LAMPETER-STRASBURG SCHOOL DISTRICT
Lampeter, Pennsylvania 17537

BOARD WORKSHOP MEETING AGENDA
October 21, 2019

FOR BOARD WORKSHOP ACTION

ACADEMIC COMMITTEE

1. RECOMMENDATION FOR APPROVAL OF EDINSIGHT AGREEMENT CURRICULUM MANAGEMENT TOOL

Recommend the approval of a three-year agreement with Edinsight for curriculum management software, as posted.

BUSINESS AND FINANCE COMMITTEE

2. PRESENTATION OF 2018-2019 FINANCIAL STATEMENTS AND AUDIT

BBD, LLP, will present audit information for the 2018-2019 financial statements, as posted.

MISCELLANEOUS

3. DISCUSSION OF UPDATED POLICY

Dr. Peart will lead discussion of Policy 5130, Student Participation in Extracurricular Activities and Interscholastic Athletics, as posted.

4. DISCUSSION OF PSBA PRINCIPLES

Dr. Peart will lead a discussion of PSBA Principles, as included in Board folders.

5. ADJOURNMENT TO EXECUTIVE SESSION

The meeting will adjourn to Executive Session to discuss a matter involving the employment, appointment, termination of employment, terms and conditions of employment, evaluation of performance, promotion or disciplining of any specific prospective public officer or employee or current public officer or employee employed or appointed by the agency.

EdInsight™ Agreement

Subscriber:	**Lampeter Strasburg School District**	**OnHand Schools, Inc.**
Address:	**1600 Book Rd**	**1501 Reedsdale St., Suite 5000**
	Lancaster, PA 17602	**Pittsburgh, PA 15233**

Effective Date: 10/11/2019 **Initial Term: 32 months**

OnHand Schools, Inc. ("**OnHand**") provides a software-based solution known as EdInsight™ that is used by schools to manage and share educational and administrative data for the benefit of various stakeholders in the education system. Subject to the terms and conditions of this Agreement, OnHand agrees to sell and license to Subscriber, and Subscriber agrees to purchase and license from OnHand, the EdInsight products and services detailed below

	Product/Service	**2019-20**	**2020-21**	**2021-22**
☒	EdInsight Curriculum Manager and Lesson Planner	**$5,200**	**$5,356**	**$5,516**
☒	Prorated 2019-20 School Year Discount	**($2,600)**		
☒	Set-up Fee	**$2,500**		
☒	Annual Hosting Fee	**Included**	**Included**	**Included**
☒	EdInsight system training- Half Day onsite	**Included**		
	Total Investment	**$5,100**	**$5,356**	**$5,516**

This Agreement is entered into by Subscriber and OnHand Schools as of the Effective Date above and consists of this signature page and the attached provisions, which are incorporated by reference (this "**Agreement**").

Intending to be legally bound, the parties have caused this Agreement to be duly executed and delivered as of the Effective Date.

Subscriber

By____________________________

Name:
Title:
Date:

OnHand Schools, INC.

By Michael G. Torrenti

Name: Michael G. Torrenti
Title: Vice President of Sales

1. *SOFTWARE AND SERVICES*

1.1. Software.

(a) During the term of this Agreement, Subscriber and its Users may access and use the OnHand software identified above, including updates (the "**Software**"), for Subscriber's internal business and educational purposes in accordance with this Agreement, using hardware servers, workstations, operating systems and web browser software approved by OnHand as compatible with the Software. The Software may include software and components that are licensed from third parties (the "**Third Party Software**"). Subscriber and its Users are only acquiring a limited license to use the Software, and OnHand and its licensors retain exclusive ownership to the Software and Third Party Software.

(b) Subscriber will not use or duplicate any Software for any purpose other than as specified in this Agreement. Subscriber will not sublicense, assign, rent, give, lend, distribute or timeshare the Software or market the Software by interactive network access or through remote processing services or otherwise operate a service bureau with the Software. Subscriber agrees not to cause or permit the modification, re-creation, reverse engineering, disassembly or de-compilation of the Software, including any database, file or library related thereto that may be provided or created by OnHand or its licensors, except to the absolute minimum extent as may be necessary to comply with applicable law and only after prior written notification to OnHand. All rights not expressly granted to Subscriber herein are reserved by OnHand.

1.2. Installation. OnHand will install the Software on hardware owned or controlled by OnHand or its contractors, and OnHand will be responsible for obtaining and maintaining its hardware, at its expense. OnHand will use reasonable efforts to provide interfaces between the Software and education software and databases from Subscriber's other software vendors if agreed by OnHand and if technically and commercially feasible, and OnHand will retain exclusive ownership of such interfaces.

1.3. Training. OnHand will provide training to Subscriber personnel at mutually agreed times and places for the number of days indicated above.

1.4. Support. During the term of this Agreement, OnHand will provide support services for the Software during OnHand's normal business hours, 9:00 a.m. to 5:00 p.m. Eastern Time, Monday through Friday, excluding legal holidays, as set forth below:

New Years Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving, The day after Thanksgiving, Christmas Eve, Christmas Day

(a) OnHand will provide Software updates which are generally made available by OnHand from time to time. Subscriber agrees to promptly install or permit the installation of all such updates.

(b) OnHand will use reasonable efforts to respond to reasonable inquiries relating to the operation and use of the Software and attempt to provide corrections and error fixes. OnHand reserves the right to direct User support requests to Subscriber's Liaison (as defined below. OnHand will not be obligated to support any Software that: (i) has been modified by anyone other than OnHand; (ii) has been installed on any hardware or is being operated with any operating system software that has not been approved by OnHand; or (iii) is not the latest version of the Software released by OnHand.

1.5. Extra Services. The services provided under this Agreement for the fees indicated above do not include additional services relating to any products, training, data conversion, customization, development or other activities not specifically described in this Agreement. Upon Subscriber's request, OnHand will provide a proposal of its then current rates for such services to be approved by the School Board.

2. PAYMENT TERMS. Subscriber agrees to pay amounts due under this Agreement within 30 days after receipt of OnHand's invoice. OnHand reserves the right to charge an administrative fee on amounts not paid when due at a monthly rate of the lesser of the maximum amount allowable by the law of the state in which Subscriber is located or 0.5%. The prices set forth above do not include any applicable foreign, federal, state or local sales, use or other similar taxes. If Subscriber is exempt from any such taxes, it will provide OnHand with an exemption certificate.

3. CONFIDENTIALITY. During the term of this Agreement and for a period of five (5) years from the expiration or termination of this Agreement, each party will use reasonable efforts to prevent the disclosure to any individual, entity or other person (other than its own personnel and any contractors, representatives or consultants who have a reasonable need to know and who are bound to maintain such information in confidence) of any nonpublic and confidential information received from or through the other party. OnHand's confidential information includes the Software, including without limitation, any database, file or library related thereto that may be provided or created by OnHand or its licensors. For purposes of this Section, a party will be deemed to have used "reasonable efforts" if it uses the same degree of care to avoid disclosure of such information as it employs with respect to its own proprietary information of like importance, but in no event less than the standard of care a reasonably prudent person would take to protect such information. For purposes of this Agreement, confidential information will not include any information that: (a) at the time of disclosure is generally known to the public; (b) after such disclosure, becomes known to the public through no violation of this Agreement; (c) as shown by written records, was in the possession of the receiving party prior to such disclosure by the disclosing party; (d) after such disclosure as contemplated by this Agreement, is disclosed to the receiving party by a third party that is not under an obligation to maintain the confidentiality of the information; (e) is disclosed by the disclosing party to other third parties without obligation of confidentiality; or (f) is deemed a public record by the Pennsylvania Right To Know law." Additionally, OnHand shall protect the Confidentiality of the Subscriber's students' records and health records as dictated by the Family Educational Rights and Privacy Act ("FERPA"), and shall release no information absent written authorization from the student's parent, unless otherwise required to do so by law.

4. SUBSCRIBER'S RESPONSIBILITIES.

4.1. Liaison and Resources. Subscriber will appoint a liaison (the "**Liaison**") who will oversee the project on behalf of Subscriber and facilitate interdepartmental communication as necessary during implementation of the Software and training. After implementation of the Software, the Liaison will serve as the main point of contact between OnHand and Subscriber and its Users. The Liaison will be reasonably knowledgeable in the use of the Software, Subscriber's other software applications and the supported hardware and be capable of responding to general inquiries from Subscriber's Users regarding the Software and will be authorized by Subscriber to act as support liaison with OnHand. Subscriber may change the Liaison or appoint an alternate upon prior written notice to OnHand. Subscriber will also provide OnHand with access to the relevant facility, equipment, information, data, supplies and other resources under the control of Subscriber required to permit OnHand to perform as required under this Agreement and ensure all appropriate Subscriber personnel and any required third party personnel under Subscriber's control or direction will be available to permit OnHand to perform as required under this Agreement.

4.2. Student Information System (SIS) integration. The initial setup fee referenced above provides for integration with the Subscriber's SIS at the time of contract signing. In the event that the Subscriber changes SIS systems at a later date, the Subscriber must notify OnHand with as much advanced warning as possible, at which time OnHand will estimate the cost and timeline to develop the integration with the new SIS and will provide the Subscriber with a quote and authorization form for the associated work. OnHand will schedule and perform the SIS integration change following receipt of the signed authorization and will provide an invoice for it once the work is complete.

4.3. System Environment. If Subscriber has elected to install the Software on its own hardware server approved by OnHand, Subscriber will provide and install the hardware server at its expense and will provide OnHand with remote access during the term of this Agreement to the Software and any hardware server on which it is installed, including, without limitation, any required login IDs and passwords, in order to permit OnHand to access and interact with the Software at any time to provide services and verify compliance with the terms of this Agreement. In all cases, Subscriber will provide all other required workstations, operating systems and web browser software approved by OnHand as compatible with the Software, and all data communication equipment and lines and associated cabling and supplies, at its expense. OnHand will have no responsibility for installing, configuring or maintaining any Subscriber hardware or third party software (including operating systems and other education and school management application software used by Subscriber) or for management, backup, security, restart or recovery of any of Subscriber's data used in conjunction with the Software. Unless the parties agree otherwise in writing, Subscriber will be solely responsible for obtaining, implementing and maintaining at its expense all required network access (including Internet connection), and network, system and procedural security and safeguards (including firewall and intrusion detection), and availability, scalability, performance and dependability of any of the foregoing with respect to Subscriber's systems.

4.4. Feedback Assistance. Upon request of OnHand, Subscriber will from time to time use commercially reasonable efforts to designate and obtain the participation of various Users to participate in focus groups and surveys to provide suggestions and feedback to OnHand. OnHand will consider any improvement suggestions in good faith but makes no assurance that it will incorporate any suggested features or functions into future releases of the Software. OnHand will exclusively own any such features and functionality it may incorporate into the Software.

5. TERM AND TERMINATION.

5.1. Term. This Agreement will commence as of the Effective Date indicated above and will continue thereafter for the Initial Term indicated above. Upon termination, all licenses to the Software will immediately terminate and Subscriber and Users will cease using the Software and uninstall and destroy all copies that may be in Subscriber's possession or control. Sections 3 and 8 of this Agreement will survive any expiration or termination of this Agreement, regardless of cause, and otherwise remain binding upon the parties.

5.2. Agreement Renewal. This agreement will commence as of the Effective Date listed in the EdInsight™ Agreement and continue through the Initial Term, also listed in the EdInsight™ Agreement. At the end of the Initial Term of this agreement, this contract will automatically renew for successive one year periods at the standard EdInsight annual software license fee in effect at the time of renewal, not to exceed the license fee quoted in this agreement plus 20%, unless either party provides written notification 90 days prior to the start of the school year for which the current one year renewal applies.

6. GOVERNMENT RESTRICTED RIGHTS. The use, duplication, reproduction, release, modification, disclosure or transfer of the Software and any related manuals, technical specifications or documentation of any kind, including technical data, is restricted in accordance with Federal Acquisition Regulation 12.212 for civilian agencies and Defense Federal Acquisition Regulation Supplement 227.7202 for military agencies. The foregoing is commercial computer software and commercial computer software documentation. The use of the foregoing is further restricted in accordance with the terms of this Agreement.

7. FORCE MAJEURE. Neither party will be liable to the other for failure or delay in the performance of a required obligation if such failure or delay is caused by war, terrorism, Act of God, strike, riot, fire, flood, natural disaster, failure of suppliers or communication services, or other similar cause beyond such party's reasonable control.

8. TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, THE SUBSCRIBER AGREES THAT THE ENTIRE LIABILITY OF ONHAND SCHOOLS, INC. (IN RESPECT OF SECTIONS 8 AND 9 ARE TOGETHER DEFINED AS "HARRIS") AND THE SUBSCRIBERS EXCLUSIVE REMEDY WITH RESPECT TO THE HOSTING SERVICES, THE SOFTWARE, THE PROFESSIONAL SERVICES AND ANY OTHER PRODUCTS, MATERIALS OR SERVICES SUPPLIED BY HARRIS IN CONNECTION WITH THIS AGREEMENT FOR DAMAGES FOR ANY CAUSE AND REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT OR IN TORT, INCLUDING FUNDAMENTAL BREACH OR NEGLIGENCE, SHALL BE LIMITED TO ACTUAL DIRECT DAMAGES AND SHALL NOT EXCEED IN THE AGGREGATE THE ANNUAL FEES PAID IN THE THEN-CURRENT YEAR BY THE SUBSCRIBER TO HARRIS UNDER THIS AGREEMENT.

9. THE PARTIES FURTHER AGREE THAT IN NO EVENT SHALL ANY PARTY BE LIABLE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT OR IN TORT, INCLUDING FUNDAMENTAL BREACH OR NEGLIGENCE, FOR ANY INDIRECT, PUNITIVE, CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR EXEMPLARY DAMAGES WHATSOEVER, INCLUDING WITHOUT LIMITATION FOR LOST PROFITS (OTHER THAN A FAILURE BY THE SUBSCRIBER TO PAY AMOUNTS DUE TO HARRIS), LOSS OF REVENUE (OTHER THAN A FAILURE BY THE SUBSCRIBER TO PAY AMOUNTS DUE TO HARRIS), FAILURE TO REALIZE ANTICIPATED SAVINGS, LOST OR DAMAGED DATA, LOSS OF GOODWILL, BUSINESS OPPORTUNITIES OR REPUTATION, OR ECONOMIC LOSS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH POTENTIAL LOSS OR DAMAGES, OR SUCH LOSSES OR DAMAGES ARE FORESEEABLE.

10. MISCELLANEOUS. This Agreement: (a) may be amended only by a writing signed by the School Board President and an authorized member of OnHand Schools; (b) may be executed in several counterparts, including by signature in Adobe PDF which shall be deemed an original but all of which shall constitute one and the same instrument; (c) contains the entire agreement of the parties with respect to the transactions contemplated hereby and supersedes all prior written and oral agreements, and all contemporaneous oral agreements, relating to such transactions; (d) shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the conflicts of laws principles of that or any other jurisdiction; (e) shall be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns; and (f) may not be assigned by Subscriber or OnHand Schools without the prior written consent of other party. The waiver by either party of any default or breach of this Agreement will not constitute a waiver of any other or subsequent default or breach. No act, delay or omission on the part of either party will be deemed a waiver unless expressly made in writing and signed by the School Board President and an authorized member of OnHand Schools. Each party is acting as an independent contractor and not as an agent, partner, or joint venture with the other party for any purpose.

Lampeter-Strasburg School District
Lampeter, Pennsylvania
Lancaster County

Financial Statements
Year Ended June 30, 2019

1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Lampeter-Strasburg School District
Lampeter, Pennsylvania

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 Lampeter-Strasburg School District, Lampeter, Pennsylvania as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lampeter-Strasburg School District, Lampeter, Pennsylvania as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Lampeter-Strasburg School District's 2018 financial statements, and our report dated October 15, 2018 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability -PSERS and OPEB plan contributions – PSERS on pages 3 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants 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 October 2, 2019, on our consideration of Lampeter-Strasburg School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lampeter-Strasburg School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
October 2, 2019

Management's discussion and analysis (***"MD&A"***) of the financial performance of the Lampeter-Strasburg School District (the ***"District"***) provides an overview of the District's financial performance for fiscal year ended June 30, 2019. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of two elementary schools, a middle school and a high school consisting of approximately 3,056 students. The District covers 36.2 square miles southeast of the City of Lancaster and is comprised of the Townships of Strasburg and West Lampeter and the Borough of Strasburg. During 2018-2019, there were 430 employees in the District, consisting of 219 teachers, 13 administrators, including general administration, principals, and supervisors, and 198 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

The District is committed to providing, in an accountable partnership with the parents and the community, opportunities for each learner to acquire the knowledge, skills and values to become a responsible, productive citizen.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in total net position at the close of the 2018-2019 fiscal year of $36,284,664. During the 2018-2019 fiscal year, the District had an increase in total net position of $2,022,426. The net position of governmental activities increased by $2,059,454 and the net position of the business-type activities decreased by $37,028.

- The General Fund reported an increase of fund balance of $592,084, bringing the cumulative balance to $7,810,648 at the conclusion of the 2018-2019 fiscal year.

- At June 30, 2019, the General Fund fund balance includes $58,596 which is considered nonspendable, $1,300,000 assigned to retirement rate stabilization, $258,000 assigned to technology initiatives, $171,710 assigned for property tax assessment appeals, and an unassigned amount of $6,022,342 or 10.92% of the $55,164,010 General Fund expenditure budget for 2019-2020.

- Total General Fund revenues were $785,281 more than budgeted amounts and total General Fund expenditures and other financing uses were $311,673 less than budgeted amounts resulting in a net positive variance of $1,096,954.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services and after-school child care programs.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund and School Age Child Care Fund are reported as enterprise funds of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded healthcare program. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District’s proportionate share of the net pension liability and pension plan contributions -PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District’s proportionate share of the net OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 50 through 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2018-2019 fiscal year the District's liabilities and deferred inflows of resources assets exceeded assets and deferred outflows of resources by $36,284,664. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2019 and 2018.

	Governmental Activities		Business-Type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
ASSETS						
Current assets	$ 19,349,827	$ 21,370,837	$ 359,086	$ 422,959	$ 19,708,913	$ 21,793,796
Noncurrent assets	49,314,798	50,546,445	102,227	104,397	49,417,025	50,650,842
Total assets	68,664,625	71,917,282	461,313	527,356	69,125,938	72,444,638
DEFERRED OUTFLOWS						
Deferred charges – pension	11,343,490	14,379,166	448,080	567,992	11,791,570	14,947,158
Deferred charges – OPEB	819,778	860,484	34,608	36,326	854,386	896,810
Deferred amounts on debt refunding	79,532	133,197	-	-	79,532	133,197
Total deferred outflows	12,242,800	15,372,847	482,688	604,318	12,725,488	15,977,165
LIABILITIES						
Current liabilities	7,178,162	8,439,085	76,449	82,111	7,254,611	8,521,196
Noncurrent liabilities	105,690,175	113,509,458	3,340,619	3,510,764	109,030,794	117,020,222
Total liabilities	112,868,337	121,948,543	3,417,068	3,592,875	116,285,405	125,541,418
DEFERRED INFLOWS						
Deferred credits – pension	1,595,299	941,589	63,016	37,193	1,658,315	978,782
Deferred credits – OPEB	184,577	200,239	7,793	8,454	192,370	208,693
Total deferred outflows	1,779,876	1,141,828	70,809	45,647	1,850,685	1,187,475
NET POSITION (DEFICIT)						
Net investment in capital assets	30,329,615	26,327,894	102,227	104,397	30,431,842	26,432,291
Restricted	3,197,997	4,132,958	-	-	3,197,997	4,132,958
Unrestricted (deficit)	(67,268,400)	(66,261,094)	(2,646,103)	(2,611,245)	(69,914,503)	(68,872,339)
Total net position (deficit)	$ (33,740,788)	$ (35,800,242)	$(2,543,876)	$(2,506,848)	$ (36,284,664)	$ (38,307,090)

The District's total assets as of June 30, 2019 were $69,125,938 of which $15,358,380 or 22.22%, consisted of cash and investments and $49,417,025 or 71.49%, consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2019 were $116,285,405 of which $19,064,715 or 16.39% consisted of general obligation debt used to acquire and construct capital assets and $80,504,000 or 69.23%, consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of $69,914,503 at June 30, 2019. The District’s unrestricted net position decreased by $1,042,164 during 2018-2019 primarily due to the results of current year operations and the change in the District’s actuarially determined net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled $3,197,997 as of June 30, 2019. Most of the District's restricted net position is related to amounts restricted for capital expenditures. A small portion, $13,853, is restricted for student activities at the elementary schools.

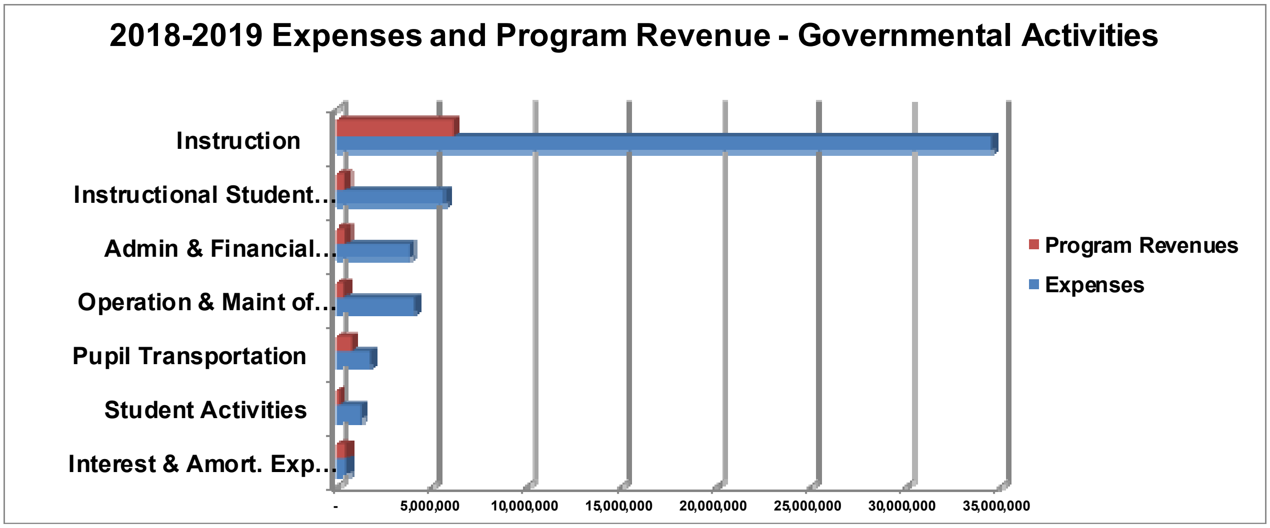
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2019, the District's net investment in capital assets, increased by $3,999,551 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2019 and 2018:

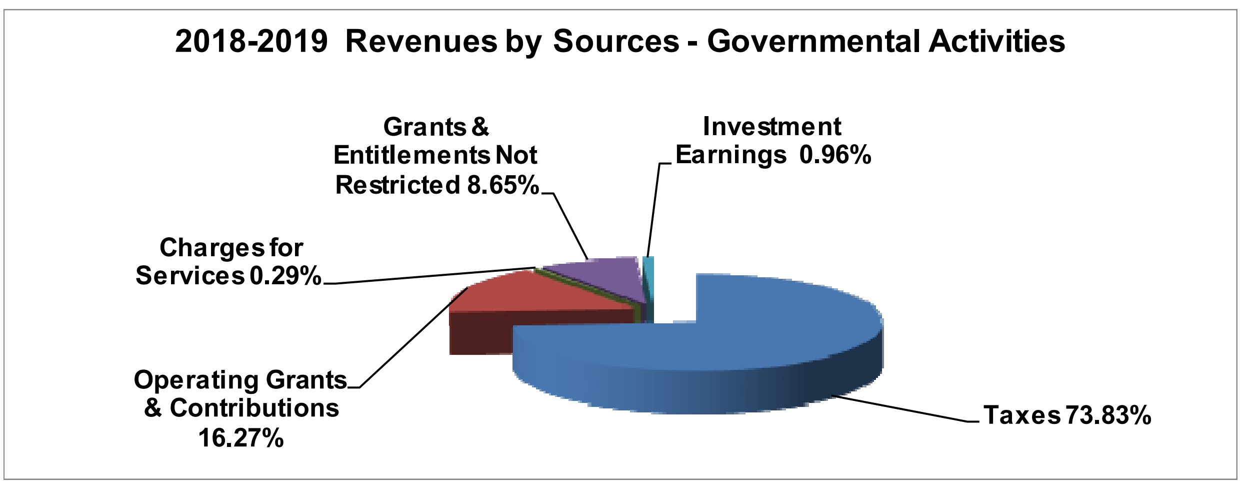
	Governmental Activities		Business-Type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
REVENUES						
Program revenues						
Charges for services	$ 157,811	$ 190,873	$1,299,319	$1,261,405	$ 1,457,130	$ 1,452,278
Operating grants and contributions	8,749,597	8,357,941	736,116	714,714	9,485,713	9,072,655
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	35,894,899	34,908,328	-	-	35,894,899	34,908,328
Other taxes levied for general purposes	3,810,964	3,676,340	-	-	3,810,964	3,676,340
Grants and entitlements not restricted to specific programs	4,652,159	4,458,606	-	-	4,652,159	4,458,606
Investment earnings	518,498	304,610	8,469	529	526,967	305,139
Loss on disposal of capital assets	(445)	(38,342)	-	-	(445)	(38,342)
Total revenues	53,783,483	51,858,356	2,043,904	1,976,648	55,827,387	53,835,004
EXPENSES						
Instruction	34,527,368	33,678,751	-	-	34,527,368	33,678,751
Instructional student support services	3,755,993	3,526,657	-	-	3,755,993	3,526,657
Administrative and financial support services	5,750,007	5,421,231	-	-	5,750,007	5,421,231
Operation and maintenance of plant services	4,090,643	3,964,524	-	-	4,090,643	3,964,524
Pupil transportation	1,765,443	1,590,475	-	-	1,765,443	1,590,475
Student activities	1,273,134	1,160,359	-	-	1,273,134	1,160,359
Community services	6,000	6,000	-	-	6,000	6,000
Interest and amortization expense related to non-current liabilities	537,846	503,561	-	-	537,846	503,561
Food service	-	-	1,579,800	1,585,837	1,579,800	1,585,837
Child care	-	-	518,727	489,915	518,727	489,915
Total expenses	51,706,434	49,851,558	2,098,527	2,075,752	53,804,961	51,927,310
Change in net position (deficit) before transfers	2,077,049	2,006,798	(54,623)	(99,104)	2,022,426	1,907,694
Transfers	(17,595)	(16,351)	17,595	16,351	-	-
CHANGE IN NET POSITION (DEFICIT)	$ 2,059,454	$ 1,990,447	$ (37,028)	$ (82,753)	$ 2,022,426	$ 1,907,694

During 2018-2019, the District’s net position increased by $2,022,426 in part due to savings in salaries, medical and other benefit costs, and increased revenue. Future pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

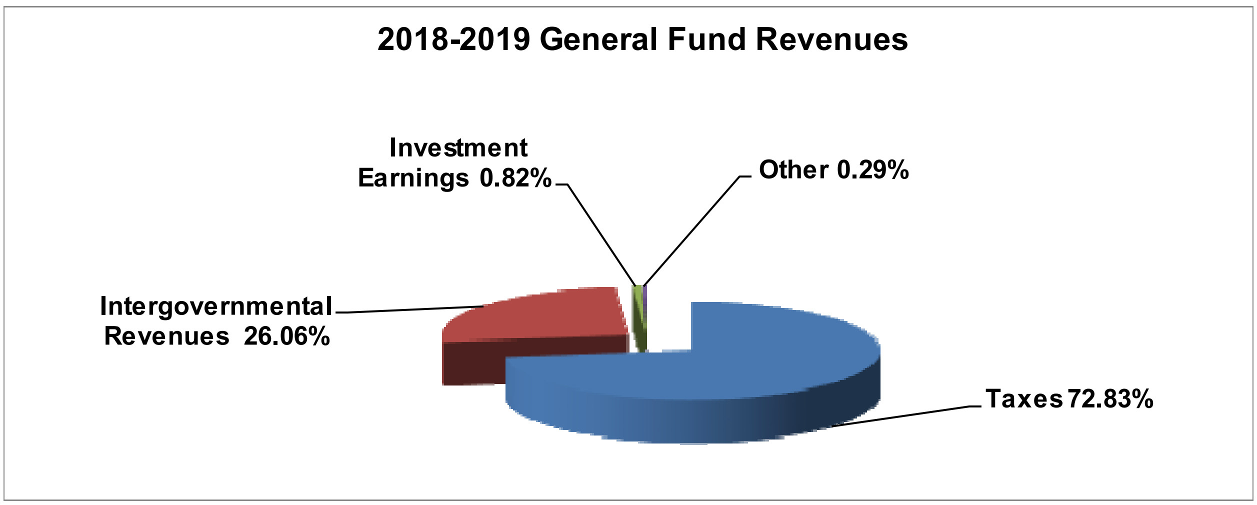
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2019, the District's governmental funds reported a combined fund balance of $11,008,645 which is a decrease of $342,877 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2019 and 2018 and the total 2019 change in governmental fund balances.

	2019	2018	Change
General Fund	$ 7,810,648	$ 7,218,564	$ 592,084
Capital Projects Fund	3,184,144	4,118,706	(934,562)
Public Purpose Trust Fund	13,853	14,252	(399)
	$11,008,645	$11,351,522	$(342,877)

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2018-2019 fiscal year, the General Fund fund balance was $7,810,648 representing an increase of $592,084 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2018-2019 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 72.83% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

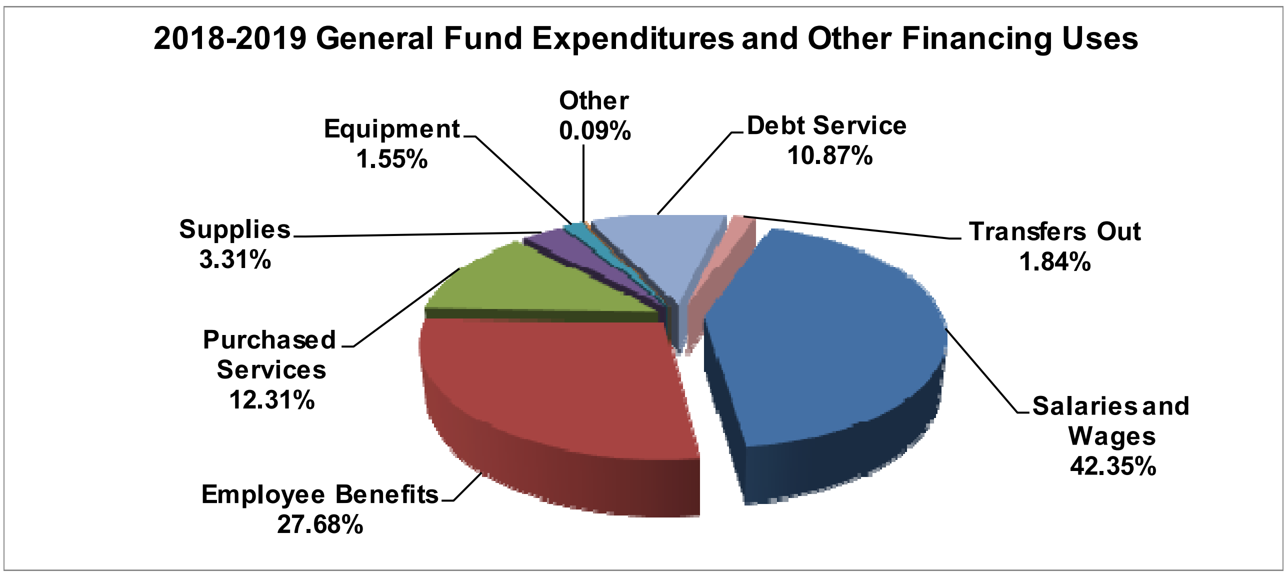
	2019	2018	$ Change	% Change
Tax revenues	$39,060,603	$38,109,345	$ 951,258	2.50
Intergovernmental revenues	13,975,933	13,459,935	515,998	3.83
Investment earnings	440,000	233,083	206,917	88.77
Other	153,345	177,523	(24,178)	(13.62)
	$53,629,881	$51,979,886	$1,649,995	3.17

Net tax revenues increased by $951,258 or 2.50% due to several factors. A millage increase of 1.50% in 2018-2019 coupled with an increase in property assessment and an increase in collections for earned income taxes accounted for a majority of the current year increase in tax revenue. The increase in tax collections indicates an improvement to the economy of our local community. The following table summarizes the changes in the District's tax revenues for 2019 compared to 2018:

	2019	2018	$ Change	% Change
Real estate tax	$34,525,308	$33,680,358	$844,950	2.51
Interim tax	215,944	208,767	7,177	3.44
PURTA tax	38,031	37,390	641	1.71
Earned income tax	3,268,461	3,095,198	173,263	5.60
Transfer tax	542,235	580,653	(38,418)	(6.62)
Delinquent tax	470,624	506,979	(36,355)	(7.17)
	$39,060,603	$38,109,345	$951,258	2.50

Intergovernmental revenues increased as a direct result of an increase in Basic Education Subsidy and an increase in the state share for retirement expense in 2018-2019 when compared to 2017-2018.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	2019	2018	$ Change	% Change
Salaries and wages	$22,460,157	$22,125,444	$ 334,713	1.51
Employee benefits	14,680,619	13,922,793	757,826	5.44
Purchased services	6,526,335	6,638,085	(111,750)	(1.68)
Supplies and energy	1,757,635	1,247,219	510,416	40.92
Equipment	819,578	606,196	213,382	35.20
Other	51,836	202,070	(150,234)	(74.35)
Debt service	5,766,637	5,677,693	88,944	1.57
Transfers out	975,000	578,290	396,710	68.60
	$53,037,797	$50,997,790	$2,040,007	4.00

Salaries and wages increased by $334,713 or 1.51% in 2018-2019 compared to 2017-2018 as a result of scheduled salary increases within the District's negotiated collective bargaining agreement as well as increases for other staff.

Employee benefits increased primarily due to an increase in the required annual retirement contribution to 33.43% from 32.57% which represents a 2.64% increase over the prior year. Health insurance costs also continue to rise. The District is self-insured and received an approximately 9.00% increase in its pseudo-rate for 2019 compared to 2018.

Transfers out increased due to an additional amount being appropriated by the School Board to the Capital Projects Fund for anticipated future capital needs.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2018-2019, the Capital Projects Fund reported a decrease in fund balance of $934,562 due to capital expenditures in excess of transfers from the General Fund. The remaining fund balance of $3,184,144 as of June 30, 2019 is restricted for future capital expenditures. The transfer of $975,000 from the General Fund to the Capital Projects Fund is based upon future capital improvements that may be recommended as part of the current District-wide Feasibility Study and capital improvement projects as directed by the Board.

GENERAL FUND BUDGET INFORMATION

Actual revenues were $785,281 more than budgeted amounts and actual expenditures and other financing uses were $311,673 less than budgeted amounts resulting in a net overall positive variance of $1,096,954. Major budgetary highlights for 2018-2019 were as follows:

- Actual local revenues received were $560,651 more than budgeted amounts primarily due to greater than expected real estate, earned income and real estate transfer taxes, and higher returns on investments than projected.

- Total actual expenditures were under budget by $886,673. This surplus is due to savings in the areas of salaries, medical insurance, other employee benefits, and special education contracts.

- Other financing sources (uses) were over budget by $575,000 due to an unbudgeted transfer of funds to the Capital Projects Fund from the 2018-2019 positive variance as noted above.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2018-2019, the net position of the business-type activities decreased by $37,028. The net position of the Food Service Fund decreased by $28,342 and the net position of the School-Age Child Care Fund decreased by $8,686. As of June 30, 2019, the business-type activities had a deficit in net position of $2,543,876. The Food Service Fund had a decrease in net position of $11,575 and the School-Age Child Care Fund had an increase in net position of $6,093 prior to the recognition of the changes in the net pension and other post-employment benefit liabilities.

CAPITAL ASSETS

The District's net capital assets for its governmental and business-type activities as of June 30, 2019 amounted to $49,417,025 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements and furniture and equipment. The total decrease in the District's net investment in capital assets for the current fiscal year was $1,233,817 or 2.44%. The decrease was the result of current year depreciation expense and loss on disposals in excess of capital additions.

Current year depreciation expense and loss on disposals were $2,924,856 and capital expenditures were $1,691,039.

Major capital additions for the current fiscal year included the following:

● Playground project	$271,763
● Boiler project	$314,557
● Athletic field project – construction in progress	$844,985

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $19,064,715 consisting of $6,570,000 in bonds payable, $12,446,000 in notes payable, and $48,715 unamortized bond premiums. The entire amount is backed by the full faith and credit of the District. The District's general obligation debt (net of unamortized premium) decreased by $5,287,033 or 21.71% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is $116,260,418 which exceeds the District's outstanding general obligation debt as of June 30, 2019.

The District maintains an AA rating from Standard and Poor's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employees' Retirement System (***"PSERS"***). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled $80,504,000 as of June 30, 2019. The District's net pension liability decreased by $2,814,000 or 3.38% during the fiscal year.

The District reports a liability for its other post-employment benefits (***"OPEB"***) related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the total OPEB liability which totaled $6,212,262 as of June 30, 2019. The District's net OPEB liability decreased by $11,186 or 0.18% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases and accrued retirement bonuses, which totaled $3,249,816 as of June 30, 2019. These liabilities increased by $122,790 or 3.93% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While the District continues to be strong financially, there continues to be concerns regarding the economic and political outlook for the state and the local community. As the preceding information shows, the District maintains a healthy investment in capital assets to support and provide comprehensive educational services. The District also considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Strong academic performance is supported by reasonable and competitive per pupil spending.

The District adopted a 2019-2020 budget totaling $55,164,010 including a budgeted decrease of $777,380 in General Fund fund balance as of June 30, 2019 and the real estate tax millage was increased by 1.70%.

As we have seen throughout the nation, the economic situation is having an effect on the public sector. Challenges face many school districts in Pennsylvania on a number of issues. With the passage of Act 1 of 2006, our District is faced with a cap on the amount of money that can be funded from a property tax increase without voter referendums. This cap is based upon a percentage calculated and provided by the Pennsylvania Department of Education. While some exceptions may apply that would allow for a tax increase in excess of the index, the District will face pressure to keep tax increases at or below the allowable increase for the foreseeable future. In addition, recent legislation has severely hampered the potential benefits of using special exceptions in future years. Another implication of the new law includes earlier budgetary planning cycles.

In addition to demonstrating proficiency of the Pennsylvania Core and Academic Standards, our District is faced with additional challenges from the mandates imposed by the Federal government through the reauthorization of the Elementary and Secondary Education Act, or the Every Student Succeeds Act (***"ESSA"***). ESSA has far-reaching requirements on standardized testing; reporting academic performance; adequate yearly progress goals; teacher qualifications, certifications, and training; disaggregation of student achievement data; the education of English Language Learners and extensive reporting to the community. It will require a continued, and possibly greater, emphasis on investment in curricular materials, staff development, and communication to comply with ESSA's mandates.

Many school districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of the Public School Employees' Retirement System (***"PSERS"***) and, as in the case for our District, self-insured healthcare costs. Both of these costs are set by outside influences and, therefore, are not discretionary costs that can be controlled by District management.

Market performance of the invested PSERS funds have resulted in estimated increases that will affect our employer contributions for years to come. While the actual effect of the current market has yet to be determined, higher employer costs in the short term and dramatically higher rates in the future are being planned for by the District through the use of an assigned fund balance integrated with millage increases. This condition will have an alarming effect on school district budgeting across the Commonwealth and has led to significant reductions in programs and services. The portion of funds assigned in the District's fund balance to be used to contain the projected increases in the employer share of PSERS will not be enough to alleviate the problem, but it will allow the District to prudently plan for any potential changes. The District is fortunate to have anticipated the looming crisis and fortunate to have assigned funds to help lessen the dramatic impact that other school districts may experience.

The Commonwealth has attempted to lessen the burden of the Public School Employees' Retirement System (***"PSERS"***) and reduce benefits for individuals who become new members of PSERS. However, the employer contribution rate for 2019-2020 is 34.29%, which is an increase of 2.57% from the 2018-2019 employer contribution rate of 33.43%. It is estimated that the increase in the employer contribution rate for 2019-2020 will increase the District's retirement expense by approximately $190,000, of which the District's share is $98,000. The employer contribution rate for 2020-2021 is projected at 34.77% and expected to continue to climb to 36.30% in 2023-2024.

The costs of medical benefits will continue to have an effect on the District budget, as the District continues to offer a competitive benefits package to employees through the District's self-insured plan. The District continues to implement various strategies to lower the pace of medical inflation

Maintaining an appropriate physical environment for learning requires investment in the construction, expansion, and renovation of school facilities. This is a well-planned and ongoing process in our District, accompanied by constant monitoring of enrollment trends and financial implications for the District.

In conclusion, the District has committed itself to financial and educational excellence for the future. The District's systems of budgeting and internal controls are well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued financial performance well into the future.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Lampeter-Strasburg School District, PO Box 428, Lampeter, PA 17537.

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,838,773	$ 179,499	$ 3,018,272
Investments	12,081,406	258,702	12,340,108
Taxes receivable	1,058,197	-	1,058,197
Due from other governments	2,774,124	6,975	2,781,099
Internal balances	147,856	(147,856)	-
Other receivables	218,632	3,606	222,238
Inventories	58,596	58,160	116,756
Total current assets	19,177,584	359,086	19,536,670
NONCURRENT ASSETS			
Capital assets, net	49,314,798	102,227	49,417,025
Total assets	68,492,382	461,313	68,953,695
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - pension	11,343,490	448,080	11,791,570
Deferred charges - OPEB	819,778	34,608	854,386
Deferred amounts on debt refunding	79,532	-	79,532
Total deferred outflows of resources	12,242,800	482,688	12,725,488
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	1,565,629	6,302	1,571,931
Accrued salaries, payroll withholdings and benefits	4,975,075	5,733	4,980,808
Due to other governments	320,406	-	320,406
Accrued interest payable	144,638	-	144,638
Unearned revenue	171	64,414	64,585
Total current liabilities	7,005,919	76,449	7,082,368
NONCURRENT LIABILITIES			
Due within one year	5,628,175	-	5,628,175
Due in more than one year	100,062,000	3,340,619	103,402,619
Total noncurrent liabilities	105,690,175	3,340,619	109,030,794
Total liabilities	112,696,094	3,417,068	116,113,162
DEFERRED INFLOWS OF RESOURCES			
Deferred credits - pension	1,595,299	63,016	1,658,315
Deferred credits - OPEB	184,577	7,793	192,370
Total deferred outflows of resources	1,779,876	70,809	1,850,685
NET POSITION (DEFICIT)			
Net investment in capital assets	30,329,615	102,227	30,431,842
Restricted	3,197,997	-	3,197,997
Unrestricted (deficit)	(67,268,400)	(2,646,103)	(69,914,503)
Total net position (deficit)	$ (33,740,788)	$ (2,543,876)	$ (36,284,664)

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 34,527,368	$ 59,338	$ 6,066,083	$ -	$ (28,401,947)	$ -	$ (28,401,947)
Instructional student support	3,755,993	-	450,327	-	(3,305,666)	-	(3,305,666)
Administrative and financial support services	5,750,007	-	483,038	-	(5,266,969)	-	(5,266,969)
Operation and maintenance of plant services	4,090,643	-	397,117	-	(3,693,526)	-	(3,693,526)
Pupil transportation	1,765,443	3,248	741,823	-	(1,020,372)	-	(1,020,372)
Student activities	1,273,134	95,225	98,723	-	(1,079,186)	-	(1,079,186)
Community services	6,000	-	-	-	(6,000)	-	(6,000)
Interest and amortization expense related to noncurrent liabilities	537,846	-	512,486	-	(25,360)	-	(25,360)
Total governmental activities	51,706,434	157,811	8,749,597	-	(42,799,026)	-	(42,799,026)
BUSINESS-TYPE ACTIVITIES							
Food service	1,579,800	855,358	678,272	-	-	(46,170)	(46,170)
Child care	518,727	443,961	57,844	-	-	(16,922)	(16,922)
Total business-type activities	2,098,527	1,299,319	736,116	-	-	(63,092)	(63,092)
Total primary government	$ 53,804,961	$ 1,457,130	$ 9,485,713	$ -	(42,799,026)	(63,092)	(42,862,118)
GENERAL REVENUES							
Property taxes levied for general purposes					35,894,899	-	35,894,899
Other taxes levied for general purposes					3,810,964	-	3,810,964
Grants and entitlements not restricted to specific programs					4,652,159	-	4,652,159
Investment earnings					518,498	8,469	526,967
Loss on disposal of capital assets					(445)	-	(445)
TRANSFERS					(17,595)	17,595	-
Total general revenues and transfers					44,858,480	26,064	44,884,544
CHANGE IN NET POSITION (DEFICIT)					2,059,454	(37,028)	2,022,426
NET POSITION (DEFICIT)							
Beginning of year					(35,800,242)	(2,506,848)	(38,307,090)
End of year					$ (33,740,788)	$ (2,543,876)	$ (36,284,664)

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Major Funds			
	General Fund	Capital Projects Fund	Public Purpose Trust	Total
ASSETS				
Cash and cash equivalents	$ 1,924,986	$ 314,990	$ 13,853	$ 2,253,829
Investments	8,814,885	1,999,361	-	10,814,246
Taxes receivable, net	1,058,197	-	-	1,058,197
Due from other funds	316,669	975,000	-	1,291,669
Due from other governments	2,774,124	-	-	2,774,124
Other receivables	75,718	-	-	75,718
Inventories	58,596	-	-	58,596
Total assets	$ 15,023,175	$ 3,289,351	$ 13,853	$ 18,326,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 234,502	$ 105,207	$ -	$ 339,709
Due to other funds	1,316,056	-	-	1,316,056
Accrued salaries, payroll withholdings and benefits	4,975,075	-	-	4,975,075
Due to other governments	320,406	-	-	320,406
Unearned revenue	79,685	-	-	79,685
Total liabilities	6,925,724	105,207	-	7,030,931
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property and per capita taxes	286,803	-	-	286,803
FUND BALANCES				
Nonspendable				
Inventories	58,596	-	-	58,596
Restricted for				
Capital projects	-	3,184,144	-	3,184,144
Student organizations	-	-	13,853	13,853
Assigned to				
Employer retirement rate stabilization	1,300,000	-	-	1,300,000
Property tax assessment appeals	171,710	-	-	171,710
Technology initiatives	258,000	-	-	258,000
Unassigned	6,022,342	-	-	6,022,342
Total fund balances	7,810,648	3,184,144	13,853	11,008,645
Total liabilities, deferred inflows of resources and fund balances	$ 15,023,175	$ 3,289,351	$ 13,853	$ 18,326,379

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2019

TOTAL GOVERNMENTAL FUND BALANCES	$ 11,008,645
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	49,314,798
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	79,532
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	10,383,392
Some of the District's property taxes, per capita taxes and certain other receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	366,317
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	941,341
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(105,690,175)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(144,638)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (33,740,788)

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2019

	Major Funds			
	General Fund	Capital Projects Fund	Public Purpose Trust	Total
REVENUES				
Local sources	$ 39,883,016	$ 47,750	$ 5,395	$ 39,936,161
State sources	12,675,271	-	-	12,675,271
Federal sources	1,071,594	-	-	1,071,594
Total revenues	53,629,881	47,750	5,395	53,683,026
EXPENDITURES				
Current				
Instruction	30,896,074	-	-	30,896,074
Support services	14,286,831	-	-	14,286,831
Operation of noninstructional services	1,113,255	-	5,794	1,119,049
Facilities acquisition, construction and improvement services	-	1,932,365	-	1,932,365
Debt service	5,766,637	53,562	-	5,820,199
Total expenditures	52,062,797	1,985,927	5,794	54,054,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,567,084	(1,938,177)	(399)	(371,492)
OTHER FINANCING SOURCES (USES)				
Proceeds from extended term financing	-	46,210	-	46,210
Transfers in	-	975,000	-	975,000
Transfers out	(975,000)	(17,595)	-	(992,595)
Total other financing sources (uses)	(975,000)	1,003,615	-	28,615
NET CHANGE IN FUND BALANCES	592,084	(934,562)	(399)	(342,877)
FUND BALANCES				
Beginning of year	7,218,564	4,118,706	14,252	11,351,522
End of year	$ 7,810,648	$ 3,184,144	$ 13,853	$ 11,008,645

LAMPETER-STRASBURG SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (342,877)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and the net book value of disposed assets exceeded capital outlays in the current period.		
Capital outlay expenditures	$ 1,673,444	
Net book value of disposed assets	(445)	
Depreciation expense	(2,904,646)	(1,231,647)
Because some property and per capita taxes and certain other receivables will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount in the current period.		
Deferred inflows of resources June 30, 2018	(296,137)	
Deferred inflows of resources June 30, 2019	366,317	70,180
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.		(509,762)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of bonds and notes payable	5,213,000	
Proceeds from extended term financing	(46,210)	
Repayment of extended term financing	26,613	
Amortization of premiums and deferred amounts on refunding	20,368	5,213,771
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.		
Current year change in accrued interest payable	22,372	
Change in net pension liability and related deferred inflows and outflows	(982,318)	
Current year change in accrued retirement bonuses	(1,255,353)	
Current year change in compensated absences	1,097,260	
Change in net OPEB liability and related deferred inflows and outflows	(22,172)	(1,140,211)
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 2,059,454

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2019

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	$ 88,352	$ 91,147	$ 179,499	$ 584,944
Investments	-	258,702	258,702	1,267,160
Due from other governments	6,975	-	6,975	-
Due from other funds	109,954	58,859	168,813	172,243
Other receivables	1,821	1,785	3,606	142,914
Inventories	58,160	-	58,160	-
Total current assets	265,262	410,493	675,755	2,167,261
NONCURRENT ASSETS				
Capital assets, net	102,227	-	102,227	-
Total assets	367,489	410,493	777,982	2,167,261
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pension	311,298	136,782	448,080	-
Deferred charges - OPEB	22,494	12,114	34,608	-
Total deferred outflows of resources	333,792	148,896	482,688	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	$ 4,997	$ 1,305	$ 6,302	$ 1,225,920
Due to other funds	305,705	10,964	316,669	-
Accrued salaries, payroll withholdings and benefits	5,241	492	5,733	-
Unearned revenue	64,414	-	64,414	-
Total current liabilities	380,357	12,761	393,118	1,225,920
NONCURRENT LIABILITIES				
Due within one year	-	-	-	-
Due in more than one year	2,316,541	1,024,078	3,340,619	-
Total noncurrent liabilities	2,316,541	1,024,078	3,340,619	-
Total liabilities	2,696,898	1,036,839	3,733,737	1,225,920
DEFERRED INFLOWS OF RESOURCES				
Deferred charges - pension	43,780	19,236	63,016	-
Deferred charges - OPEB	5,064	2,729	7,793	-
Total deferred inflows of resources	48,844	21,965	70,809	-
NET POSITION (DEFICIT)				
Net investment in capital assets	102,227	-	102,227	-
Unrestricted (deficit)	(2,146,688)	(499,415)	(2,646,103)	941,341
Total net position (deficit)	$ (2,044,461)	$ (499,415)	$ (2,543,876)	$ 941,341

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

Year ended June 30, 2019

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 855,358	$ 443,961	$ 1,299,319	$ 5,467,364
OPERATING EXPENSES				
Salaries	550,781	297,658	848,439	-
Employee benefits	315,050	191,085	506,135	6,007,847
Purchased professional and technical services	38,981	-	38,981	-
Purchased services	-	164	164	-
Supplies	655,223	29,820	685,043	-
Depreciation	19,765	-	19,765	-
Total operating expenses	1,579,800	518,727	2,098,527	6,007,847
Operating loss	(724,442)	(74,766)	(799,208)	(540,483)
NONOPERATING REVENUES				
Earnings on investments	233	8,236	8,469	30,721
State sources	146,316	57,844	204,160	-
Federal sources	531,956	-	531,956	-
Total nonoperating revenues	678,505	66,080	744,585	30,721
CHANGE IN NET POSITION (DEFICIT) BEFORE TRANSFERS	(45,937)	(8,686)	(54,623)	(509,762)
TRANSFERS IN	17,595	-	17,595	-
CHANGE IN NET POSITION (DEFICIT)	(28,342)	(8,686)	(37,028)	(509,762)
NET POSITION (DEFICIT)				
Beginning of year	(2,016,119)	(490,729)	(2,506,848)	1,451,103
End of year	$ (2,044,461)	$ (499,415)	$ (2,543,876)	$ 941,341

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2019

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	$ 745,022	$ 441,738	$ 1,186,760	$ -
Cash received from assessments made to other funds	-	-	-	5,239,230
Cash payments to employees for services	(744,311)	(544,604)	(1,288,915)	-
Cash payments for insurance claims	-	-	-	(5,324,450)
Cash payments to supplies for goods and services	(596,693)	(28,863)	(625,556)	-
Net cash used for operating activities	(595,982)	(131,729)	(727,711)	(85,220)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	149,685	57,844	207,529	-
Federal sources	494,706	-	494,706	-
Net cash provided by noncapital financing activities	644,391	57,844	702,235	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(17,595)	-	(17,595)	-
Transfers in	17,595	-	17,595	-
Net cash used for capital and related financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	233	8,236	8,469	30,721
Net purchase of investments	-	(7,956)	(7,956)	(29,718)
Net cash provided by investing activities	233	280	513	1,003
Net increase (decrease) in cash	48,642	(73,605)	(24,963)	(84,217)
CASH				
Beginning of year	39,710	164,752	204,462	669,161
Ending of year	$ 88,352	$ 91,147	$ 179,499	$ 584,944
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	$ (724,442)	$ (74,766)	$ (799,208)	$ (540,483)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	19,765	-	19,765	-
Donated commodities used	93,316	-	93,316	-
(Increase) decrease in				
Due from other funds	(103,386)	(2,654)	(106,040)	-
Other receivables	(1,821)	431	(1,390)	(228,134)
Inventories	7,897	-	7,897	-
Increase (decrease) in				
Accounts payable	(3,702)	1,121	(2,581)	683,397
Due to other funds	134,487	(47,523)	86,964	-
Accrued salaries, payroll withholdings and benefits	2,141	(93)	2,048	-
Unearned revenue	(5,129)	-	(5,129)	-
Noncurrent liabilities and deferred charges and credits	(15,108)	(8,245)	(23,353)	-
Net cash used for operating activities	$ (595,982)	$ (131,729)	$ (727,711)	$ (85,220)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	$ 93,316	$ -	$ 93,316	$ -

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2019

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 208,828	$ 125,360
Other accounts receivable	30	-
Total assets	208,858	125,360
LIABILITIES		
Accounts payable	8,450	5,593
Due to student groups	-	119,767
Total liabilities	8,450	$ 125,360
NET POSITION		
Net position held in trust for scholarships	$ 200,408	

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2019

	Private-Purpose Trust
ADDITIONS	
Gifts and contributions	$ 22,740
Investment earnings	368
Total additions	23,108
DEDUCTIONS	
Scholarships awarded and fees paid	10,150
CHANGE IN NET POSITION	12,958
NET POSITION	
Beginning of year	187,450
End of year	$200,408

See accompanying notes

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lampeter-Strasburg School District (the ***"District"***) operates two elementary schools, one middle school and a high school to provide education and related services to the residents in the Townships of Strasburg and West Lampeter and the Borough of Strasburg. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the ***"School Board"***).

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (***"GAAP"***) as applied to governmental units. The Governmental Accounting Standards Board (***"GASB"***) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The School-Age Child Care Fund accounts for tuition revenue and program expenses for a program designed to provide care for students after school hours.

The Internal Service Fund is used to account for hospitalization costs which are services provided to the District's employees as benefits.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of the students in the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

<u>Cash and Cash Equivalents</u>

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

<u>Investments</u>

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost which approximates fair value.

<u>Fair Value Measurements of Assets and Liabilities</u>

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	-	Discount period, 2% of gross levy
September 1 – October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
January 1	-	Lien date

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2018-2019 was 16.6440 mills ($16.64 for $1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. The District has no property taxes receivable greater than 3 years old.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	August 31
Installment Two	-	October 31
Installment Three	-	December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000. Such assets are recorded at historical cost 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings – 40 years; building improvements – 20 years; land improvements – 20 years; furniture, fixtures and equipment – 5-12 years; vehicles – 5-10 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2019.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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 and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Non-spendable

Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources–committed, assigned or unassigned–in order as needed.

<u>Use of Estimates</u>

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

<u>Implementation of New Accounting Pronouncements</u>

Effective July 1, 2018, the District adopted the provisions of GASB Statement No. 83 *"Certain Asset Retirement Obligations"* and GASB Statement No 88 *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (***"AROs"***). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

The implementation of GASB Statement No. 83 had no impact on the financial statements of the District for the year ended June 30, 2019.

The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

New Accounting Pronouncements

GASB Statement No. 84, *"Fiduciary Activities"* will be effective for the District for the year ended June 30, 2020. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *"Leases"* will be effective for the District for the year ended June 30, 2021. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, *"Accounting for Interest Cost Incurred Before the End of a Construction Period"*, will be effective for the District for the year ended June 30, 2021. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements",* which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 90, *"Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61"*, will be effective for the District for the year ended June 30, 2020. The primary objects of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2019, the carrying amount of the District's deposits was $6,420,607 and the bank balance was $6,519,863. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, $250,000 was covered by federal depository insurance and $3,201,716 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (***"PSDLAF"***). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2019, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

As of June 30, 2019, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years) Less than 1	1 – 5	6 – 10	11 – 15
PSDLAF collateralized investment pool	$6,390,000	$6,390,000	$ -	$ -	$ -
Government and agency bonds	2,881,961	2,881,961	-	-	-
	$9,271,961	$9,271,961	$ -	$ -	$ -

PSDLAF collateralized investment pool and government and agency bonds were valued using Level 2 inputs.

Reconciliation of Investments to the Financial Statements

Total investments above	$ 9,271,961
Time deposits classified as investments on balance sheet	3,068,147
Total investments per financial statements	$12,340,108

Custodial Credit Risk

For an investment, 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 the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2019.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019, the District was subject to interest rate risk to the extent interest rate changes impact the District's investments.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and improvements	$ 6,159,900	$ -	$ -	$ 6,159,900
Construction in progress	5,011,645	1,578,306	1,043,730	5,546,221
Total capital assets not being depreciated	11,171,545	1,578,306	1,043,730	11,706,121
Capital assets being depreciated				
Buildings and improvements	83,396,864	-	-	83,396,864
Furniture and equipment	2,985,966	1,138,868	123,348	4,001,486
Total capital assets being depreciated	86,382,830	1,138,868	123,348	87,398,350
Less accumulated depreciation for				
Buildings and improvements	(45,145,664)	(2,561,985)	-	(47,707,649)
Furniture and equipment	(1,862,266)	(342,661)	(122,903)	(2,082,024)
Total accumulated depreciation	(47,007,930)	(2,904,646)	(122,903)	(49,789,673)
Total capital assets being depreciated, net	39,374,900	(1,765,778)	445	37,608,677
Governmental activities, net	$ 50,546,445	$ (187,472)	$1,044,175	$ 49,314,798

Business-type activities				
Capital assets being depreciated				
Machinery and equipment	$ 508,900	$ 17,595	$ -	$ 526,495
Less accumulated depreciation				
Machinery and equipment	(404,503)	(19,765)	-	(424,268)
Business-type activities, net	$ 104,397	$ (2,170)	$ -	$ 102,227

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

Governmental activities	
Instruction	$2,465,210
Administrative and financial support services	140,689
Operation and maintenance of plant services	129,999
Pupil transportation	33,645
Student activities	135,103
Total depreciation expense – governmental activities	$2,904,646
Business-type activities	
Food service	$ 19,765

As of June 30, 2019, the District had outstanding construction projects to be completed. The amount remaining on the outstanding contracts is approximately $77,961.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Receivable To	Amount	Payable From	Amount
School-Age Child Care Fund	$ 58,859	General Fund	$ 58,859
Food Service Fund	109,954	General Fund	109,954
Capital Projects Fund	975,000	General Fund	975,000
Internal Service Fund	172,243	General Fund	172,243
General Fund	10,964	School-Age Child Care Fund	10,964
General Fund	305,705	Food Service Fund	305,705
	$1,632,725		$1,632,725

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses and state subsidies.

A summary of interfund transfers for the year ended June 30, 2019 is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	$975,000	General Fund	$975,000
Food Service Fund	17,595	Capital Projects Fund	17,595
	$992,595		$992,595

Transfers from the General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital assets. A transfer was made from the Capital Projects Fund to the Food Service Fund for machinery and equipment.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$ 7,095,000	$ -	$ 525,000	$ 6,570,000	$ 540,000
Notes payable	17,134,000	-	4,688,000	12,446,000	5,028,000
Bond premiums	122,748	-	74,033	48,715	30,236
Total general obligation debt	24,351,748	-	5,287,033	19,064,715	5,598,236
Other noncurrent liabilities					
Capital leases	81,598	46,210	26,613	101,195	29,939
Compensated absences	1,097,260	-	1,097,260	-	-
Accrued retirement bonuses	1,870,010	1,255,353	-	3,125,363	-
OPEB liability	2,659,147	-	59,482	2,599,665	-
Net OPEB liability – PSERS	3,297,779	56,610	-	3,354,389	-
Net pension liability – PSERS	80,151,916	-	2,707,068	77,444,848	-
Total other noncurrent liabilities	89,157,710	1,358,173	3,890,423	86,625,460	29,939
Total governmental activities	113,509,458	1,358,173	9,177,456	105,690,175	5,628,175
Business-type activities					
Compensated absences	29,641	-	29,641	-	-
Accrued retirement bonuses	48,517	-	25,258	23,258	-
OPEB liability	127,301	1,727	12,431	116,597	-
Net OPEB liability – PSERS	139,221	2,390	-	141,611	-
Net pension liability – PSERS	3,166,084	-	106,932	3,059,152	-
Total business-type activities	3,510,764	4,117	174,262	3,340,618	-
Total noncurrent liabilities	$ 117,020,222	$ 1,362,290	$ 9,351,718	$ 109,030,793	$ 5,628,175

Non-current liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service and School-Age Child Care Funds.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2019 consisted of the following:

Description	Interest Rate(s)	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
Series of 2017	2.41%	$ 7,555,000	03/01/2027	$ 6,570,000
Total general obligation bonds				6,570,000
General obligation notes				
Series of 2002	2.01% - 2.64%	$ 15,000,000	02/05/2022	3,236,000
Series of 2014	0.50% - 3.00%	$ 9,995,000	02/15/2022	9,210,000
Total general obligation notes				12,446,000
Total general obligation debt				$19,016,000

Annual debt service requirements to maturity on these obligations are as follows:

Year ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2020	$ 5,568,000	$ 464,455	$ 6,032,455
2021	5,778,000	307,291	6,085,291
2022	4,740,000	176,325	4,916,325
2023	560,000	70,613	630,613
2024	575,000	57,117	632,117
2025-2027	1,795,000	87,121	1,882,121
	$19,016,000	$1,162,922	$20,178,922

Interest Rate Management Plan

The General Obligation Notes, Series of 2002, of the District have been issued to the Delaware Valley Regional Finance Authority (***"DVRFA"***). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units (***"participants"***) for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability.

The value of the swap agreements relative to the General Obligation Notes, Series of 2002, at June 30, 2019 was an asset of $461,643. The value of the swap agreements relative to the District's General Obligation Notes, Series of 2002, is not reflected on the District's statement of net position (deficit).

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2019 are as follows:

Year ending June 30,	Principal	Interest	Total
2020	$ 29,939	$3,877	$ 33,816
2021	31,285	2,532	33,817
2022	25,003	1,254	26,257
2023	12,392	388	12,780
2024	2,576	20	2,596
	$101,195	$8,071	$109,266

(9) ACCRUED RETIREMENT BONUSES

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or administrator agreement will receive a lump sum retirement bonus. A summary of the amount recorded as a liability for these accrued retirement bonuses is as follows for June 30, 2019:

	Governmental Activities	Business-type Activities
Accrued retirement benefit	$2,214,419	$13,134
Accumulated sick day payout	910,944	10,124
	$3,125,363	$23,258

(10) 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 PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

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

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% 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 plan from the District were $7,435,753 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of $80,504,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1677 percent, which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2017. As of June 30, 2019, the net pension liability of $77,444,848 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $3,059,152 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2019, the District recognized pension expense of $8,396,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	$ 648,045	$1,246,076
Changes in assumptions	1,499,986	-
Difference between expected and actual investment earnings	394,559	-
Changes in proportions	1,718,000	412,239
Difference between employer contributions and proportionate share of total contributions	95,227	-
Contributions subsequent to the measurement date	7,435,753	-
	$11,791,570	$1,658,315

$7,435,753 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$2,471,679
2021	1,387,723
2022	(623,026)
2023	(538,874)
	$2,697,502

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward PSERS's total pension liability as the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The long-term expected rate of return on 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 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.00 %	5.20%
Fixed income	36.00 %	2.20%
Commodities	8.00 %	3.20%
Absolute return	10.00 %	3.50%
Risk parity	10.00 %	3.90%
Infrastructure/MLPs	8.00 %	5.20%
Real estate	10.00 %	4.20%
Alternative investments	15.00 %	6.70%
Cash	3.00 %	0.40%
Financing (LIBOR)	(20.00)%	0.90%
	100.00 %	

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

Discount Rate

The discount rate used to measure the total 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 the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$99,791,000	$80,504,000	$64,197,000

Pension Plan Fiduciary Net Position

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

(11) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits (***"OPEB"***) include a single-employer defined benefit plan that provides medical and life insurance benefits to eligible retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2017:

Active plan members	320
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plan members or beneficiaries currently receiving benefits	41
Total	361

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, and by rolling forward the liabilities from the July 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is $2,716,262, all of which is unfunded. As of June 30, 2019, the OPEB liability of $2,599,665 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $116,597 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2019 was as follows:

Balances as of July 1, 2018	$2,786,448
Changes for the year:	
Service cost	29,442
Interest on total OPEB liability	81,321
Benefit payments	(180,949)
Net changes	(70,186)
Balances as of June 30, 2019	$2,716,262

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $196,832. At June 30, 2019, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$39,352
Changes in assumptions	553,179	-
	$553,179	$39,352

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

Year ended June 30:	
2020	$ 86,069
2021	86,069
2022	86,069
2023	86,069
2024	86,069
Thereafter	83,482
	$513,827

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

The following presents the OPEB liability for June 30,2019, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	$2,091,731	$2,716,262	$3,420,330

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 3.00%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
OPEB Liability	$2,944,206	$2,716,262	$2,514,967

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2019, was determined by rolling forward the OPEB liability as of July 1, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal.
- Discount rate - 3.00% - 20-year high-grade municipal rate index.
- Salary growth - an annual rate of 2.50%; previously none was assumed.
- Assumed healthcare cost trends – 6.00% in 2018/19 and 5.00% in 2019+.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2016 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of- pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $189,315 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of $3,496,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1677 percent, which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2017. As of June 30, 2019, the OPEB liability of $3,354,389 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $141,611 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2019, the District recognized negative OPEB expense of $169,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 55,278	$ 132,496
Net difference between projected and actual investment earnings	5,900	-
Changes in proportions	50,714	18,000
Difference between employer contributions and their proportionate share of total contributions	-	2,522
Contributions subsequent to the measurement date	189,315	-
	$301,207	$ 153,018

$189,315 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (9,248)
2021	(9,248)
2022	(9,248)
2023	(9,450)
2024	(10,144)
Thereafter	6,212
	$(41,126)

Actuarial Assumptions

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

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 2.98% – Standard & Poors 20 year municipal bond rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

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

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

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

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	1.3%	0.40%
	100.00%	

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

Discount Rate

The discount rate used to measure the OPEB liability was 2.98%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual health insurance premium assistance. As of June 30, 2018, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$3,496,000	$3,496,000	$3,497,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	$3,976,000	$3,496,000	$3,098,000

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 PSERS's website at www.psers.pa.gov.

(12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center (***"LCCTC"***). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2018-2019 was $467,339.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the ***"Authority"***). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2018-2019 was $91,545.

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds, Series of 2011 (the ***"2011 Revenue Bonds"***), in the maximum aggregate principal amount of $43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the other 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district will pay its proportionate share of the lease rentals in order to retire the 2011 Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The 2011 Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed $10,000,000 without the participating school districts' approval. The 2011 Revenue Bonds were intended to be repaid over a period not to exceed thirty years, with gross annual debt service not to exceed $1,985,000 and net annual debt service (after reimbursement by the Commonwealth of Pennsylvania) of $1,330,000. On June 29, 2012, the Authority issued the first of three series in the total amount of $9,995,000, which was refinanced in November 2017. On September 20, 2013 the Authority issued the second of three series in the total amount of $9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of $3,900,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

Year ending June 30,	
2020	$ 68,868
2021	68,810
2022	68,719
2023	68,817
2024	68,633
2025-2029	344,451
2030-2034	344,194
2035-2037	206,121
	$1,238,613

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the ***"LLIU"***). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2018-2019, the District contracted with the LLIU for special education services which totaled $1,102,800.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the ***"Authority"***). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2018-2019, the District did not have any financial transactions with the Authority.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the ***"Bureau"***) for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau's operating expenditures are deducted from each members earned income tax distributions. During 2018-2019, the District's portion of operating expenditures for the Bureau totaled $44,655.

(13) OPERATING LEASES

Lessee

The District leases office and computer equipment under non-cancelable operating leases expiring at various dates through January 2022. Rent expense for the office and computer equipment including additional operating costs, was $163,688 for 2018-2019.

Future minimum lease payments under these leases are as follows:

Year ending June 30,	
2020	$152,206
2021	150,018
2022	64,028
	$366,252

Lessor

The District entered into an agreement to lease Strasburg Elementary School to a non-profit entity under a non-cancelable lease agreement that expired May 30, 2019, at which point the lease became month to month until either party gives written notice based on the terms of the lease. Rental payments are due monthly from the tenant. Under the terms of the lease agreement, the tenant is responsible for all expenses associated with the building.

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(15) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District was limited in liability to $140,000 per individual and $6,975,275 in total for self-insurance medical claims for the year ended June 30, 2019.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2019 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2019 and 2018:

	2019	2018
Insurance claims liability – beginning of year	$ 542,523	$ 278,849
Current year insurance claims and changes in estimates	6,007,847	5,493,436
Insurance claims paid	(5,324,450)	(5,229,762)
Insurance claims liability – end of year	$ 1,225,920	$ 542,523

Workers' Compensation

The District, participating member school districts from Pennsylvania and the LLIU participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the ***"Fund"***), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2019, the District is not aware of any additional assessments relating to this Fund.

Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 2, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAMPETER-STRASBURG SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 39,322,365	$ 39,322,365	$ 39,883,016	$ 560,651
State sources	12,566,795	12,566,795	12,675,271	108,476
Federal sources	955,440	955,440	1,071,594	116,154
Total revenues	52,844,600	52,844,600	53,629,881	785,281
EXPENDITURES				
Instruction				
Regular programs	22,923,950	22,923,950	22,309,233	614,717
Special programs	7,636,900	7,636,900	7,423,868	213,032
Vocational programs	718,410	718,410	763,786	(45,376)
Other instructional programs	327,390	327,390	399,187	(71,797)
Total instruction	31,606,650	31,606,650	30,896,074	710,576
Support services				
Pupil support services	2,119,800	2,119,800	2,127,265	(7,465)
Instructional staff services	937,040	937,040	893,310	43,730
Administrative services	3,001,770	3,001,770	2,884,216	117,554
Pupil health	557,770	557,770	526,895	30,875
Business services	545,890	545,890	530,790	15,100
Operation and maintenance of plant services	3,737,400	3,737,400	3,652,619	84,781
Student transportation services	1,707,350	1,707,350	1,721,217	(13,867)
Support services - central	1,899,230	1,899,230	1,918,946	(19,716)
Other support services	32,990	32,990	31,573	1,417
Total support services	14,539,240	14,539,240	14,286,831	252,409
Operation of non-instructional services				
Student activities	1,025,400	1,025,400	1,105,505	(80,105)
Community services	6,500	6,500	6,000	500
Scholarship and awards	1,750	1,750	1,750	-
Total operation of non-instructional services	1,033,650	1,033,650	1,113,255	(79,605)
Debt service	5,769,930	5,769,930	5,766,637	3,293
Total expenditures	52,949,470	52,949,470	52,062,797	886,673
Excess (deficiencies) of revenues over (under) expenditures	(104,870)	(104,870)	1,567,084	1,671,954
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(975,000)	(975,000)
Budgetary reserve	(400,000)	(400,000)	-	400,000
Total other financing sources (uses)	(400,000)	(400,000)	(975,000)	(575,000)
NET CHANGE IN FUND BALANCE	$ (504,870)	$ (504,870)	592,084	$ 1,096,954
FUND BALANCE				
Beginning of year			7,218,564	
End of year			$ 7,810,648	

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date				
	2018	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.1677%	0.1687%	0.1654%	0.1627%	0.1586%
District's proportionate share of the net pension liability	$ 80,504,000	$ 83,318,000	$ 81,967,000	$ 70,474,000	$ 62,775,000
District's covered-employee payroll	$ 22,586,915	$ 22,464,381	$ 21,422,799	$ 20,932,889	$ 20,235,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.42%	370.89%	382.62%	336.67%	310.23%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	2018	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 7,116,000	$ 6,453,000	$ 5,262,000	$ 4,201,000	$ 3,159,000
Contributions in relation to the contractually required contribution	$ 7,131,159	$ 6,455,302	$ 5,416,000	$ 4,289,181	$ 3,259,735
Contribution deficiency (excess)	(15,159)	(2,302)	(154,000)	(88,181)	(100,735)
District's covered-employee payroll	$ 22,586,915	$ 22,464,381	$ 21,422,799	$ 20,932,889	$ 20,235,020
Contributions as a percentage of covered-employee payroll	32.00%	29.00%	25.00%	20.00%	16.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	2019	2018
TOTAL OPEB LIABILITY		
Service cost	$ 29,442	$ 32,599
Interest on total OPEB liability	81,321	83,391
Changes of assumptions	-	-
Benefit payments	(180,949)	(185,852)
Net change in total OPEB liability	(70,186)	(69,862)
Total OPEB liability, beginning	2,786,448	2,856,310
Total OPEB liability, ending	$ 2,716,262	$ 2,786,448
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%
Covered payroll	$ 19,566,848	$ 19,566,848
Net OPEB liability as a % of covered payroll	13.88%	14.24%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date	
	2018	**2017**
District's proportion of the net OPEB liability	0.1677%	0.1687%
District's proportionate share of the net OPEB liability	$ 3,496,000	$ 3,437,000
District's covered-employee payroll	$ 22,586,915	$ 22,464,381
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.00%	15.00%
Plan fiduciary net position as a percentage of the total net OPEB liability	6.00%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date	
	2018	**2017**
Contractually required contribution	$ 187,000	$ 187,000
Contributions in relation to the contractually required contribution	$ 186,480	$ 183,490
Contribution deficiency (excess)	520	3,510
District's covered-employee payroll	$ 22,586,915	$ 22,464,381
Contributions as a percentage of covered-employee payroll	0.83%	0.82%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2019	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-180220	07/12/17 - 09/30/18	$ 369,800	$ 72,018	$ 47,224	$ 24,794	$ 24,794	$ -	$ -
Title I - Improving Basic Programs	I	84.010	013-190220	07/17/18 - 09/30/19	411,256	328,139	-	375,147	375,147	47,008	-
Total CFDA #84.010						400,157	47,224	399,941	399,941	47,008	-
Title II - Improving Teacher Quality	I	84.367	020-180220	07/12/17 - 09/30/18	90,576	29,854	27,906	1,948	1,948	-	-
Title II - Improving Teacher Quality	I	84.367	020-190220	07/17/18 - 09/30/19	93,406	74,572	-	93,406	93,406	18,834	-
Total CFDA #84.367						104,426	27,906	95,354	95,354	18,834	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-180220	07/12/17 - 09/30/18	10,000	-	(49)	49	49	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-190220	07/17/18 - 09/30/19	26,688	26,688	-	26,688	26,688	-	-
Total CFDA #84.424						26,688	(49)	26,737	26,737	-	-
Passed Through the Lancaster-Lebanon I.U. #13											
I.D.E.A. - Part B, Section 611	I	84.027	062-18-0013	07/01/17 - 09/30/18	456,047	336,865	336,865	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-19-0013	07/01/18 - 09/30/19	488,766	138,898	-	488,766	488,766	349,868	-
Total CFDA #84.027						475,763	336,865	488,766	488,766	349,868	-
I.D.E.A. - Part B, Section 619	I	84.173	131-19-0013	07/01/18 - 06/30/19	1,611	-	-	1,611	1,611	1,611	-
Total U.S. Department of Education						1,007,034	411,946	1,012,409	1,012,409	417,321	-

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2019	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A	7,919	7,919	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	58,943	-	58,943	58,943	-	-
Total CFDA #10.553						66,862	7,919	58,943	58,943	-	-
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	48,146	48,146	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	379,697	-	379,697	379,697	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	84,108	(40,776)	93,316	93,316	(31,568)	-
Total CFDA #10.555						511,951	7,370	473,013	473,013	(31,568)	-
Total U.S. Department of Agriculture						578,813	15,289	531,956	531,956	(31,568)	-
Total Federal Awards						$ 1,585,847	$ 427,235	$ 1,544,365	$ 1,544,365	$ 385,753	$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						$ 475,763	$ 336,865	$ 490,377	$ 490,377	$ 351,479	$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						$ 578,813	$ 15,289	$ 531,956	$ 531,956	$ (31,568)	$ -

Legend

D - Direct Funding

I - Indirect Funding

CFDA - Catalog of Federal Domestic Assistance

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2018-2019 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2019 was $59,185.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2019.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2019

There were no audit findings for the year ended June 30, 2018.

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

Board of School Directors
Lampeter-Strasburg School District
Lampeter, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lampeter-Strasburg School District, Lampeter, Pennsylvania, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

BBD, LLP

Philadelphia, Pennsylvania
October 2, 2019

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

Board of School Directors
Lampeter-Strasburg School District
Lampeter, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Lampeter-Strasburg School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lampeter-Strasburg School District's major federal programs for the year ended June 30, 2019. Lampeter-Strasburg School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lampeter-Strasburg School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

Philadelphia, Pennsylvania
October 2, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lampeter-Strasburg School District were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Lampeter-Strasburg School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

3. No instances of noncompliance material to the financial statements of Lampeter-Strasburg School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Lampeter-Strasburg School District expresses an unmodified opinion on all major federal programs.

6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The program tested as a major program was:

   Special Education Cluster:

   I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
   I.D.E.A. – Part B, Section 619 – CFDA Number 84.173

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The Lampeter-Strasburg School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

October 2, 2019

Board of School Directors
Lampeter-Strasburg School District
Lampeter, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lampeter-Strasburg School District, Lampeter, Pennsylvania (the ***"District"***) for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated March 22, 2019, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (***"OMB"***) Compliance Supplement applicable to its major federal program for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and the long-term liabilities recorded for the District's net pension liability and net other post-employment benefits liability. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable to the financial statement as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (***"RSI"***) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of School Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BBD, LLP

BBD, LLP

Policy 5130

LAMPETER-STRASBURG SCHOOL DISTRICT
Lampeter, Pennsylvania 17537

STUDENT PARTICIPATION IN EXTRACURRICULAR ACTIVITIES AND INTERSCHOLASTIC ATHLETICS

All students who are regularly enrolled in the Lampeter-Strasburg School District, and all students who reside in the School District and (a) who are enrolled in a charter school, regional charter school or cyber charter school, or (b) who are enrolled in a home education program, may participate in extracurricular activities and interscholastic athletics offered by the School District provided that they meet established try-out and eligibility requirements and maintain the required standards for participation set forth in this policy. Notwithstanding the foregoing, a student enrolled in a charter school may not participate in an extracurricular or interscholastic activity provided by the School District if the charter school provides the same extracurricular or interscholastic activity.

Definitions:

For the purpose of this policy, **extracurricular activities** include those programs or activities that are sponsored or approved by the Board and are conducted wholly or partly outside of the regular school day; are marked by student participation in the processes of initiation, planning, organizing and execution; and are equally available to all students who voluntarily elect to participate. Extracurricular activities include, but are not limited to, clubs, musical ensembles, athletics and theatrical productions.

For the purpose of this policy, **interscholastic athletics** include all activities relating to competitive or exhibition sports contests, games or events involving individual students or teams of students when such events occur between schools within this School District or schools outside of this School District.

For the purpose of this policy, **charter school** shall mean an independent public school established and operated under a charter from the Board of School Directors and in which students are enrolled or attend. A charter school must be organized as a public, nonprofit corporation.

For the purpose of this policy, **regional charter school** shall mean an independent public school established and operated under a charter from more than one local board of school directors and in which the students are enrolled and attend. A regional charter school must be organized as a public, nonprofit corporation.

For the purpose of this policy, **cyber charter school** shall mean an independent public school established and operated under a charter from the Pennsylvania Department of Education and in which the school uses technology in order to provide a significant portion of its curriculum and to deliver a significant portion of its instruction to its students through the Internet or other electronic means. A cyber charter school must be organized as a public, nonprofit corporation.

For purposes of this policy, **home school student** shall mean a student who is enrolled in a home education program.

For the purpose of this policy, **home education program** shall mean a program conducted in compliance with Section 1327.1 of the School Code and other applicable law by the parent or guardian or other person having legal custody of the student.

For the purpose of this policy, **supervisor** shall mean the parent or guardian or other person having legal custody of a student enrolled in a home education program who shall be responsible for the provision of home instruction, provided that such person has a high school diploma or its equivalent.

For the purpose of this policy, **full school day** shall mean being in attendance no later than 30 minutes after the start of the school day and leaving no earlier than 30 minutes prior to the end of the school day. Any student arriving later than 30 minutes after the start of school or leaving more than 30 minutes prior to the end of the school day must submit, in order to participate in extracurricular activities and interscholastic athletics, a late arrival or early dismissal note from a parent with an attached note from a physician. Exceptions to this provision may be granted by the building administration only under exceptional circumstances.

Eligibility Requirements:

The Board has established the following eligibility requirements for student participation in extracurricular activities and interscholastic athletics:

Medical/Physical:

1. Prior to participating in any interscholastic athletic program a student must undergo a physical evaluation performed by a licensed physician of medical or osteopathic medicine, a certified registered nurse practitioner, a school nurse practitioner, or a certified physician assistant. Before each subsequent athletic season the student must be reevaluated by a licensed physician of medical or osteopathic medicine, a certified registered nurse practitioner, a school nurse practitioner, or a certified physician assistant and deemed satisfactory for athletic participation.

    a. The physical evaluation for fall athletic programs shall not be performed earlier than June 1.

    b. The physical evaluation for winter and spring athletic programs shall not be performed earlier than six weeks prior to the first practice day for each applicable sport.

    c. The student must submit a Pennsylvania Interscholastic Athletic Association (PIAA) Physician's Certificate and a Lampeter-Strasburg Sports Screening Form signed by a licensed physician of medical or osteopathic medicine, a certified registered nurse practitioner, a school nurse practitioner, or a certified physician assistant and a parent/guardian prior to participation.

    d. If the School District offers physical examinations or medical tests to students enrolled in the School District, the School District shall permit a student who is enrolled in a charter school, regional charter school, cyber charter school or home education program to access such physical examinations or medical tests. The School District shall publish the dates and times of the physical examinations or medical tests in a publication of general circulation in the School District and/or on its publicly accessible internet Web site.

2. The School District requires that all students participating in interscholastic athletics have either accident insurance or that the parent(s) and/or guardian(s) assume responsibility for all injuries incurred as a result of their child's participation. The parent(s) and/or guardian(s) must complete and submit the Lampeter-Strasburg Insurance Coverage/Waiver Form to fulfill this requirement.

Academic:

1. Any student with one or more failing grade(s) or incomplete course requirements will be declared ineligible for one (1) week and will be placed on the ineligibility list. The ineligibility list will be published and distributed by the guidance staff each Friday or on the last day of the week that school is in session. The one (1) week period of ineligibility will be effective from the following Sunday through Saturday.

2. Any student who fails one or ~~more~~ two marking period grades will be ineligible for two (2) weeks. Any student who fails three or more marking period grades will be ineligible for fifteen (15) school days in accordance with the PIAA By-Laws. If the failure occurs at the conclusion of the first, second, or third

marking periods, the period of ineligibility will begin the first full week following the distribution of report cards. If the failure occurs at the conclusion of the fourth marking period, the period of eligibility will begin the first day of practice during the fall athletic/practice season.

3. Any student who fails one or more semester courses will be ineligible for three (3) weeks. If the failure occurs at the conclusion of the first semester, the period of ineligibility will begin the first full week following the distribution of report cards. If the failure occurs at the conclusion of the second semester, the period of ineligibility will begin the first day of practice during the fall athletic/practice season.

4. Extracurricular activity and interscholastic athletic participation will be determined by the eligibility status of the student the day the activity begins. If the student is eligible for an activity, the student may continue participation even if the eligibility status changes to ineligible during the extended time of the activity. Likewise, a student's ineligibility status will not change for an activity that extends into another period, once he or she is ineligible. This requirement applies to situations that take students from school for an extended period of time and would overlap two eligibility-recording periods.

5. A student must obtain a minimum of four (4) credits by the conclusion of the school year to maintain eligibility status. Students who do not acquire at least four credits will be ineligible for a period of **fifteen school days** in accordance with Article IX (Curriculum), sections one (1) through four (4), of the PIAA By-Laws.

    a. A student can regain eligibility status if he/she successfully completes the remediation course requirements outlined in the student handbook.

Attendance:

1. In order to participate in extracurricular activities and interscholastic athletics, a student must be enrolled in the School District, or must reside in the School District and be enrolled in a charter school, regional charter school, cyber charter school or home education program.

2. A student must be in attendance the **full school day** on the day of the event or activity (see definition above).

Discipline:

1. Any student suspended from school is ineligible to participate in extracurricular activities and interscholastic athletics during the period of suspension. He/she may not practice, participate in or attend any school activity or competition, home or away, during the period of suspension.

    Any student serving Out-of-School-Suspension may not be on campus for any reason during the suspension period. Students serving Out-of-School-Suspension may not return to school or be on school property until the morning of their scheduled return (7:15 a.m.).

2. Any student expelled from the School District may neither participate in nor attend any extracurricular activity or interscholastic athletic events during the period of exclusion.

Students Enrolled in Charter Schools, Regional Charter Schools, Cyber Charter Schools and Home Education Programs:

1. Any student enrolled in a charter school, regional charter school, cyber charter school or home education program is required to meet all of the eligibility requirements set forth in this policy.

2. The charter school, regional charter school or cyber charter school that the student attends, or the supervisor of the home education program, must provide weekly documentation, in form and

substance as requested by the School District’s superintendent, to verify that the student is eligible in accordance with the requirements of this policy.

a. Documentation must be received by the School District in accordance with the established timeliness:
   - Academic Notification - By 8:00 a.m. each Friday or the last day of the week that school is in session.
     - Immediate notification shall be given if the student withdraws from the charter school, regional charter school, cyber charter school or home education program. Such notification shall include the reason for the withdrawal and the date of withdrawal.
   - Attendance Notification - By 8:10 a.m. on the day of the absence.
     - Immediate notification shall be given if the student's home address changes.
   - Discipline Notification - By 3:00 p.m. on the day the consequence is levied. Notification must include the assigned dates of the suspension.
     - Immediate notification shall be given of any exclusion or expulsion. Such notification must include the offense and specify the period of exclusion.

3. The School District will not be responsible for the transportation of a student who is enrolled in a charter school, regional charter school, cyber charter school or home education program to and/or from any scheduled practice, meeting, rehearsal or other event which takes place at the school which the student would attend if he/she were enrolled in the School District. A student who is enrolled in a charter school, regional charter school, cyber charter school or home education program and who participates in an extracurricular or interscholastic activity held at the school which the student would attend if he/she were enrolled in the School District and that begins during regular daily school hours shall report directly to the main office or other designated area to sign in. If the extracurricular or interscholastic activity concludes before the main office or designated area has closed, the student must sign out at the same location.

   If the extracurricular or interscholastic activity is scheduled to take place at a location other than the school which the student would attend if he/she were enrolled in the School District, then transportation from the school which the student would attend if he/she were enrolled in the School District to the location of the extracurricular or interscholastic activity will be provided if the same transportation is provided to students who are regularly enrolled in the School District. However, it is the responsibility of the student to timely report to his/her school so that transportation to the extracurricular or interscholastic activity can be provided. It is also the responsibility of the student to ensure that the student has transportation to return home from his/her school after the extracurricular or interscholastic activity is concluded. In no event shall the School District provide transportation to a student who is enrolled in a charter school, regional charter school or cyber charter school that is different from, or in addition to, the transportation provided to students who are in the School District.

4. The School District shall maintain a listing of extracurricular and interscholastic activities provided by the School District. This listing shall be deemed to be a public record within the meaning of the Pennsylvania Public Records Act.

Approved by Board of School Directors XX/XX/XX
Supersedes Policies Approved 05/31/05, 12/05/05, 08/01/11