uses)	<u>(727,291)</u>	<u>793,975</u>	<u>66,684</u>
NET CHANGE IN FUND BALANCES	1,848	(107,758)	(105,910)
FUND BALANCE, BEGINNING	<u>6,337,626</u>	<u>3,787,287</u>	<u>10,124,913</u>
FUND BALANCE, ENDING	<u>\$ 6,339,474</u>	<u>\$ 3,679,529</u>	<u>\$ 10,019,003</u>

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, 2018

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NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ (105,910)
<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	883,052
Depreciation	(1,505,749)
<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	(41,363)
<p>Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds</p>	
Bond principal payments	1,270,000
<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	13,937
<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>	
Increase in compensated absences	(3,434)
Increase in other postemployment benefit expense	(97,609)
Increase in pension expense	(1,121,041)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (626,005)</u>

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See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPES  
 JUNE 30, 2018

	FOOD SERVICE
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 546,242
Inventories	16,492
Due From Other Funds	<u>48,885</u>
Total Current Assets	611,619
Noncurrent Assets:	
Furniture and Equipment, net	<u>394,582</u>
TOTAL ASSETS	<u><u>\$ 1,006,201</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 76
Unearned Revenues	28,805
Due to Other Funds	<u>853</u>
Total Current Liabilities	29,734
Noncurrent Liabilities:	
Compensated Absences Payable	<u>10,492</u>
Total Liabilities	<u>40,226</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	394,582
Unrestricted	<u>571,393</u>
Total Net Position	<u>965,975</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 1,006,201</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, 2018

	FOOD SERVICE
<hr/>	
OPERATING REVENUES:	
Food Service Revenue	\$ 434,230
Total Operating Revenues	434,230
OPERATING EXPENSES:	
Salaries	185,408
Employee Benefits	204,084
Purchased Professional and Technical Service	61,348
Food and Supplies Consumed	332,929
Equipment and Depreciation	45,424
Other Expenses	17,395
Total Operating Expenses	846,588
OPERATING (LOSS)/INCOME	(412,358)
NONOPERATING REVENUES:	
Earnings on Investments	5,009
State Sources	58,449
Federal Sources	345,806
Total Nonoperating Revenues	409,264
INCOME BEFORE TRANSFERS	(3,094)
TRANSFER IN	5,100
TOTAL TRANSFERS	5,100
CHANGE IN NET POSITION	2,006
NET POSITION, Beginning of year,	963,969
NET POSITION, End of year	\$ 965,975

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2018

	FOOD SERVICE
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Users	\$ 438,881
Cash Payments to Employees for Services	(397,035)
Cash Payments to Suppliers for Goods and Services	(405,218)
Cash Payments for Other Operating Expenses	(7,589)
	<u>(370,961)</u>
Net Cash Provided by (Used In) Operating Activities	<u>(370,961)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating Transfers In	5,100
Federal Subsidies	345,806
State Subsidies	58,449
	<u>409,355</u>
Net Cash Provided by Noncapital Financing Activities	<u>409,355</u>
<b>CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets	(6,635)
	<u>(6,635)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(6,635)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>	
Earnings on Investments	5,009
	<u>5,009</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	36,768
CASH AND CASH EQUIVALENTS, BEGINNING	<u>509,474</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 546,242</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:</b>	
Donated Commodities	<u>\$ 53,076</u>
<b>RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ (412,358)
Adjustment to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:	
Depreciation	40,607
Increase or Decrease in Assets and Liabilities	
Receivables	9,806
Inventories	(1,335)
Accounts Payable	(4,789)
Due From Other Funds	(7,547)
Due To Other funds	4
Unearned Revenue	4,651
	<u>41,397</u>
Total Adjustments	<u>41,397</u>
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	<u>\$ (370,961)</u>

See Notes to Financial Statements

LEWISUBRG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 166,567	\$ 186,522
Investments	108,542	-
Total Assets	<u>\$ 275,109</u>	<u>\$ 186,522</u>
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES:		
Due to Student Groups		<u>\$ 186,522</u>
NET POSITION:		
Restricted for Student Scholarships	\$ 262,263	
Restricted for Landscaping	12,846	
Total Net Postion	<u>\$ 275,109</u>	

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

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	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Contributions, net	\$ 33,801
Earnings on Investment	300
Total additions	<u>34,101</u>
DEDUCTIONS:	
Scholarships Awarded	<u>28,009</u>
Total Deductions	<u>28,009</u>
INCREASE IN NET POSITION	6,092
NET POSITION, BEGINNING	<u>269,017</u>
NET POSITION, ENDING	<u><u>\$ 275,109</u></u>

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See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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, 2018 for the SUN ATI are available at its business office.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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: \$5,000 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, 2018

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:

Description	Estimated Useful Lives
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, 2018

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, 2018

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, 2018

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 three items that qualify for reporting in these categories: deferred outflows and inflows related to other postemployment benefits, 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 and deferred outflows and inflows related to other postemployment benefits are described further in Note 11. 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. PSERS Pension and OPEB

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB 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, 2018

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. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The adoption of this statement resulted in a restatement of net position (see Note 16).

The District adopted the provisions of GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*". 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.

The District adopted the provisions of GASB Statement No. 85, "*Omnibus 2017*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". The adoption of this statement had no effect on previously reported amounts.

I. Pending Changes in Accounting Principles

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 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.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2021 financial statements.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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

I. Pending Changes in Accounting Principles (Continued)

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2020 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, 2018, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$11,658,933 and its bank balances were \$11,733,753. Of these bank balances, \$11,464,331 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, 2018, 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 \$19,422. 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, 2018

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](http://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, 2018 the District's investment in the publically traded Exxon stock is valued at \$108,542 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	\$	3,163,500
Cash restricted for taxes held in escrow		112,626
Total Restricted Cash	\$	<u>3,276,126</u>

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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 2017-2018 year the tax rate was 17.30 mills levied upon assessed valuations provided by Union County of approximately \$1,041,520,380. 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, 2018 were \$532,051.

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, 2018 as related to the District's governmental activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
State Sources	\$ 835,652
Central Susquehanna Intermediate Unit #16	91,694
Total	<u>\$ 927,346</u>

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.

**LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

A summary of Capital Asset transactions for the year ended June 30, 2018 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Land and Site Improvements	\$ 1,186,147	\$ 37,989	\$ -	\$ 1,224,136
Building and Building Improvements	51,974,764	718,158	-	52,692,922
Furniture, Equipment, and Vehicles	4,809,926	126,905	(145,181)	4,791,650
Total Cost	<u>57,970,837</u>	<u>883,052</u>	<u>(145,181)</u>	<u>58,708,708</u>
Less: Accumulated Depreciation:				
Land and Site Improvements	(725,125)	(46,369)	-	(771,494)
Building and Building Improvements	(9,808,896)	(1,306,563)	-	(11,115,459)
Furniture, Equipment, and Vehicles	(3,635,483)	(152,817)	145,181	(3,643,119)
Total Accumulated Depreciation	<u>(14,169,504)</u>	<u>(1,505,749)</u>	<u>145,181</u>	<u>(15,530,072)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 43,801,333</u>	<u>\$ (622,697)</u>	<u>\$ -</u>	<u>\$ 43,178,636</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Furniture and Equipment	\$ 1,484,250	\$ 6,635	\$ (22,168)	\$ 1,468,717
Less: Accumulated Depreciation	(1,055,696)	(40,607)	22,168	(1,074,135)
Business-Type Activities				
Capital Assets, Net	<u>\$ 428,554</u>	<u>\$ (33,972)</u>	<u>\$ -</u>	<u>\$ 394,582</u>

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

Government Activities:	
Instruction	\$ 899,824
Instructional Student Support	250,479
Administrative and Financial Support Service	92,415
Operation and Maintenance of Plan Service	107,022
Pupil Transportation	50,213
Student Activities	36,949
Community Services	8,685
Interest and Fiscal Charges	60,162
Total Depreciation Expense	<u>\$ 1,505,749</u>

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2018, the District's long-term debt consisted of the following:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds/Notes	\$ 39,071,000	\$ -	\$ 1,270,000	\$ 37,801,000	\$ 1,278,000
Less: Bond Premium/(Discount)	779,799	-	82,112	697,687	-
Compensated Absences	293,501	3,434	-	296,935	-
Other Postemployment Benefits *	6,068,796	701,949	375,234	6,395,511	-
Total Long Term Obligatons	<u>\$ 46,213,096</u>	<u>\$ 705,383</u>	<u>\$ 1,727,346</u>	<u>\$ 45,191,133</u>	<u>\$ 1,278,000</u>
<b>Business-Type Activities:</b>					
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 adopting GASB 75 for Other Postemployment Benefits.

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%.	\$ 29,980,000
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%.	6,805,000

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
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%.	\$ 1,016,000
Total			<u>\$ 37,801,000</u>

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2018:

	Principal	Interest	Total
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	1,488,000	1,274,648	2,762,648
2024-2028	8,027,000	5,514,208	13,541,208
2029-2033	9,190,000	3,925,890	13,115,890
2034-3038	11,170,000	1,960,827	13,130,827
2039	2,520,000	105,988	2,625,988
Totals	<u>\$ 37,801,000</u>	<u>\$ 18,429,901</u>	<u>\$ 56,230,901</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, 2018 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.

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 9: COMPENSATED ABSENCES (CONTINUED)

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

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

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2017	\$ 293,501	\$ 10,492	\$ 303,993
Additions/(Reductions)	3,434	-	3,434
Balance, June 30, 2018	<u>\$ 296,935</u>	<u>\$ 10,492</u>	<u>\$ 307,427</u>

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.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

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](http://www.psers.state.pa.us).

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.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Benefits Provided (Continued)

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

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.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,252,832 for the year ended June 30, 2018.

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.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Contributions (Continued)

Member Contributions (Continued):

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, 2018, the District reported a liability of \$49,734,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.1007 percent, which was an increase of 0.0005 from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$5,374,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,153,000	\$ -
Changes in assumptions	1,351,000	-
Changes in proportion	782,000	73,000
Difference between expected and actual experience	519,000	301,000
Contributions subsequent to the measurement date	4,252,832	-
<b>Total</b>	<b>\$ 8,057,832</b>	<b>\$ 374,000</b>

\$4.253 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, 2018.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 880,000
2018	1,647,000
2019	1,019,000
2020	(115,000)

Actuarial Assumptions

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

Assumptions used in the Total Pension Liability beginning June 30, 2017:

- Investment rate of return was 7.25%
- The inflation assumption was 2.75%
- Salary growth was an effective range of 5.50%, which was comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study 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.

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

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

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:

<b>(in Thousands)</b>	<b>1% Decrease 6.25%</b>	<b>Current discount rate 7.25%</b>	<b>1% Increase 8.25%</b>
District's proportionate share of the net pension liability	\$ 61,218	\$ 49,734	\$ 40,038

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

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

At June 30, 2018, the District reported a payable of \$1,234,224 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

**District Specific Plan**

Plan Description

*Plan Administration.* The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

*Plan Membership.* As of June 30, 2018, the Plan's membership consisted of the following:

Active Participants	253
Retired Participants	26
Total	279

*Benefits Provided.* The Plan provides healthcare benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and vary depending on employee classification and years of service of the retiree. The District pays the full premium for medical, prescription drug, dental and vision benefits for the former superintendent for a duration of 5 years. The District pays 50% of the premium for medical and prescription drug benefits for teachers, administrators, and non-professional non-union employees with 15 years of District service until the earlier of 5 years or the retiree's Medicare Eligibility; Administrators retiring after July 1, 2015 will also receive fully paid dental and vision coverage. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

*Contributions.* The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**District Specific Plan (Continued)**

Total OPEB Liability

The District's total OPEB liability of \$4,343,511 was measured as of July 1, 2016 and was rolled forward using actuarial assumptions to the valuation date of July 1, 2017.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.50% average, including inflation
Discount Rate	3.13%
Healthcare Cost Trend Rates	6.00% for 2017, decreasing to an ultimate rate of 3.9% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2018 was as follows:

	<u>Total OPEB Liability</u>
Balance at 7/1/2016	\$ 3,910,796
Service Cost	295,027
Interest	101,143
Changes in Assumptions	302,092
Benefit Payments	<u>(265,547)</u>
Net Changes	<u>432,715</u>
Balance at 7/1/2017	<u><u>\$ 4,343,511</u></u>

Changes in assumptions reflect a change in the discount rate from 2.49% to 3.13%, an update of trend assumptions, and an update of assumptions for salary, mortality, and retirement based on the new PSERS assumptions.

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**District Specific Plan (Continued)**

Total OPEB Liability (Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (2.13%) or 1-percentage higher (4.13%) than the current discount rate:

	<b>1% Decrease 5.0%</b>	<b>Current discount rate 6.0%</b>	<b>1% Increase 7.0%</b>
District's total OPEB liability	\$ 3,895,721	\$ 4,343,511	\$ 4,877,431

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

	<b>1% Decrease 2.13%</b>	<b>Current discount rate 3.13%</b>	<b>1% Increase 3.13%</b>
District's total OPEB liability	\$ 4,624,475	\$ 4,343,511	\$ 4,075,318

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$423,633. At June 30, 2017 the District reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	\$ 274,629
Contributions subsequent to the measurement date	302,711
Total	\$ 577,340

Amounts, other than contributions subsequent to the measurement date, reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 27,463
2020	27,463
2021	27,463
2022	27,463
2023	27,463
Thereafter	137,314

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan**

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan 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](http://www.psers.state.pa.us).

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

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

Benefits Provided

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

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$111,000 for the year ended June 30, 2018.

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

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

At June 30, 2018, the District reported a liability of \$2,052,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.1007 percent, which was a decrease of 0.0005 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$89,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 2,000	\$ -
Changes in assumptions	-	95,000
Changes in proportion	9,000	-
Contributions subsequent to the measurement date	111,000	-
<b>Total</b>	<b>\$ 122,000</b>	<b>\$ 95,000</b>

\$111,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 14,000
2020	14,000
2021	14,000
2022	14,000
2023	14,000
Thereafter	14,000

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

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

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

The following assumptions were used to determine the contribution rate:

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

A recent actuarial experience study was not performed.

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

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
Total	<u>100.0%</u>	

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

**Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates**

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

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease 2.13%</u>	<u>Current discount rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB liability	\$ 2,332,000	\$ 2,052,000	\$ 1,819,000

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

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

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

	<b>1% Decrease 2.13%</b>	<b>Current discount rate 3.13%</b>	<b>1% Increase 4.13%</b>
District's proportionate share of net OPEB liability	\$ 2,051,000	\$ 2,052,000	\$ 2,052,000

OPEB plan fiduciary net position.

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

At June 30, 2018 the District reported a payable of \$32,275 for the outstanding amount of contributions to the OPEB plan.

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, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

LEWISBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 13: CONTINGENT LIABILITIES (CONTINUED)

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.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 853	\$ 733,885	\$ -	\$ 799,075
Capital Projects Fund	685,000	-	793,975	-
Food Service Fund	48,885	853	5,100	-
Total	<u>\$ 734,738</u>	<u>\$ 734,738</u>	<u>\$ 799,075</u>	<u>\$ 799,075</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:

2019	\$ 40,715
2020	8,964
Total	<u>\$ 49,679</u>

The rental expense for these leases at June 30, 2018 was \$54,027.

NOTE 16: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in which the District changed its manner of accounting for other postemployment benefits.

	Governmental Activities
Net Position, beginning of year as previously stated	\$ (28,515,431)
Understatement of OPEB liability due to GASB 75	(4,499,236)
Net Position, beginning of year as restated	<u>\$ (33,014,667)</u>

LEWISBURG AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

NOTE 17: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended June 30, 2018.

	Appropriations	Expenditures	Percent of Excess Expenditures Over Appropriations
General Fund	\$ 33,829,288	\$ 33,977,862	0.44%

The excess expenditures over appropriations in the General Fund was funded by increased earned income tax revenue and private contributions.

**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, 2018

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Local Sources	\$ 24,785,668	\$ 24,785,668	\$ 25,132,716	\$ 347,048
State Sources	8,976,309	8,976,309	8,912,645	(63,664)
Federal Sources	417,311	417,311	661,640	244,329
<b>Total Revenues</b>	<b>34,179,288</b>	<b>34,179,288</b>	<b>34,707,001</b>	<b>527,713</b>
<b>EXPENDITURES:</b>				
Instruction:				
Regular Programs	14,235,341	14,290,966	14,289,075	1,891
Special Programs	3,599,073	3,800,397	3,801,128	(731)
Vocational Educational Programs	1,255,110	1,203,694	1,203,694	-
Other Instructional Programs	443,643	439,764	439,764	-
Pre-Kindergarten Programs	152,817	144,611	144,611	-
<b>Total Instruction</b>	<b>19,685,984</b>	<b>19,879,432</b>	<b>19,878,272</b>	<b>1,160</b>
Support services:				
Pupil Personnel	1,516,610	1,658,002	1,658,002	-
Instructional Staff	2,163,982	2,312,962	2,350,353	(37,391)
Administration	1,718,370	1,686,099	1,686,099	-
Pupil Health	373,552	372,467	385,932	(13,465)
Business	428,950	414,805	414,804	1
Operation and Maintenance of Plant Services	2,558,460	2,515,678	2,515,678	-
Student Transportation Services	1,258,730	1,179,999	1,179,983	16
Central and Other Support Services	55,883	55,883	56,015	(132)
<b>Total Support Services</b>	<b>10,074,537</b>	<b>10,195,895</b>	<b>10,246,866</b>	<b>(50,971)</b>
Operation of Noninstructional Services:				
Student Activities	824,279	826,054	868,692	(42,638)
Community Services	150,145	150,145	204,202	(54,057)
<b>Total Operation of Noninstructional Services</b>	<b>974,424</b>	<b>976,199</b>	<b>1,072,894</b>	<b>(96,695)</b>
Debt Service				
Other	2,777,762	2,777,762	2,777,635	127
	-	-	2,195	(2,195)
<b>Total Expenditures</b>	<b>33,512,707</b>	<b>33,829,288</b>	<b>33,977,862</b>	<b>(148,574)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>666,581</b>	<b>350,000</b>	<b>729,139</b>	<b>379,139</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	(350,000)	(350,000)	(799,075)	(449,075)
Sale of Capital Assets	-	-	71,784	71,784
<b>Total Other Financing Sources/(Uses)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(727,291)</b>	<b>(377,291)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 316,581</b>	<b>\$ -</b>	<b>\$ 1,848</b>	<b>\$ 1,848</b>

See Notes to Financial Statements

LEWISBURG AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
<b>Total OPEB liability</b>	
Service Cost	\$ 295,027
Interest	101,143
Changes of assumptions	302,092
Benefit payments, including refunds of employee contributions	<u>(265,547)</u>
<b>Net change in total OPEB liability</b>	432,715
<b>Total OPEB liability - beginning</b>	<u>3,910,796</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 4,343,511</u></u>
<b>Covered payroll</b>	\$ 12,229,677
<b>County net OPEB liability as a percentage of covered payroll</b>	35.5%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available

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

	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.1002%	0.1007%
District's proportionate share of the PSERS OPEB liability	\$ 2,158,000	\$ 2,052,000
District's covered payroll	\$ 12,970,582	\$ 13,403,801
District's proportionate share of the PSERS OPEB liability as a percentage of its covered payroll	17%	15%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5%	6%

The District adopted GASB 75 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 FOR THE NET OPEB LIABILITY- PSERS PLAN - LAST 10 YEARS  
 REQUIRED SUPPLEMENTAL INFORMATION

	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 109,687	\$ 111,211
Contributions in relation to the contractually required contribution	(109,687)	(111,211)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,403,801	\$ 13,512,139
Contributions as a percentage of covered payroll	1%	1%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available

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

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>	<u>2018</u>
District's proportion of the net pension liability	0.0980%	0.0972%	0.0992%	0.1002%	0.1007%
District's proportionate share of the net pension liability	\$ 40,118,000	\$ 38,472,000	\$ 42,969,000	\$ 49,656,000	\$ 49,734,000
District's covered payroll	\$ 12,573,567	\$ 12,408,037	\$ 12,760,235	\$ 12,970,582	\$ 13,403,801
District's proportionate share of the net pension liability as a percentage of its covered payroll	313%	310%	337%	383%	371%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%	52%

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 FOR THE NET PENSION LIABILITY- LAST 10 YEARS  
 REQUIRED SUPPLEMENTAL INFORMATION

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,985,286	\$ 2,559,478	\$ 3,242,646	\$ 3,858,973	\$ 4,252,832
Contributions in relation to the contractually required contribution	(1,985,286)	(2,559,478)	(3,242,646)	(3,858,973)	(4,252,832)
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 12,408,037	\$ 12,760,235	\$ 12,970,582	\$ 13,403,801	\$ 13,512,139
Contributions as a percentage of covered payroll	16%	20%	25%	29%	31%

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

The covered 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, 2018**

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
<b>U.S. DEPARTMENT OF EDUCATION</b>											
<b>Passed Through State Department of Education:</b>											
NCLB Title I	(I)	84.010	013-180227	\$ 272,769	7/1/17 - 9/30/18	\$ 272,769	\$ -	\$ 272,769	\$ 272,769	\$ -	\$ -
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-170227	66,132	7/1/15 - 9/30/17	(397)	-	(397)	(397)	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-180227	60,175	7/1/16 - 9/30/18	60,175	-	60,175	60,175	-	-
Total NCLB Title II Part A Improving Teacher Quality						59,778	-	59,778	59,778	-	-
NCLB Title IV - 21st Century	(I)	84.424	144-180227	10,000	7/1/17 - 9/30/18	10,000	-	10,000	10,000	-	-
Total State Department of Education				409,076		342,547	-	342,547	342,547	-	-
<b>Passed Through Intermediate Units</b>											
Special Education-Grants to States:											
<b>CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16</b>											
IDEA B	(I)	84.027	062-170016	121,199	7/1/16 - 6/30/17	121,199	121,199	-	-	-	-
IDEA B	(I)	84.173	131-160016	3,124	7/1/16 - 6/30/17	3,124	3,124	-	-	-	-
IDEA 619	(I)	84.027	062-18-0016	267,194	7/1/17 - 6/30/18	175,503	-	267,197	267,197	91,694	-
IDEA 619	(I)	84.173	131-17-0016	3,570	7/1/17 - 6/30/18	3,570	-	3,570	3,570	-	-
Total Central Susquehanna Intermediate Unit #16						303,396	124,323	270,767	270,767	91,694	-
Total Special Education Cluster				395,087		303,396	124,323	270,767	270,767	91,694	-
<b>TOTAL DEPARTMENT OF EDUCATION</b>				<b>804,163</b>		<b>645,943</b>	<b>124,323</b>	<b>613,314</b>	<b>613,314</b>	<b>91,694</b>	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
<b>Passed Through State Department of Education:</b>											
National School Lunch	(I)	10.555	362	N/A	7/1/17- 6/30/18	249,318	7,403	241,915	241,915	-	-
National School Lunch	(S)	N/A	N/A	N/A	7/1/17- 6/30/18	19,418	591	18,827	18,827	-	-
School Breakfast	(I)	10.553	365	N/A	7/1/17- 6/30/18	52,509	1,693	50,816	50,816	-	-
School Breakfast	(S)	N/A	N/A	N/A	7/1/17- 6/30/18	3,468	119	3,349	3,349	-	-
Total State Department of Education						324,713	9,806	314,907	314,907	-	-
<b>PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:</b>											
National School Lunch Program	(I)	10.555	N/A	N/A	7/1/17- 6/30/18	(A) -	(B) -	(C) 53,076	(D) -	-	-
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						324,713	9,806	314,907	367,983	-	-
<b>LESS: STATE FUNDS</b>						22,886	-	22,176	22,176	-	-
Total Child Nutrition Cluster				N/A		301,827	9,806	292,731	345,807	*	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 804,163</b>		<b>\$ 947,770</b>	<b>\$ 134,129</b>	<b>\$ 906,045</b>	<b>\$ 959,121</b>	<b>\$ 91,694</b>	<b>-</b>

**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, 2018

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 2018 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, 2018, totaled \$345,807 or 36.1% 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	\$ 50,816	84.027	\$ 267,197
10.555	294,991	84.173	3,570
Total	\$ 345,807	Total	\$ 270,767

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.



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

INDEPENDENT AUDITOR'S REPORT

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2018.

**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.



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 Axlerod LLC*

Zelenkofske Axlerod LLC

Harrisburg, PA  
November 7, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE**

**INDEPENDENT AUDITOR'S REPORT**

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, 2018. 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, 2018.

**Report on Internal Control Over Compliance**

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



## Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

*Experience. Expertise. Accountability.*

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Axlerod LLC*

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania  
November 7, 2018

LEWISBURG AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

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?  
 X  yes \_\_\_ 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)?  X  yes \_\_\_ 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, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

<u>Finding 2018-001</u>	<u>Reporting</u>  CFDA #10.553/10.555 Child Nutrition Cluster U.S. Department of Agriculture Pass-through Pennsylvania Department of Education and Pennsylvania Department of Agriculture
Criteria:	2 CFR part 200 section 303 indicates that the District is responsible for establishing and maintaining effective internal control over the Federal award that provides reasonable assurance that the District is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
Condition:	Three of the three reports selected for testing in the Child Nutrition Cluster did not have sufficient audit evidence to demonstrate they were approved prior to submission. There were no instances of noncompliance with reporting requirements related to the reports selected.
Cause:	The review of the reports was not performed.
Effect:	Internal controls over reporting were not operating effectively.
Questioned Costs:	None
Recommendation:	The District should follow its established internal control procedures over reporting requirements.
Views of Responsible Officials:	Management notes that while the food service director did review all reports prior to submission, he failed to sign the reports demonstrating that review, in accordance with district requirements. The food service director had been reminded to sign off on all reports prior to submission in the future, and this will be checked by the director of administrative services on an ongoing basis.

LEWISBURG AREA SCHOOL DISTRICT  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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