

LEHIGHTON AREA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

LEHIGHTON AREA SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lehigh Area 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.

Auditors' Responsibility

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

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

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

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Opinions

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

Emphasis of Matter

For the year ended June 30, 2018, the Lehigh Area School District adopted new accounting guidance implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, budgetary comparison schedule on page 64, schedules of the school district's proportionate share of the PSERS net pension liability on page 67, schedules of the school district's PSERS pension contributions on page 68, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 69, schedule of the school district's PSERS other postemployment benefit plan contributions on page 70, and the schedule of changes in the total other postemployment benefit plan liability and related ratios on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lehigh Area School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of Lehigh Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lehigh Area School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania
January 31, 2019

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Lehigh Area School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the basic financial statements as well as the notes to the financial statements to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of five components 1) government-wide financial statements, 2) fund financial statements and 3) Proprietary Funds, 4) Fiduciary Funds, 5) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the District's finances. These statements are prepared using the accrual basis of accounting. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference stated as net position. Increases or decreases in net position may be an indicator of whether the financial position of the District is improving or declining. In assessing the overall performance of the School District, consideration must be given to the overall cash position, the ability to meet its debt obligations and the current property tax rates. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Governmental Activities

Revenue

The revenue of the School District during 2017-2018 of \$41,378,762 came from four major sources. These sources included charges for services (\$681,055), grants and contributions (\$19,856,652), local tax revenue (\$20,515,243), and other revenue (\$325,812). Included in other revenue are investment earnings (\$239,284) and miscellaneous revenue (\$86,528). The increase of revenue of 1.9% (\$751,547) from the prior year was mainly due to an increase of grant funding.

Expenses

The 2017-2018 expenses totaled \$41,942,321, a 1.7% increase from the prior year. The increase (\$712,124) was mainly due to wage increases.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Table A-1
Fiscal Years Ended June 30,
Governmental Activities

Functions/Programs	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 26,679,075	\$ 20,191,072	\$ 25,301,821	\$ 18,820,829
Instructional student support	3,066,381	2,767,308	3,295,228	3,295,228
Administrative/financial support services	3,662,821	3,288,979	3,512,611	3,466,781
Operation/maintenance of plant services	3,494,337	3,164,063	3,793,915	3,788,924
Pupil transportation	1,511,806	1,055,360	1,460,322	895,381
Student activities	1,055,037	826,402	940,918	873,235
Community services	20,800	20,800	23,859	23,859
Interest on long-term debt	1,679,691	884,626	2,071,807	1,728,621
Unallocated depreciation	<u>772,373</u>	<u>772,373</u>	<u>834,537</u>	<u>834,537</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>41,942,321</u>	32,970,983	\$ <u>41,235,018</u>	33,727,395
Less unrestricted grants, subsidies		<u>11,566,369</u>		<u>12,941,651</u>
TOTAL NEEDED FROM LOCAL TAXES AND OTHER REVENUES		\$ <u>21,404,614</u>		\$ <u>20,785,744</u>

Table A-1 shows the District's largest functions as well as each function's net cost, total cost less revenues generated by the activities. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Assets, Liabilities and Net Position

Table A-2 reflects the condensed Statement of Net Position for the years ending 2017 and 2018.

Table A-2
Fiscal Years Ended June 30,
Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Variance	2018	2017	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 13,843,118	\$ 40,130,205	\$ (26,287,087)	\$ 340,869	\$ 554,898	\$ (214,029)
Noncurrent assets	87,904,508	64,351,099	23,553,409	158,782	165,386	(6,604)
Deferred outflow s of resources	9,814,314	10,890,000	(1,075,686)	171,327	190,000	(18,673)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	111,561,940	115,371,304	(3,809,364)	670,978	910,284	(239,306)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Current and other liabilities	8,553,073	9,556,724	(1,003,651)	691,849	842,960	(151,111)
Long-term liabilities	119,815,951	119,242,973	572,978	1,049,538	1,029,311	20,227
Deferred inflow s of resources	847,000	590,000	257,000	14,000	10,000	4,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	129,216,024	129,389,697	(173,673)	1,755,387	1,882,271	(126,884)
NET POSITION						
Net investment in capital assets	24,421,437	2,355,677	22,065,760	158,782	165,386	(6,604)
Restricted	2,495,077	25,877,854	(23,382,777)	-	-	-
Unrestricted	(44,570,598)	(42,251,924)	(2,318,674)	(1,243,191)	(1,137,373)	(105,818)
TOTAL NET POSITION	\$ (17,654,084)	\$ (14,018,393)	\$ (3,635,691)	\$ (1,084,409)	\$ (971,987)	\$ (112,422)

The School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation, the School District has adjusted beginning net position for the governmental activities and business-type activities. See Note H for more information.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Business-Type Activities

Table A-3 reflects the activities of the Food Service program, the only business-type activity of the District.

Table A-3
Fiscal Years Ended June 30,
Business-Type Activities

Functions/Programs	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 1,211,784	\$ (192,280)	\$ 1,212,532	\$ (223,971)
Less investment earnings and transfers		115,566		110,923
TOTAL BUSINESS-TYPE ACTIVITIES		\$ (76,714)		\$ (113,048)

The District contracted with Nutrition Group Inc., for the operation of food service for the District. The District's food service personnel have remained as District employees except for the Food Service Director who is a Nutrition Group' employee. This change became effective on January 1, 2007. Effective August 20, 2010 all new food service personnel will be Nutrition Group employees, all District employees as of that date will remain District employees until they resign, retire or are terminated.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District uses fund accounting to ensure compliance with legal requirements. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several types of funds, but the two most significant types are the governmental and proprietary fund types.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship between the governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds is reconciled in the financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

General Fund Budget Comparison.

The Budgeted Expenditures for the year were \$40,639,765. The actual expenditures were \$42,443,708. The 4.4% increase, was due to the District paying down on its long-term debt.

Proprietary Funds

These funds are to account for the District Activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

Fiduciary Funds

The District is the trustee, or fiduciary for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Table A-4
Fiscal Years Ended June 30,
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Variance	2018	2017	Variance
REVENUES						
Program revenues						
Charges for services	\$ 681,055	\$ 285,586	\$ 395,469	\$ 296,215	\$ 291,206	\$ 5,009
Operating grants and contributions	7,495,218	6,878,851	616,367	723,289	697,355	25,934
Capital grants and contributions	795,065	343,186	451,879	-	-	-
General revenues						
Property taxes	17,355,122	16,747,238	607,884	-	-	-
Other taxes	3,160,121	2,952,186	207,935	-	-	-
Grants, subsidies and contributions unrestricted	11,566,369	12,941,651	(1,375,282)	-	-	-
Other	325,812	478,517	(152,705)	115,566	110,923	4,643
TOTAL REVENUES	41,378,762	40,627,215	751,547	1,135,070	1,099,484	35,586
EXPENSES						
Instruction	26,679,075	25,301,821	1,377,254	-	-	-
Instructional student support	3,066,381	3,295,228	(228,847)	-	-	-
Administrative and financial support	3,662,821	3,512,611	150,210	-	-	-
Operation and maintenance of plant	3,494,337	3,793,915	(299,578)	-	-	-
Pupil transportation	1,511,806	1,460,322	51,484	-	-	-
Student activities	1,055,037	940,918	114,119	-	-	-
Community services	20,800	23,859	(3,059)	-	-	-
Interest on long-term debt	1,679,691	2,071,807	(392,116)	-	-	-
Unallocated depreciation	772,373	834,537	(62,164)	-	-	-
Food service	114,821	110,000	4,821	1,211,784	1,212,532	(748)
TOTAL EXPENSES	42,057,142	41,345,018	712,124	1,211,784	1,212,532	(748)
CHANGE IN NET POSITION	\$ (678,380)	\$ (717,803)	\$ 39,423	\$ (76,714)	\$ (113,048)	\$ 36,334

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Capital Assets

At June 30, 2018 the District had \$88,063,290 invested in capital assets which included land, buildings, equipment, vehicles and furniture. This amount represents a net increase (including additions, deletions and depreciation) of \$23,546,805 or 37% from last year. The increase is due to the high school, middle school, and elementary center construction projects.

Table A-5
Governmental and Business-Type Activities
Capital Assets-Net of Depreciation

	2018	2017	2016	2015	2014	2013
Land and land improvements	\$ 910,302	\$ 974,653	\$ 1,044,943	\$ 1,117,551	\$ 1,189,214	\$ 1,236,965
Buildings and building and improvements	22,851,885	23,445,136	17,693,066	18,114,934	18,705,763	19,290,208
Furniture, equipment and vehicles	933,493	939,768	982,913	942,931	751,608	705,351
Construction in progress	63,367,610	39,156,928	16,858,815	665,400	-	209,165
	<u>\$ 88,063,290</u>	<u>\$ 64,516,485</u>	<u>\$ 36,579,737</u>	<u>\$ 20,840,816</u>	<u>\$ 20,646,585</u>	<u>\$ 21,441,689</u>

Debt Outstanding

Table A-6
Outstanding Debt

	2018	2017	2016	2015	2014	2013
GENERAL OBLIGATION BONDS						
Series of 2012	\$ -	\$ -	\$ -	\$ 1,470,000	\$ 3,320,000	\$ 5,140,000
Series of 2014	8,051,954	8,244,000	8,444,000	8,449,000	-	-
Series of 2015	4,985,000	4,990,000	4,995,000	5,000,000	-	-
Series A of 2015	31,670,000	32,050,000	32,055,000	-	-	-
GENERAL OBLIGATION NOTES						
Series of 2014	6,378,000	7,100,000	9,995,000	10,000,000	-	-
QUALIFIED ZONE ACADEMY BONDS						
Series of 2017	6,290,000	6,800,000	-	-	-	-
	<u>\$ 57,374,954</u>	<u>\$ 59,184,000</u>	<u>\$ 55,489,000</u>	<u>\$ 24,919,000</u>	<u>\$ 3,320,000</u>	<u>\$ 5,140,000</u>

More detailed information about our long-term liabilities is included in the notes to the financial statements.

The total debt outstanding for the District as of June 30, 2018, was \$57,374,954. More detailed information about our long-term liabilities is included in the Notes to the financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Economic Factors and Next Year's Budgets and Rates

The District and its Professional Staff (Lehigh Area Educational Association) are currently working under a four (4) year Collective Bargaining Agreement effective from September 1, 2016 to August 31, 2020.

The District and its Support Staff (Lehigh Area Educational Support Personnel Association) are currently working under a five (5) year Collective Bargaining Agreement effective from July 1, 2016 to June 30, 2021.

The District and its Act 93 Administration are currently working under a five (5) year contract effective from July 1, 2017 to June 30, 2022.

The District has contractual relationships with the Carbon Lehigh Intermediate Unit 21 (CLIU 21), the Carbon County Technical Institute (Vo-Tech) and Lehigh Carbon County College. The CLIU provides Special Education Services to the District. The Carbon County Technical Institute provides full time vocational and academic subjects for Lehigh area students. At this time, the Lehigh Area School District allows students in grades 9 through 12 to participate in these programs. The Lehigh Carbon Community College is supported by contracts with various School Districts in Lehigh and Carbon Counties. This support results in subsidized tuition for the residents of the member Districts.

Table A-7
Budgeted Revenue-By Year

	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>
Local	56.78%	56.78%	57.83%	58.79%	58.93%	59.13%
State	41.68%	41.68%	40.86%	39.76%	39.52%	39.22%
Federal/other	1.55%	1.55%	1.31%	1.45%	1.55%	1.65%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Table A-8
Budgeted Appropriations-By Year

	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>
Instruction	73.81%	64.46%	64.40%	63.57%	63.92%	63.31%
Support services	18.62%	26.82%	28.02%	27.34%	27.65%	27.09%
Non-instruction/community	2.60%	2.39%	2.08%	2.07%	1.78%	1.98%
Facilities acquisition, construction and improvement	0.00%	0.00%	0.00%	1.08%	1.03%	1.42%
Fund transfers/debt	4.96%	6.33%	5.50%	5.94%	5.62%	6.20%
	<u>99.99%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

LEHIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Requests for Information

Our financial report is designed to provide our stakeholders (taxpayers, parents, students, investors, and creditors) with a general overview of the District's financial condition and to provide accountability for the funds it receives.

If you have questions about this report or wish to request additional financial information, please contact Mr. Brian D Feick, Business Administrator at Lehigh Area School District, 1000 Union Street, Lehigh, PA 18235, phone number, 610-377-4490.

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,339,610	\$ 193,286	\$ 9,532,896
Taxes receivable, net	1,077,448	-	1,077,448
Internal balances (1)	635,331	(635,331)	-
Due from other governments	619,409	112,748	732,157
Other receivables	414,963	9,966	424,929
Inventories	4,015	24,869	28,884
Prepaid expenses	1,692,584	-	1,692,584
Other current assets	59,939	-	59,939
TOTAL CURRENT ASSETS	<u>13,843,299</u>	<u>(294,462)</u>	<u>13,548,837</u>
NONCURRENT ASSETS			
Land	325,786	-	325,786
Site improvements (net of depreciation)	584,516	-	584,516
Building and building improvements (net of depreciation)	22,851,885	-	22,851,885
Furniture and equipment (net of depreciation)	774,711	158,782	933,493
Construction in progress	63,367,610	-	63,367,610
TOTAL NONCURRENT ASSETS	<u>87,904,508</u>	<u>158,782</u>	<u>88,063,290</u>
TOTAL ASSETS	<u>101,747,807</u>	<u>(135,680)</u>	<u>101,612,127</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB	203,314	3,327	206,641
Deferred outflows of resources, pension activity	9,611,000	168,000	9,779,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,814,314</u>	<u>171,327</u>	<u>9,985,641</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 111,562,121</u>	<u>\$ 35,647</u>	<u>\$ 111,597,768</u>

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Government, their balances are eliminated in the "Totals" column (GASB Statement No. 34, Paragraph 58).

See accompanying notes to the basic financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 1,848,930	\$ 32,037	\$ 1,880,967
Current portion of long-term obligations	2,217,366	3,465	2,220,831
Accrued salaries and benefits	3,764,624	194	3,764,818
Unearned revenue	-	20,822	20,822
Accrued interest payable	722,334	-	722,334
TOTAL CURRENT LIABILITIES	<u>8,553,254</u>	<u>56,518</u>	<u>8,609,772</u>
NONCURRENT LIABILITIES			
Bonds and notes payable	58,130,453	-	58,130,453
Long-term portion of compensated absences	2,411,147	31,182	2,442,329
Net pension liability	55,972,000	973,000	56,945,000
NET OPEB obligation	3,302,351	45,356	3,347,707
TOTAL NONCURRENT LIABILITIES	<u>119,815,951</u>	<u>1,049,538</u>	<u>120,865,489</u>
TOTAL LIABILITIES	<u>128,369,205</u>	<u>1,106,056</u>	<u>129,475,261</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	124,000	2,000	126,000
Deferred inflows of resources, pension activity	723,000	12,000	735,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>847,000</u>	<u>14,000</u>	<u>861,000</u>
NET POSITION			
Net investment in capital assets	24,421,437	158,782	24,580,219
Restricted, capital projects	221,166	-	221,166
Unrestricted	(42,296,687)	(1,243,191)	(43,539,878)
TOTAL NET POSITION	<u>(17,654,084)</u>	<u>(1,084,409)</u>	<u>(18,738,493)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 111,562,121</u>	<u>\$ 35,647</u>	<u>\$ 111,597,768</u>

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 26,679,075	\$ 536,858	\$ 5,951,145	\$ -
Instructional student support	3,066,381	-	299,073	-
Administrative/financial support services	3,662,821	-	373,842	-
Operation/maintenance of plant services	3,494,337	23,187	307,087	-
Pupil transportation	1,511,806	4,503	451,943	-
Student activities	1,055,037	116,507	112,128	-
Community services	20,800	-	-	-
Interest on long-term debt	1,679,691	-	-	795,065
Unallocated depreciation	772,373	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	41,942,321	681,055	7,495,218	795,065
BUSINESS-TYPE ACTIVITIES				
Food service	1,211,784	296,215	723,289	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 43,154,105	\$ 977,270	\$ 8,218,507	\$ 795,065
GENERAL REVENUES				
Taxes				
Property taxes, levied for general purposes				
Taxes levied for specific purposes				
Grants and entitlements not restricted to specific programs				
Investment earnings				
Miscellaneous income				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (20,191,072)	\$ -	\$ (20,191,072)
(2,767,308)	-	(2,767,308)
(3,288,979)	-	(3,288,979)
(3,164,063)	-	(3,164,063)
(1,055,360)	-	(1,055,360)
(826,402)	-	(826,402)
(20,800)	-	(20,800)
(884,626)	-	(884,626)
(772,373)	-	(772,373)
(32,970,983)	-	(32,970,983)
-	(192,280)	(192,280)
(32,970,983)	(192,280)	(33,163,263)
17,355,122	-	17,355,122
3,160,121	-	3,160,121
11,566,369	-	11,566,369
239,284	745	240,029
86,528	-	86,528
(114,821)	114,821	-
32,292,603	115,566	32,408,169
(678,380)	(76,714)	(755,094)
(16,975,704)	(1,007,695)	(17,983,399)
\$ (17,654,084)	\$ (1,084,409)	\$ (18,738,493)

LEHIGHTON AREA SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,715,287	\$ 3,403,157	\$ 221,166	\$ 9,339,610
Taxes receivable, net	1,077,448	-	-	1,077,448
Due from other funds	635,331	-	-	635,331
Due from other governments	619,409	-	-	619,409
Other receivables	414,963	-	-	414,963
Inventories	4,015	-	-	4,015
Prepaid expenses	1,601,675	90,909	-	1,692,584
Other current assets	59,939	-	-	59,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>10,128,067</u>	\$ <u>3,494,066</u>	\$ <u>221,166</u>	\$ <u>13,843,299</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 932,665	\$ 908,080	\$ -	\$ 1,840,745
Current portion of compensated absences	267,905	-	-	267,905
Accrued salaries and benefits	3,599,542	-	-	3,599,542
Payroll deductions and withholdings	165,082	-	-	165,082
Other current liabilities	8,185	-	-	8,185
TOTAL LIABILITIES	<u>4,973,379</u>	<u>908,080</u>	<u>-</u>	<u>5,881,459</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	<u>902,057</u>	<u>-</u>	<u>-</u>	<u>902,057</u>
FUND BALANCES				
Nonspendable	1,605,690	90,909	-	1,696,599
Restricted	-	2,495,077	221,166	2,716,243
Assigned	203,590	-	-	203,590
Unassigned	2,443,351	-	-	2,443,351
TOTAL FUND BALANCES	<u>4,252,631</u>	<u>2,585,986</u>	<u>221,166</u>	<u>7,059,783</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>10,128,067</u>	\$ <u>3,494,066</u>	\$ <u>221,166</u>	\$ <u>13,843,299</u>

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 7,059,783
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$109,030,535 and the accumulated depreciation is \$21,126,027.	87,904,508
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Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	8,888,000
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Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.	79,314
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	902,057
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(60,079,914)
Accrued interest	(722,334)
Compensated absences	(2,411,147)
Net pension liability	(55,972,000)
OPEB obligation	(3,302,351)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(17,654,084)</u>
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See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 21,714,605	\$ 193,623	\$ 1,161	\$ 21,909,389
State sources	17,234,297	1,475,749	-	18,710,046
Federal sources	762,815	-	-	762,815
TOTAL REVENUES	<u>39,711,717</u>	<u>1,669,372</u>	<u>1,161</u>	<u>41,382,250</u>
EXPENDITURES				
Instruction	26,343,456	-	-	26,343,456
Support services	11,251,580	7,153	-	11,258,733
Operation of noninstructional services	1,051,510	-	-	1,051,510
Facility construction, acquisition and improvement services	16,878	24,223,758	29,995	24,270,631
Debt service	3,778,436	-	-	3,778,436
Refund of prior year receipts	1,848	-	-	1,848
TOTAL EXPENDITURES	<u>42,443,708</u>	<u>24,230,911</u>	<u>29,995</u>	<u>66,704,614</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(2,731,991)</u>	<u>(22,561,539)</u>	<u>(28,834)</u>	<u>(25,322,364)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	925,591	97,200	250,000	1,272,791
Transfers out	(462,021)	(925,591)	-	(1,387,612)
Sale of supplies	342	-	-	342
TOTAL OTHER FINANCING SOURCES	<u>463,912</u>	<u>(828,391)</u>	<u>250,000</u>	<u>(114,479)</u>
NET CHANGE IN FUND BALANCES	(2,268,079)	(23,389,930)	221,166	(25,436,843)
FUND BALANCES AT BEGINNING OF YEAR	<u>6,520,710</u>	<u>25,975,916</u>	<u>-</u>	<u>32,496,626</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,252,631</u>	<u>\$ 2,585,986</u>	<u>\$ 221,166</u>	<u>\$ 7,059,783</u>

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (25,436,843)

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

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$24,430,679) exceeds depreciation (\$877,270) in the current period. 23,553,409

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred inflows of resources decreased by this amount this year. (3,830)

The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements. 144,978

In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (251,839)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest	183,237
Pension plan expense	(783,000)

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bond principal	1,809,046
Amortization of bond discounts and premiums	106,462

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (678,380)

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 193,286
Due from other governments	112,748
Other receivables	9,966
Inventories	24,869
TOTAL CURRENT ASSETS	<u>340,869</u>
PROPERTY AND EQUIPMENT	
Machinery and equipment	765,818
Accumulated depreciation	<u>(607,036)</u>
PROPERTY AND EQUIPMENT, net	<u>158,782</u>
TOTAL ASSETS	<u>499,651</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, OPEB	3,327
Deferred outflows of resources, pension activity	<u>168,000</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>171,327</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Due to other funds	635,331
Accounts payable	32,037
Accrued salaries and benefits	194
Prepayments from students	20,822
Current portion of compensated absences	3,465
TOTAL CURRENT LIABILITIES	<u>691,849</u>
NONCURRENT LIABILITIES	
Long-term portion of compensated absences	31,182
Other postemployment benefits obligation	45,356
Net pension liability	973,000
TOTAL NONCURRENT LIABILITIES	<u>1,049,538</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, OPEB	2,000
Deferred inflows of resources, pension activity	<u>12,000</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,000</u>
NET POSITION	
Net investment in capital assets	158,782
Unrestricted	<u>(1,243,191)</u>
TOTAL NET POSITION	<u>\$ (1,084,409)</u>

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenue	\$ <u>296,215</u>
OPERATING EXPENSES	
Salaries	196,449
Employee benefits	221,127
Purchased professional and technical services	704
Purchased property services	18,741
Other purchased services	675,171
Supplies	83,080
Depreciation	16,287
Other operating expenses	225
TOTAL OPERATING EXPENSES	<u>1,211,784</u>
OPERATING LOSS	<u>(915,569)</u>
NONOPERATING REVENUES	
Earnings on investments	745
State sources	32,467
Federal sources	690,822
TOTAL NONOPERATING REVENUES	<u>724,034</u>
LOSS BEFORE TRANSFERS	(191,535)
TRANSFERS IN	<u>114,821</u>
CHANGE IN NET POSITION	(76,714)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(1,007,695)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(1,084,409)</u></u>

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2018

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 559,392
Cash payments to employees for services	(410,712)
Cash payments to suppliers for goods and services	(991,816)
Cash payments to other operating expenses	(225)
NET CASH USED BY OPERATING ACTIVITIES	<u>(843,361)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	31,885
Federal sources	742,231
Operating transfers in	114,821
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>888,937</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Facilities acquisition/construction/improvement services	<u>(9,683)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>745</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>156,648</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 193,286</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (915,569)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	16,287
Donated foods	(64,144)
OPEB expense	(2,855)
Pension expense	13,000
Decrease in	
Accounts receivable	14,970
Advances to other funds	248,207
Inventories	807
Increase (decrease) in	
Accounts payable	(1,534)
Compensated absences	(3,281)
Advances from other funds	(156,786)
Prepayments	7,537
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (843,361)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 64,144

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ <u>450,232</u>	\$ <u>75,220</u>
TOTAL ASSETS	\$ <u><u>450,232</u></u>	\$ <u><u>75,220</u></u>
LIABILITIES		
Due to student clubs	\$ <u>-</u>	\$ <u>75,220</u>
TOTAL LIABILITIES	-	\$ <u><u>75,220</u></u>
NET POSITION		
Held in trust for future recipients	<u>450,232</u>	
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>450,232</u></u>	

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 91,820
Earnings on investments, interest and dividends	<u>2,708</u>
TOTAL ADDITIONS	<u>94,528</u>
DEDUCTIONS	
Scholarships	<u>25,109</u>
CHANGE IN NET POSITION	69,419
NET POSITION AT BEGINNING OF YEAR	<u>380,813</u>
NET POSITION AT END OF YEAR	<u>\$ 450,232</u>

See accompanying notes to the basic financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

School District

The Lehigh Area School District (the "School District") is located in Northeastern Pennsylvania in Carbon County. The School District is comprised of the Boroughs of Lehigh, Parryville and Weissport, and the Townships of East Penn, Mahoning and Franklin.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other School Districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person, residing in such District, between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay any indebtedness that may at any time hereafter be created by the School District, the Board of School Directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision and operation of the School District.

The Business Administrator recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the School District. The Business Administrator is directly responsible to the Superintendent.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

The School District is a municipal corporation governed by an elected nine-member board. As required by accounting principles, generally accepted in the United States of America, these financial statements are to present the School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

Joint Ventures

Carbon Career & Technical Institute - The School District is a participating member of the Carbon Career & Technical Institute (CCTI). The CCTI is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the CCTI's annual operating budget. Each participating district pays a pro-rata share of the CCTI's operating costs based on the number of students attending the CCTI's from their district. The School District's share of the CCTI's operating costs for 2017-2018 was \$1,696,928.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

On dissolution of the Carbon Career & Technical Institute, the net position of CCTI will be shared, on a pro-rata basis of each participating district's current market value of taxable real property, as certified by the Pennsylvania State Tax Equalization Board. However, the School District does not have an equity interest in CCTI as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the CCTI can be obtained from the CCTI's administrative office.

Lehigh-Carbon Community College - The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member Districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The School District's share of LCCC's operating costs for 2017-2018 was \$198,297.

On dissolution of the Lehigh-Carbon Community College, the net position of LCCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCCC as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the LCCC can be obtained from the LCCC's administrative office at 2300 Main Street, Schnecksville, Pennsylvania.

Jointly Governed Organizations

Carbon-Lehigh Intermediate Unit - The School District is a participating member of the Carbon-Lehigh Intermediate Unit (CLIU). The CLIU is run by a joint committee consisting of members from each participating District. No participating District appoints a majority of the joint committee. The Board of Directors of each participating District must approve the CLIU's annual operating budget. The CLIU is a self-sustaining organization that provides services for fees to participating Districts. As such, the District has no on-going financial interest or financial responsibility in the CLIU. The CLIU contracts with participating Districts to supply special education and computer services and acts as a conduit for certain federal programs.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grant and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of Governmental and Enterprise Fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Fiduciary Funds are reported by type.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: Governmental, Proprietary and Fiduciary.

Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various Governmental Funds according to the purposes for which they may or must be used. Deferred outflows of resources is recorded in a particular Governmental Fund where costs are spent for a future period. Current liabilities are assigned to the Governmental Fund from which they will be paid. Deferred inflows of resources is recorded in a particular Governmental Fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major Governmental Funds:

General Fund - The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Capital Project Fund - The Capital Project Fund accounts for financial resources related to general fixed asset acquisitions, construction and improvements.

Special Revenue Fund - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Under this definition, the School District does not have any Special Revenue Funds.

Proprietary Fund - The Proprietary Fund focuses on the determination of changes in net position, financial position and cash flows and are classified as an Enterprise Fund.

Enterprise Fund - The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major Enterprise Fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds - Fiduciary Funds reporting focuses on net position and changes in net position. The Fiduciary Fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds and Agency Funds. Trust Funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a Private-Purpose Trust. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements - All Governmental Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, along with deferred outflows of resources or deferred inflows of resources required to be reported. The statement of revenues, expenditures and changes in fund balances reports on the sources i.e., revenues and other financing sources) and uses i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Funds financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

Like the government-wide statements, all Enterprise Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental Funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option - Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least ten days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board Resolution Option - Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget, the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least ten days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. 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.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2017-2018 budget transfers.

Use of Estimates

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.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Proprietary Fund Type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments - Statutes authorize the District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2018, was in excess of the minimum requirements just described.

Receivables and Payables - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Levy - Property taxes, which were levied during the fiscal year ended June 30, 2018, are recognized as revenue in the fund financial statements when received by the School District during the fiscal year and also estimated to be received by the School District within 60 days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within 60 days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount

Inventories - On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2018, the inventory shown in the governmental activities column of the government-wide statement of net position is \$4,015, and \$24,869 is shown as inventory in the business-type activities column of the government-wide statement of net position.

Inventory type items in Governmental Funds utilize the consumption method, that is, they are charged to expenditures when used. A physical inventory was taken as of June 30, 2018; therefore, there is a nonspendable fund balance of \$4,015 in the General Fund.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the School District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food.

Inventories on hand at June 30, 2018, consist of:

Purchased food	\$ 12,135
Donated commodities	<u>12,734</u>
	<u>\$ 24,869</u>

Prepaid Expenses - In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific Governmental Fund in which future benefits will be derived.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the Governmental Funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the Enterprise Fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets utilized by the Enterprise Fund is also capitalized.

All reported capital assets except land, certain land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives (In Years)	
	Governmental Activities	Business-Type Activities
Buildings and improvements	20-50	20-50
Furniture and equipment	5-20	5-20
Vehicles	8	N/A

Compensated Absences - The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability since the employees are allowed to carryover vacation days and are compensated for unused vacation days upon retirement.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For Governmental Funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In the Enterprise Fund, the entire amount of compensated absences is reported as a fund liability.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. The deferred outflow related to pension activity, reported in the government-wide statement of net position and the Proprietary Fund statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow of resources for OPEB activities is reported in the government-wide statement of net position. Deferred outflows of resources for OPEB relates to the District's net OPEB liability and OPEB expense and arises from variances between projected and actual investment earnings, the difference between actual employer contributions and the School District's proportionate share of total contributions, and contributions subsequent to the measurement date and prior to the District's year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the Proprietary Fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources for OPEB activities is reported in the government-wide statement of net position. Deferred inflows of resources for OPEB relates to the District's net OPEB liability and OPEB expense and arises from changes in assumptions and changes in proportions.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations - In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Proprietary Fund Type statement of net position. Bond premiums and discounts, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

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 while discounts and premiums on debt issuances are reported as other financing uses and other financing sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification - Certain amounts have been reclassified to conform to the June 30, 2018, presentation of government-wide financial statements on the accrual basis of accounting versus the Governmental Funds financial statements reported on the modified accrual basis of accounting.

Net Position Flow Assumption - Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position - Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net investment in capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, granters, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Categories - Fund balance for Governmental Funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note E to the financial statements:

- **Nonspendable Fund Balance** - This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, granters, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.
- **Committed Fund Balance** - This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action. The School District's governing body is the School Board and the formal action taken to commit resources is done by resolution.
- **Assigned Fund Balance** - This category includes all remaining amounts that are reported in Governmental Funds, except the General Fund, that are not classified in one of the above-mentioned categories. In the General Fund, this category represents the School District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The School District's policy dictates the Superintendent and Business Administrator are responsible to make these assignments.
- **Unassigned Fund Balance** - This category of fund balance represents the residual classification for the General Fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other Governmental Funds if those Governmental Funds have a negative net fund balance.

The School District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The School District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

Contributions of Capital - Contributions of capital in Proprietary Fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The Proprietary Fund received no capital contributions during this fiscal year.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2018, \$7,694,863 of the School District's bank balance of \$11,095,747 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name, \$250,000 was insured by the FDIC and \$3,150,884 is held in state investment pools and is uninsured and uncollateralized.

A portion of the School District's deposits is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2018, is \$3,150,884. These assets maintain a stable net asset value of \$1 per share. All PLGIT investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Reconciliation to Financial Statements

BANK BALANCE	\$ 11,095,747
Plus	
Deposits in transit	81,021
Petty cash	300
Less	
Outstanding checks	<u>(1,118,720)</u>
 TOTAL CASH PER FINANCIAL STATEMENTS	 \$ <u>10,058,348</u>

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2018.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the School District. Assessed values are established by the County Board of Assessments.

All taxable real property was assessed at \$366,628,034 which includes a property tax reduction in accordance with Act 1 of 2006. The tax rate for the year was \$4.788 per \$100 of assessed valuation or 47.88 mills.

The property tax calendar is as follows:

July 1	Full year tax assessed for current year.
July 1 to August 31	Discount period during which 2% discount is allowed.
September 1 to October 31	Face amount of tax is due.
November 1 to December 31	A 10% penalty is added to all payments.
January 15	All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for collection.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

Receivables

Receivables, as of year-end, for the School District's individual major funds and nonmajor and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Service Fund	Totals
RECEIVABLES			
Taxes	\$ 1,077,448	\$ -	\$ 1,077,448
Accounts	414,782	9,966	424,748
Intergovernmental	619,409	112,748	732,157
	<u>\$ 2,111,639</u>	<u>\$ 122,714</u>	<u>\$ 2,234,353</u>

Governmental Funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental Funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred inflows of resources reported in the Governmental Funds, which consisted of delinquent property taxes, were \$902,057 for the year ended June 30, 2018.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Capital Assets

Capital asset balances and activity for the year ending June 30, 2018, were:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 325,786	\$ -	\$ -	\$ 325,786
Construction in progress	39,156,928	24,210,682	-	63,367,610
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	39,482,714	24,210,682	-	63,693,396
Capital assets being depreciated				
Site improvements	2,282,694	-	-	2,282,694
Buildings and building improvements	41,053,709	140,319	-	41,194,028
Furniture and equipment	1,780,739	79,678	-	1,860,417
TOTAL CAPITAL ASSETS BEING DEPRECIATED	45,117,142	219,997	-	45,337,139
Accumulated depreciation				
Site improvements	(1,633,827)	(64,351)	-	(1,698,178)
Buildings and building improvements	(17,608,573)	(733,570)	-	(18,342,143)
Furniture and equipment	(1,006,357)	(79,349)	-	(1,085,706)
TOTAL ACCUMULATED DEPRECIATION	(20,248,757)	(877,270)	-	(21,126,027)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	24,868,385	(657,273)	-	24,211,112
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 64,351,099	\$ 23,553,409	\$ -	\$ 87,904,508
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	\$ 756,135	\$ 9,683	\$ -	\$ 765,818
Accumulated depreciation	(590,749)	(16,287)	-	(607,036)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 165,386	\$ (6,604)	\$ -	\$ 158,782

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 9,584
Vocational instruction	798
Adult instruction	1,184
Pupil services	301
Business services	18,576
Operation and maintenance of plant services	22,716
Central services	45,245
Student activities	6,493
Depreciation, unallocated	772,373
	<u>\$ 877,270</u>

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Interfund Receivables and Payables

The following interfund receivables and payables were in existence on June 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 635,331	\$ -
Enterprise (Food Service) Fund	<u>-</u>	<u>635,331</u>
	<u><u>\$ 635,331</u></u>	<u><u>\$ 635,331</u></u>

Interfund Transfers

The School District also made the following interfund transfers during the fiscal year ended June 30, 2018:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 925,591	\$ 462,021
Capital Projects Fund	97,200	925,591
Capital Reserve Fund	250,000	-
Enterprise (Food Service) Fund	<u>114,821</u>	<u>-</u>
	<u><u>\$ 1,387,612</u></u>	<u><u>\$ 1,387,612</u></u>

Commitments

Encumbrances - Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the School District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the School District's legally adopted budget.

Construction Commitments - The School District has \$3,428,217 in construction commitments at June 30, 2018, related to the athletic stadium, middle school, high school and elementary center projects.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2018, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 61,995,422	\$ -	\$ (1,915,508)	\$ 60,079,914	\$ 1,949,461
Other liabilities					
Compensated absences	2,399,231	279,821	-	2,679,052	267,905
Net pension liability	56,601,000	-	(629,000)	55,972,000	-
Net OPEB obligation, restated	3,368,015	-	(65,664)	3,302,351	-
TOTAL OTHER					
LIABILITIES	<u>62,368,246</u>	<u>279,821</u>	<u>(694,664)</u>	<u>61,953,403</u>	<u>267,905</u>
TOTAL					
GOVERNMENTAL					
ACTIVITIES	<u>\$ 124,363,668</u>	<u>\$ 279,821</u>	<u>\$ (2,610,172)</u>	<u>\$ 122,033,317</u>	<u>\$ 2,217,366</u>
BUSINESS-TYPE ACTIVITIES					
Other liabilities					
Compensated absences	\$ 37,928	\$ -	\$ (3,281)	\$ 34,647	\$ 3,465
Net pension liability	984,000	-	(11,000)	973,000	-
Net OPEB obligation, restated	46,884	-	(1,528)	45,356	-
TOTAL BUSINESS-					
TYPE ACTIVITIES	<u>\$ 1,068,812</u>	<u>\$ -</u>	<u>\$ (15,809)</u>	<u>\$ 1,053,003</u>	<u>\$ 3,465</u>

Payments on bonds and notes are made by the General Fund. Vested employee benefits will be liquidated by Governmental and Proprietary Funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total interest paid and accrued during the year is as follows:

	Expense	Paid
General obligation debt	\$ <u>1,679,691</u>	\$ <u>1,969,390</u>

Federally Taxable General Obligation Qualified Zone Academy Bonds-Series of 2014 -

On December 18, 2014, the School District issued \$8,449,000 of General Obligation Bonds - Series of 2014. The proceeds will be used: (1) to finance additions and renovations to the Lehigh Area Middle School and (2) pay the allowable costs of issuing the bond. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Series of 2014 Bonds mature on November 1, 2034. The coupon rate is 1.5%, with total interest indebtedness of \$2,518,154.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

General Obligation Note - Series of 2014 - On December 3, 2014, the School District issued \$10,000,000 of General Obligation Notes - Series of 2014. The proceeds will be used for the Middle School and High School Renovation projects. The Series of 2014 Notes mature on May 15, 2026. The interest rate is fixed at 2.16%, with total interest indebtedness of \$1,431,324.

General Obligation Bonds - Series of 2015 - On April 9, 2015, the School District issued \$5,000,000 of General Obligation Bonds - Series of 2015. The proceeds will be used: (1) to finance additions and renovations to the Lehigh Area Middle School and High School buildings and, to the extent of any remaining funds, other capital projects of the School District, and (2) pay the costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Series of 2015 Bonds mature from November 15, 2025 to November 15, 2040. The interest rates range from 0.30% to 3.70%, with total interest indebtedness of \$3,337,383.

General Obligation Bonds - Series A of 2015 - On November 30, 2015, the School District issued \$32,055,000 of General Obligation Bonds - Series A of 2015. The proceeds will be used to provide funds to finance the acquisition, design, construction, furnishing and any other expenses related to elementary school facilities, the completion of additions and renovations to the existing Lehigh Area Middle School and High School buildings and, to the extent of any remaining funds, other capital projects of the School District, and pay the costs of issuing the Bonds. The Series A of 2015 Bonds mature from November 15, 2040 to November 15, 2043. The interest rates range from 0.50% to 5.00%, with total interest indebtedness of \$31,733,991.

Qualified Zone Academy Bonds - Series of 2017 - On March 29, 2017, the School District issued \$6,800,000 of Qualified Zone Academy Bonds - Series of 2017. The proceeds will be used to permanently finance the High School project and any remaining funds to reimburse District Funds. The Series of 2017 Bonds mature on November 11, 2031. The interest rate is fixed at 4.40%, with total interest indebtedness of \$2,099,436.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The outstanding debt service requirements of these issues at June 30, 2018, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,850,954	\$ 2,217,503
2020	1,870,000	2,171,156
2021	1,896,000	2,124,230
2022	1,928,000	2,076,601
2023	1,955,000	2,028,294
2024-2028	10,196,000	9,214,235
2029-2033	10,880,000	7,581,250
2034-2038	10,724,000	5,409,216
2039-2043	13,045,000	2,431,346
2044	<u>3,030,000</u>	<u>75,750</u>
	57,374,954	
Unamortized bond discount	(151,125)	\$ <u>35,329,581</u>
Unamortized bond premium	<u>2,856,085</u>	
	<u>\$ 60,079,914</u>	

Compensated Absences

Vacation Days - 12-month support personnel are entitled to carryover a maximum of five vacation days for use in the following fiscal year. These days are valued based on each eligible employee's per diem rate as of June 30, 2018. The vacation leave earned as of June 30, 2018, in the General Fund that will use currently available financial resources is \$3,650, including FICA tax and retirement contributions (net of reimbursement). This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation leave earned as of June 30, 2018, of \$32,846, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Sick-Pay - All employees, based upon their classification, shall receive the following amounts for each accumulated unused sick day at retirement, unless said employee elects to use their respective accumulated unused sick days to continue health insurance coverage. The sick-pay earned and recorded in the Enterprise Fund and in the business-type activities column of the government-wide statement of net position is \$34,647. The sick-leave earned as of June 30, 2018, in the General Fund that will use currently available financial resources is \$264,256. The amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick-pay earned as of June 30, 2018 is \$2,378,301.

Act 93 Administrators	\$125 per day
Educational Support Personnel Association Members	\$65 per day
Education Association Members	\$100 per day

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

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

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

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

Contributions

Members Contributions

- Active members who joined the 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 the 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 the 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 services rendered on or after January 1, 2002.
- Members who joined the PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$5,212,000 for the year ended June 30, 2017 .

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

At June 30, 2018, the School District reported a liability of \$56,945,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .1153%, which was an decrease of .0009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$6,008,000. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 583,000	\$ 339,000
Changes in assumptions	1,521,000	-
Net difference between projected and actual investment earnings	1,297,000	-
Changes in proportions	788,000	384,000
Difference between employer contributions and proportionate share of total contributions	299,000	-
Contributions subsequent to the measurement date	<u>5,123,000</u>	<u>-</u>
	<u>\$ 9,611,000</u>	<u>\$ 723,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 11,000	\$ 5,000
Changes in assumptions	26,000	-
Net difference between projected and actual investment earnings	23,000	-
Changes in proportions	14,000	7,000
Difference between employer contributions and proportionate share of total contributions	5,000	-
Contributions subsequent to the measurement date	<u>89,000</u>	<u>-</u>
	<u>\$ 168,000</u>	<u>\$ 12,000</u>

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

\$5,212,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 1,328,750	\$ 23,000
2020	1,376,750	24,000
2021	1,214,750	21,000
2022	<u>(155,250)</u>	<u>(1,000)</u>
	<u>\$ 3,765,000</u>	<u>\$ 67,000</u>

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

- 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.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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 weighting 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.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>70,094,000</u>	\$ <u>56,945,000</u>	\$ <u>45,843,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

Other Postemployment Benefits- PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$130,000 for the year ended June 30, 2017.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

At June 30, 2018, the School District reported a liability of \$2,349,000 for its proportionate share of the net OPEB liability, which was allocated \$2,309,000 to governmental activities and \$40,000 to business-type activities. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The School 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 School District's proportion was 0.1153% percent, which was a decrease of 0.0009% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized OPEB expense of (\$33,000). At June 30, 2018, the Intermediate Unit 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
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ -	\$ 107,140
Net difference between projected and actual investment earnings	1,970	-
Changes in proportions	-	16,860
Difference between employer contributions and proportionate share of total contributions	2,950	-
Contributions subsequent to the measurement date	134,080	-
	<u>\$ 139,000</u>	<u>\$ 124,000</u>
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ -	\$ 1,860
Net difference between projected and actual investment earnings	30	-
Changes in proportions	-	140
Difference between employer contributions and proportionate share of total contributions	50	-
Contributions subsequent to the measurement date	1,920	-
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

\$136,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (20,640)	\$ (360)
2020	(20,640)	(360)
2021	(20,640)	(360)
2022	(20,640)	(360)
2020	(20,640)	(360)
Thereafter	<u>(15,880)</u>	<u>(120)</u>
	<u>\$ (119,080)</u>	<u>\$ (1,920)</u>

Actuarial Assumptions

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

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

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The following assumptions were used to determine the contribution rate:

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

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

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

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

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

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Discount Rate

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

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

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Trend</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
System net OPEB liability	\$ <u>2,349,000</u>	\$ <u>2,349,000</u>	\$ <u>2,350,000</u>

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rates

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ <u>2,670,000</u>	\$ <u>2,349,000</u>	\$ <u>2,082,000</u>

OPEB Plan Fiduciary Net Position

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

Other Postemployment Benefits- Single Employer Plan

Plan Description: Lehighton Area School District had one single-employer defined benefit plan.

In accordance with the Pennsylvania School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 75, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A summary of the plan provisions follows.

Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
I. SUPERINTENDENTS			
A. Grandfathered Retiree	N/A - already retired	<ul style="list-style-type: none"> Coverage: Medical, prescription drug, dental and vision. Premium sharing: The member and spouse may elect full paid medical, prescription drug, dental and vision for 12 years. The School District will also contribute \$300 a month towards other insurance coverage not purchased from the School District for a period of 12 years. Upon the death of a retiree, the spouse will continue full paid coverage and continue to receive \$300 a month towards other insurance coverage not purchased from the School District until the 12 years are exhausted. Dependents: Spouses included. 	<p>Member: Coverage ceases after the later of 12 years and Medicare age.</p> <p>Spouse: Coverage ceases after the later of 12 years and Medicare age.</p>
B. Retired during the 2008/2009 school year	N/A - already retired	<ul style="list-style-type: none"> Coverage: Medical, prescription drug, dental and vision. Premium sharing: The member and spouse may elect medical, prescription drug, dental and vision. The School District will either contribute \$10,000 for three years or \$6,000 for five years towards coverage. Upon the death of a retiree, the spouse can continue coverage until the later of Medicare age and the duration of the subsidy. If no subsidy was in place at the time of the retiree's death, the spouse may elect to continue coverage by paying the full premiums. Dependents: Spouses included. 	<p>Member: Coverage ceases upon Medicare age or duration of the subsidy, if later.</p> <p>Spouse: Coverage ceases upon the later of member Medicare age and the duration of the subsidy, if later. Upon the death of the retiree, the spouse may continue coverage until Medicare age, if later.</p>
C. Retired during the 2009/2010 school year	N/A - already retired	<ul style="list-style-type: none"> Coverage: Medical, prescription drug, dental and vision. Premium sharing: The member and spouse may elect medical, prescription drug, dental and vision. The School District will either contribute \$10,000 for two years or \$5,000 for four years towards coverage. Upon the death of a retiree, the spouse can continue coverage until the later of Medicare age and the duration of the subsidy. If no subsidy was in place at the time of the retiree's death, the spouse may elect to continue coverage by paying the full premiums. Dependents: Spouses included. 	Same as I.B.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
D. Retiring after the 2009/2010 school year	Retirement through PSERS	<ul style="list-style-type: none"> • Coverage: Medical, prescription drug, dental and vision. • Premium sharing: The member and spouse may elect medical, prescription drug, dental and vision by paying the full premiums. • Upon the death of a retiree, the spouse can continue coverage until the later of Medicare age by paying the full premiums. • Dependents: Spouses included. 	<p>Member: Coverage ceases upon Medicare age, unless additional coverage is purchased.</p> <p>Spouse: Coverage ceases upon member Medicare age, unless additional coverage is purchased. Upon the death of the retiree, the spouse may continue coverage until Medicare age, if later.</p>
II. TEACHERS			
A. Retired prior to the 2000/2001 school year	N/A - already retired	<ul style="list-style-type: none"> • Coverage: Medical, prescription drug, dental and vision. • Premium sharing: If the member has reached age 55 and completed ten years with the School District, the School District will pay for medical and prescription drug for a maximum of ten years for the member and his/her family or until the retiree reaches Medicare age (if subsidy remaining, it is lost). Additional coverage may be purchased by relinquishing 100 unused sick days for each additional year of coverage. • Upon the death of a retiree, the spouse can continue coverage until the later of Medicare age and the duration of the subsidy. If no subsidy was in place at the time of the member's death, the spouse may elect to continue coverage by paying the full premiums. • Dependents: Families included. 	<p>Member: Coverage ceases upon Medicare age.</p> <p>Spouse: Coverage ceases upon member Medicare age. Upon the death of the retiree, the spouse may continue coverage until Medicare age.</p>
B. Retired during 2000/2001, 2001/2002, 2002/2003, or 2003/2004 ERI	N/A - already retired	<ul style="list-style-type: none"> • Coverage: Medical, prescription drug, dental and vision. • Premium sharing: The member and spouse may elect medical, prescription drug, dental and vision. If the member has reached age 55 and completed ten years with the School District, the School District will contribute \$45,000 for the 2001/2002 and 2002/2003 school year retirees and \$40,000 for the 2003/2004 school year retirees to be used toward medical benefits. This benefit will continue for a period of ten years or until retiree reaches Medicare age (if subsidy remaining, it is lost). • Upon the death of a retiree, the spouse can continue coverage until the later of Medicare age and the duration of the subsidy. If no subsidy was in place at the time of the member's death, the spouse may elect to continue coverage by paying the full premiums. • Dependents: Families included. 	Same as I.D.
C. Retired during the 2008/2009 ERI	N/A - already retired	<ul style="list-style-type: none"> • Same as I.B. 	Same as I.B.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

<i>Summary of Plan Provisions</i>			
Group	Eligibility	Coverage and Premium Sharing	Duration
D. Retired during the 2009/2010 ERI	N/A - already retired	<ul style="list-style-type: none"> Same as I.C. 	Same as I.B.
E. All others who did not retire under a prior ERI	Retirement through PSERS	<ul style="list-style-type: none"> Same as I.D. 	Same as I.D.
III. SUPPORT STAFF			
A. Retired during the 2009/2010, 2010/2011, or 2011/2012 ERI	Retirement through PSERS	<ul style="list-style-type: none"> Coverage: Medical, prescription drug, dental and vision. Premium sharing: The member and spouse may elect medical, prescription drug, dental and vision. The School District will provide single medical and prescription drug coverage for three years with a maximum School District contribution of \$4,500 per year. The member must contribute any costs above \$4,500. Upon the death of a retiree, the spouse can continue coverage until Medicare age by paying the full premiums. Dependents: Spouses included. 	Same as I.B.
B. All others	Retirement through PSERS	<ul style="list-style-type: none"> Same as III.A., except retiree must purchase non-School District coverage to receive subsidy. 	Same as I.B.

Notes:

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Retirement

- For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: (1) PSERS early retirement while under 62 with five years of PSERS service, or (2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with one year of PSERS service or 35 years of PSERS service regardless of age.
- For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: (1) PSERS early retirement while under 65 with ten years of PSERS service, or (2) PSERS superannuation retirement upon reaching age 65 with three years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
- All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Coordination with Medicare: Medicare pays primary to the group plans.

Benefits not included in valuation: Contributions to the 403(b) plan and cash paid to retirees are not accounted for under GASB Statement No. 45 and are excluded herein.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Plan Membership – At June 30, 2017, plan membership consisted of the following:

	Governmental Activities	Business-Type Activities
Active participants	272	7
Retired participants	-	5
	<u>272</u>	<u>12</u>

Assumptions

The following assumptions and actuarial methods and calculations were used:

Interest Rate – 3.13%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017

Salary – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

Withdrawal – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9 for both men and women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

Mortality- Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability- No disability was assumed.

Retirement- Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan- 25% of Teachers and Administrators and 10% of the Support Staff are assumed to elect coverage.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Percent Married at Retirement- 35% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age- Wives are assumed to be two years younger than their husbands.

Retiree Contributions- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate- 6.0% in 2017 and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets- Equal to the Market Value of Assets.

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

Changes in Assumption- In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

	Governmental Activities	Business-Type Activities
Balance at July 1, 2016	\$ 908,015	\$ 3,884
Changes for the year		
Service cost	61,918	216
Interest cost	23,728	102
Changes in assumptions	31,055	1,154
Benefit payments	(31,365)	-
Net changes	85,336	1,472
Balance at June 30, 2017	\$ 993,351	\$ 5,356

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Net OPEB Liability</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
1% increase (4.13%)	\$ 921,303	\$ 5,115
Current discount rate (3.13%)	993,351	5,356
1% decrease (2.13%)	1,069,541	5,597

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

<u>Net OPEB Liability</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
1% increase	\$ 1,140,362	\$ 5,811
Current discount rate	993,351	5,356
1% decrease	870,284	4,935

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB- For the year ended June 30, 2018, the School District recognized OPEB expense of \$88,648. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Governmental Activities	
Changes in assumptions	\$ 28,467
Contributions subsequent to the measurement date	<u>35,847</u>
	<u>\$ 64,314</u>
Business-Type Activities	
Changes in assumptions	\$ 1,058
Contributions subsequent to the measurement date	<u>269</u>
	<u>\$ 1,327</u>

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

\$35,578 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:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 2,588	\$ 96
2020	2,588	96
2021	2,588	96
2022	2,588	96
2023	2,588	96
Thereafter	<u>15,527</u>	<u>578</u>
	\$ <u>28,467</u>	\$ <u>1,058</u>

NOTE D - RISK MANAGEMENT

The School District is subject to risk of loss from employee acts, property damage, personal injury, automobile accidents, theft, etc. The School District covers those risks through the purchase of commercial insurance. The School District's Workmen's Compensation Policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received by the School District or its employees did not exceed insurance coverage in any of the last three years.

NOTE E - FUND BALANCE ALLOCATIONS

Nonspendable Fund Balance

The General Fund and Capital Projects Fund had \$1,605,690 and \$90,909 respectively, in nonspendable fund balance at June 30, 2018, comprised of inventories on hand and prepaid expenses at year-end.

Restricted Fund Balance

The Capital Projects Fund and Nonmajor Governmental Funds had \$2,495,077 and \$221,166 respectively, in restricted fund balance at June 30, 2018. The funds are restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

Assigned Fund Balance

The General Fund has \$203,590 assigned for balancing the 2018-2019 budget.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - RESTRICTED NET POSITION

Net Investment in Capital Assets

The components of this restriction are total capital assets of \$87,904,508 with related debt of \$60,079,914, which includes unamortized bond premiums and discounts less remaining cash from bond issuance of \$3,403,157. In addition, the governmental activities restricted \$2,495,077 for capital projects. The business-type activities column reflects \$158,782 invested in capital assets net of related debt.

NOTE G - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund, or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2018.

Litigation

In accordance with legal counsel, there are no legal matters that could materially affect the financial position of the School District as of June 30, 2018.

NOTE H - PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the School Districts must record their share of the Public School Employees' Retirement System (PSERS) unfunded liability. In addition, the School also must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$2,460,000 and the beginning of year single employer OPEB plan liability of \$497,311 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for other postemployment benefits under GASB 45 in the amount of \$421,880 will be reversed. The School District has adjusted beginning net position for the governmental activities from (\$14,018,393) to (\$16,975,704) and business-type activities from (\$971,987) to (\$1,007,695).

NOTE I - SUBSEQUENT EVENT

In August 2018, the School District sold properties located at 2466 Mahoning Drive East, Lehigh, PA known as the Mahoning Elementary School and 496 W. Lizard Creek Road, Lehigh, PA known as East Penn Elementary School for \$350,000 each.

REQUIRED SUPPLEMENTARY INFORMATION

LEHIGHTON AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Original	Budgeted Final	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 21,822,566	\$ 21,822,566	\$ 21,714,605	\$ (107,961)
State sources	16,652,537	16,652,537	17,234,297	581,760
Federal sources	657,278	657,278	762,815	105,537
TOTAL REVENUES	39,132,381	39,132,381	39,711,717	579,336
EXPENDITURES				
Regular instruction	18,429,079	18,429,079	17,979,661	449,418
Special programs	5,419,442	5,419,442	6,419,596	(1,000,154)
Vocational programs	1,697,234	1,697,234	1,696,928	306
Other instructional programs	-	-	15,286	(15,286)
Higher education programs	231,985	231,985	231,985	-
Pupil personnel services	1,209,008	1,209,008	1,245,872	(36,864)
Instructional staff services	884,425	884,425	1,128,525	(244,100)
Administrative services	2,266,842	2,266,842	2,098,451	168,391
Pupil health	497,790	497,790	554,572	(56,782)
Business services	623,810	623,810	643,220	(19,410)
Operation and maintenance of plant services	2,613,695	2,613,695	3,451,072	(837,377)
Student transportation services	1,556,000	1,556,000	1,511,806	44,194
Central support services	618,215	618,215	590,911	27,304
Other support services	20,000	20,000	28,999	(8,999)
Student activities	1,038,543	1,038,543	1,030,710	7,833
Community services	20,558	20,558	20,800	(242)
Facilities, acquisition and construction	-	-	16,878	(16,878)
Debt service	3,513,139	3,513,139	3,778,436	(265,297)
TOTAL EXPENDITURES	40,639,765	40,639,765	42,443,708	(1,803,943)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,507,384)	(1,507,384)	(2,731,991)	(1,224,607)
OTHER FINANCING SOURCES (USES)				
Fund transfers in	-	-	925,591	925,591
Sale/compensation for fixed assets	-	-	342	342
Fund transfers out	(360,000)	(360,000)	(462,021)	(102,021)
TOTAL OTHER FINANCING SOURCES (USES)	(360,000)	(360,000)	463,912	823,912
NET CHANGE IN FUND BALANCE	(1,867,384)	(1,867,384)	(2,268,079)	(400,695)
FUND BALANCE AT BEGINNING OF YEAR	6,441,446	6,441,446	6,520,710	79,264
FUND BALANCE AT END OF YEAR	\$ 4,574,062	\$ 4,574,062	\$ 4,252,631	\$ (321,431)

See accompanying notes to the budgetary comparison schedule.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2018

NOTE A - BUDGETARY INFORMATION

An operating budget is adopted prior to the beginning of each year for the General Fund on a basis consistent with generally accepted accounting principles. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting for its financial statements, specifically:

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located and within 15 days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office 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 ten days prior to when final action on adoption is taken by the Board

Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Board to make budgetary transfers between major function and major object code only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. 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.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016-2017 budget transfers.

LEHIGHTON AREA SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2018

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, expenditures exceeded appropriations in the following object levels. Excess expenditures were funded by available fund balances.

Special programs	\$ 1,000,154
Other instructional programs	15,286
Pupil personnel services	36,864
Instructional staff services	244,100
Pupil health	56,782
Business services	19,410
Operation and maintenance of plant services	837,377
Other support services	8,999
Community services	242
Facilities, acquisition and construction	16,878
Debt service	<u>265,297</u>
	\$ <u><u>2,501,389</u></u>

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULES OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY	<u>0.1153%</u>	<u>0.1162%</u>	<u>0.1143%</u>	<u>0.1125%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	<u>\$ 56,945,000</u>	<u>\$ 57,585,000</u>	<u>\$ 49,510,000</u>	<u>\$ 44,528,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 15,355,974</u>	<u>\$ 15,048,374</u>	<u>\$ 14,702,281</u>	<u>\$ 14,360,280</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>370.83%</u>	<u>382.67%</u>	<u>336.75%</u>	<u>310.08%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTE TO SCHEDULES

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LEHIGHTON AREA SCHOOL DISTRICT**SCHEDULES OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 5,212,000	\$ 4,547,000	\$ 3,789,000	\$ 2,955,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>5,212,000</u>	<u>4,547,000</u>	<u>3,789,000</u>	<u>2,955,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 16,420,920</u>	<u>\$ 15,355,974</u>	<u>\$ 15,048,374</u>	<u>\$ 14,702,281</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>31.74%</u>	<u>29.61%</u>	<u>25.18%</u>	<u>20.10%</u>

NOTE TO SCHEDULES

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LEHIGHTON AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FISCAL YEAR

School District's proportion of the net OPEB liability	<u>0.1153%</u>
School District's proportionate share of the net OPEB liability	<u>\$ 2,349,000</u>
School District's covered-employee payroll	<u>\$ 15,355,974</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.73%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LEHIGHTON AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS LAST FISCAL YEAR

Contractually required contribution	\$ 136,000
Contributions in relation to the contractually required contribution	<u>136,000</u>
	\$ <u><u>-</u></u>
School District's covered-employee payroll	\$ <u><u>16,420,920</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>0.83%</u></u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LEHIGHTON AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

TOTAL OPEB LIABILITY	
Service cost	\$ 62,134
Interest	23,830
Changes of assumptions	32,209
Benefit payments	<u>(31,365)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	86,808
TOTAL OPEB LIABILITY, BEGINNING	<u>911,899</u>
TOTAL OPEB LIABILITY, ENDING	<u><u>\$ 998,707</u></u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 14,170,306</u></u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u><u>7.05%</u></u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

SUPPLEMENTARY INFORMATION SECTION

LEHIGHTON AREA SCHOOL DISTRICT
COMBINING SCHEDULES
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2018

Combining Schedule of Fiduciary Net Position

	Class of 1957 Scholarship	Craig Barry Scholarship	Class of 2002 Scholarship	Class of 1938 Scholarship	Butch Rodgers Scholarship
ASSETS					
Cash	\$ <u>34,732</u>	\$ <u>5</u>	\$ <u>1,596</u>	\$ <u>-</u>	\$ <u>2,423</u>
NET POSITION					
Held in trust for future recipients	\$ <u>34,732</u>	\$ <u>5</u>	\$ <u>1,596</u>	\$ <u>-</u>	\$ <u>2,423</u>

Combining Schedule of Changes in Fiduciary Net Position

ADDITIONS					
Contributions	\$ 4,005	\$ -	\$ -	\$ -	\$ 1,300
Earnings on investments, interests, dividends, gains and losses	<u>214</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>15</u>
TOTAL ADDITIONS	<u>4,219</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>1,315</u>
DEDUCTIONS					
Awards	<u>2,500</u>	<u>-</u>	<u>102</u>	<u>134</u>	<u>-</u>
CHANGE IN NET POSITION	1,719	-	(91)	(134)	1,315
NET POSITION AT BEGINNING OF YEAR	<u>33,013</u>	<u>5</u>	<u>1,687</u>	<u>134</u>	<u>1,108</u>
NET POSITION AT END OF YEAR	\$ <u>34,732</u>	\$ <u>5</u>	\$ <u>1,596</u>	\$ <u>-</u>	\$ <u>2,423</u>

Marion Decker Scholarship	Matthew DePue Scholarship	Werner Scholarship	T.J. Conarty Sr. Memorial	Leni Award	Mary E. Kramer Memorial	Mark Kreiger Scholarship	Major General Bert David Memorial	Benjamin John Wolf Scholarship	Mamie Lynaugh Scholarship	Erma S. Krout Memorial	Eugene Flicker Memorial	Harry and Dorris Hutchinson Scholarship	Susan A. Hill Memorial	Wotring Memorial	General Awards Scholarship	Combined Totals
\$ <u>14,844</u>	\$ <u>3,547</u>	\$ <u>122</u>	\$ <u>2,621</u>	\$ <u>6,258</u>	\$ <u>7,319</u>	\$ <u>8,974</u>	\$ <u>74,135</u>	\$ <u>1,175</u>	\$ <u>112,709</u>	\$ <u>47,997</u>	\$ <u>3,982</u>	\$ <u>54,397</u>	\$ <u>7,242</u>	\$ <u>49,303</u>	\$ <u>16,851</u>	\$ <u>450,232</u>
\$ <u>14,844</u>	\$ <u>3,547</u>	\$ <u>122</u>	\$ <u>2,621</u>	\$ <u>6,258</u>	\$ <u>7,319</u>	\$ <u>8,974</u>	\$ <u>74,135</u>	\$ <u>1,175</u>	\$ <u>112,709</u>	\$ <u>47,997</u>	\$ <u>3,982</u>	\$ <u>54,397</u>	\$ <u>7,242</u>	\$ <u>49,303</u>	\$ <u>16,851</u>	\$ <u>450,232</u>
\$ 14,783	\$ 2,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,194	\$ 18,143	\$ 91,820
<u>61</u> 14,844	<u>20</u> 2,415	<u>-</u> -	<u>19</u> 19	<u>41</u> 41	<u>50</u> 50	<u>61</u> 61	<u>491</u> 2,491	<u>9</u> 9	<u>755</u> 755	<u>321</u> 321	<u>27</u> 27	<u>375</u> 375	<u>48</u> 48	<u>109</u> 49,303	<u>81</u> 18,224	<u>2,708</u> 94,528
<u>-</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>-</u>	<u>250</u>	<u>4,000</u>	<u>-</u>	<u>200</u>	<u>75</u>	<u>-</u>	<u>2,000</u>	<u>150</u>	<u>-</u>	<u>14,998</u>	<u>25,109</u>
14,844	1,915	-	(81)	(59)	50	(189)	(1,509)	9	555	246	27	(1,625)	(102)	49,303	3,226	69,419
<u>-</u>	<u>1,632</u>	<u>122</u>	<u>2,702</u>	<u>6,317</u>	<u>7,269</u>	<u>9,163</u>	<u>75,644</u>	<u>1,166</u>	<u>112,154</u>	<u>47,751</u>	<u>3,955</u>	<u>56,022</u>	<u>7,344</u>	<u>-</u>	<u>13,625</u>	<u>380,813</u>
\$ <u>14,844</u>	\$ <u>3,547</u>	\$ <u>122</u>	\$ <u>2,621</u>	\$ <u>6,258</u>	\$ <u>7,319</u>	\$ <u>8,974</u>	\$ <u>74,135</u>	\$ <u>1,175</u>	\$ <u>112,709</u>	\$ <u>47,997</u>	\$ <u>3,982</u>	\$ <u>54,397</u>	\$ <u>7,242</u>	\$ <u>49,303</u>	\$ <u>16,851</u>	\$ <u>450,232</u>

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF TAX COLLECTORS' RECEIPTS
GENERAL FUND
JUNE 30, 2018

	Franklin Township	Mahoning Township
CURRENT REAL ESTATE TAXES		
Assessed value	\$ 101,189,391	\$ 115,089,929
Millage rate	0.04788	0.04788
TOTAL TAXABLE DUPLICATE	4,844,948	5,510,506
Plus		
Additions	-	286
Penalties	20,877	19,648
TOTAL TAXES TO BE COLLECTED	4,865,825	5,530,440
Less		
Discounts	76,736	89,828
Reductions	105	2,308
Refunds	-	262
Returned to County	205,280	145,370
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 4,583,704	\$ 5,292,672
CURRENT PER CAPITA TAXES		
Number of persons assessed	3,127	2,723
Tax rate	\$ 10	\$ 10
TOTAL TAX PER DUPLICATE	31,270	27,230
Plus		
Penalties	362	250
TOTAL TAXES TO BE COLLECTED	31,632	27,480
Less		
Discounts	287	302
Exonerations	1,410	950
Refunds	-	-
Returned to County	4,990	5,010
Reductions	20	-
Unpaid	-	-
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 24,925	\$ 21,218
CURRENT OCCUPATION TAXES		
Total tax per duplicate	\$ 338,125	\$ 295,500
Plus		
Additions	-	-
Penalties	4,900	3,263
TOTAL TAXES TO BE COLLECTED	343,025	298,763
Less		
Discounts	3,147	2,715
Reductions	1,750	1,500
Refunds	-	490
Returned to County	71,125	67,875
Exonerations	21,750	14,625
NET CURRENT OCCUPATION TAXES COLLECTED	\$ 245,253	\$ 211,558

<u>East Penn Township</u>	<u>Lehighton Borough</u>	<u>Weissport Borough</u>	<u>Parryville Borough</u>	<u>Totals</u>
\$ 59,263,710	\$ 75,988,123	\$ 4,747,459	\$ 9,516,657	\$ 365,795,269
0.04788	0.04788	0.04788	0.04788	0.04788
<u>2,837,546</u>	<u>3,638,311</u>	<u>227,308</u>	<u>455,658</u>	<u>17,514,277</u>
-	-	-	2,493	2,779
<u>10,357</u>	<u>19,493</u>	<u>1,484</u>	<u>1,497</u>	<u>73,356</u>
<u>2,847,903</u>	<u>3,657,804</u>	<u>228,792</u>	<u>459,648</u>	<u>17,590,412</u>
40,604	55,927	2,857	6,699	272,651
2,255	-	-	-	4,668
1,887	-	-	-	2,149
<u>254,329</u>	<u>153,349</u>	<u>29,208</u>	<u>37,490</u>	<u>825,026</u>
<u>\$ 2,548,828</u>	<u>\$ 3,448,528</u>	<u>\$ 196,727</u>	<u>\$ 415,459</u>	<u>\$ 16,485,918</u>
1,853	3,690	203	268	11,864
\$ <u>10</u>	\$ <u>15</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10 / 15</u>
<u>18,530</u>	<u>55,350</u>	<u>2,030</u>	<u>2,680</u>	<u>137,090</u>
182	481	11	12	1,298
<u>18,712</u>	<u>55,831</u>	<u>2,041</u>	<u>2,692</u>	<u>138,388</u>
204	465	11	27	1,296
910	2,580	180	10	6,040
-	-	930	-	930
3,280	19,335	-	-	32,615
-	-	-	-	20
<u>-</u>	<u>-</u>	<u>-</u>	<u>860</u>	<u>860</u>
<u>\$ 14,318</u>	<u>\$ 33,451</u>	<u>\$ 920</u>	<u>\$ 1,795</u>	<u>\$ 96,627</u>
\$ 184,000	\$ 394,375	\$ 25,375	\$ 25,750	\$ 1,263,125
125	-	-	-	125
<u>2,125</u>	<u>3,988</u>	<u>88</u>	<u>138</u>	<u>14,502</u>
<u>186,250</u>	<u>398,363</u>	<u>25,463</u>	<u>25,888</u>	<u>1,277,752</u>
1,638	2,348	108	200	10,156
-	500	-	-	3,750
248	-	-	-	738
44,000	174,875	14,125	11,750	383,750
<u>13,875</u>	<u>18,375</u>	<u>3,000</u>	<u>375</u>	<u>72,000</u>
<u>\$ 126,489</u>	<u>\$ 202,265</u>	<u>\$ 8,230</u>	<u>\$ 13,563</u>	<u>\$ 807,358</u>

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

REVENUES

Local sources

Current real estate taxes	\$ 16,482,360
Public utility	21,456
Payment in lieu of taxes	5,193
Current per capita taxes	
511	48,273
679	48,273
Earned income tax	1,756,209
Occupation taxes, assessment	807,106
Real estate transfer tax	239,125
Delinquent real estate taxes	876,592
Delinquent per capita taxes	
511	7,559
679	7,559
Delinquent occupation taxes	163,669
Delinquent EIT	55,699
Interest	71,810
Admissions	71,140
Fees	7,792
Other student activity income	2,565
Federal revenue received from other PA public schools	14,275
I/U services, federal	372,564
Rentals	23,187
Contributions	976
Other tuition from patrons	2,855
Receipts from other LEAs in PA, education	529,979
Transportation services provided other governments	4,503
Miscellaneous	93,886

TOTAL LOCAL SOURCE REVENUE

21,714,605

State sources

Basic subsidy, ESBE	8,890,523
Orphan tuition	106,851
Special education	1,511,668
Additional education	106,397
Transportation	451,943
Rentals	795,065
Health services	45,398
State property tax reduction allocation	1,200,097
Extra grants	387,939
FICA revenue	742,469
Retirement revenue	2,995,947

TOTAL STATE SOURCE REVENUE

17,234,297

Federal sources

Title I	635,928
Title II	111,412
Title IV	11,451
Medical assistance reimbursement	4,024

TOTAL FEDERAL SOURCE REVENUE

762,815

TOTAL REVENUES FORWARD

\$ 39,711,717

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

EXPENDITURES

Regular programs - elementary/secondary	\$ 17,919,870
Federally funded regular programs	59,791
Public	405,020
Speech and language impaired	258,468
Public	975,071
PRRI	782,596
Learning support, public	3,889,929
Multi-handicapped support	53,954
Early intervention support	9,378
Other support	45,180
Other vocational education programs	1,696,928
Other adult education programs	198,297
Community college programs	33,688
Pre-Kindergarten	15,286
Guidance services	14,461
Counseling services	685,780
Record maintenance services	133,827
Attendance services	9,094
Psychological counseling services	286,102
Other psychological services	30,000
Speech pathology and audiology services	65
Social work services	86,543
School library services	604,316
Instructional and curriculum development service	499,816
Instructional staff development	24,393
Board services	37,629
Tax assessment and collection service	158,104
Legal services	93,331
Office of the superintendent services	333,589
Office of the principal services	1,473,458
Other administration services	2,340
Medical services	13,905
Dental services	609
Nursing services	540,058
Support services, business	643,220
Operation and maintenance of plant services	3,451,072
Vehicle operations services	1,453,020
Non-public transportation	58,786
System-wide technology services	588,099
Staff development services	2,812
Other support services	27,151
School sponsored student activities	149,752
School sponsored athletics	880,958
SUBTOTAL FORWARD	\$ <u>38,625,746</u>

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

REVENUES	
TOTAL FORWARDED	\$ <u>39,711,717</u>
EXPENDITURES	
SUBTOTAL FORWARDED	38,625,746
Community services	20,800
Building acquisition services	16,878
Debt service	3,778,436
Refund of prior year receipts	<u>1,848</u>
TOTAL EXPENDITURES	<u>42,443,708</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(2,731,991)</u>
OTHER FINANCING SOURCES (USES)	
Transfer from (to) Capital Projects Fund	578,391
Sale of supplies	342
Food Service Fund transfers out	<u>(114,821)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>463,912</u>
NET CHANGE IN FUND BALANCE	(2,268,079)
FUND BALANCE AT BEGINNING OF YEAR	<u>6,520,710</u>
FUND BALANCE AT END OF YEAR	\$ <u><u>4,252,631</u></u>

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FOOD SERVICE FUND

JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash and cash equivalents	\$ 193,286
Due from other governments	112,748
Other receivables	9,966
Inventories	24,869
Machinery and equipment, net of accumulated depreciation	158,782
Deferred outflows of resources, OPEB	3,327
Deferred outflows of resources, pension activity	168,000

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>670,978</u>
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Due to other funds	\$ 635,331
Accounts payable	32,037
Accrued salaries and benefits	194
Prepayments from students	20,822
Other current liabilities	3,465
Long-term portion of compensated absences	31,182
Other postemployment benefits obligation	45,356
Net pension liability	973,000
Deferred inflows of resources, OPEB	2,000
Deferred inflows of resources, pension activity	12,000
Net position	<u>(1,084,409)</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>670,978</u>
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LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018

REVENUES

Daily sales	
Lunch	\$ 238,567
Breakfast	747
A la carte	16,998
Special events	39,090
Miscellaneous	813
Interest revenue	745
State subsidies	32,467
Federal subsidies	626,678
Donated commodities received	(64,144)
Transfer from General Fund	114,821
TOTAL REVENUES	<u>1,006,782</u>

COST OF GOODS SOLD

Inventories, July 1, 2017	25,676
Management food costs	261,899
Management non-food costs	412,767
Donated commodities received	(64,144)
Supplies	4,231
Inventories, June 30, 2018	<u>(24,869)</u>
TOTAL COST OF GOODS SOLD	<u>615,560</u>

GROSS PROFIT

391,222

EXPENSES

Salaries	196,449
Retirement	59,601
Other benefits	161,526
Training	704
Postage	505
Repairs and maintenance	9,031
Extermination	3,659
Software	5,365
Depreciation	16,287
Miscellaneous	1,809
Pension adjustment	13,000
TOTAL EXPENSES	<u>467,936</u>

CHANGE IN NET POSITION

(76,714)

NET POSITION AT BEGINNING OF YEAR, restated

(1,007,695)

NET POSITION AT END OF YEAR

\$ (1,084,409)

LEHIGHTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE CAPITAL PROJECTS FUND YEAR ENDED JUNE 30, 2018

REVENUES

Miscellaneous revenue	\$ 27,310
Interest earnings	166,313
State grant reimbursements	1,475,749
TOTAL FUNDS AVAILABLE	<u>1,669,372</u>

EXPENDITURES

Other administration services	7,153
Building acquisition services	20,520,889
Existing building improvement services	3,702,869
TOTAL EXPENDITURES	<u>24,230,911</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(22,561,539)</u>
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OTHER FINANCING SOURCES

General Fund transfers	<u>(828,391)</u>
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NET CHANGE IN FUND BALANCE	(23,389,930)
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FUND BALANCE AT BEGINNING OF YEAR	<u>25,975,916</u>
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FUND BALANCE AT END OF YEAR	<u><u>\$ 2,585,986</u></u>
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LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2018

REVENUES AND OTHER FINANCING SOURCES	
Interest earnings	\$ 1,161
EXPENDITURES AND OTHER FINANCING SOURCES	
Vehicle operation and maintenance services	<u>29,995</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(28,834)
OTHER FINANCING SOURCES	<u>250,000</u>
NET CHANGE IN FUND BALANCE	221,166
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 221,166</u></u>

LEHIGHTON AREA SCHOOL DISTRICT**SCHEDULE OF GENERAL OBLIGATION BONDS AND NOTES****LONG-TERM DEBT****YEAR ENDED JUNE 30, 2018**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,850,954	\$ 2,217,503
2020	1,870,000	2,171,156
2021	1,896,000	2,124,203
2022	1,928,000	2,076,601
2023	1,955,000	2,028,294
2024 to 2028	10,196,000	9,214,235
2029 to 2033	10,880,000	7,581,250
2034 to 2038	10,724,000	5,409,216
2039 to 2043	13,045,000	2,431,346
2044	<u>3,030,000</u>	<u>75,750</u>
	<u>\$ 57,374,954</u>	<u>\$ 35,329,554</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lehigh Area School District's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lehigh Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lehigh Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lehigh Area 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Compliance and Other Matters

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

A handwritten signature in cursive script that reads "Maillie LLP".

Oaks, Pennsylvania
January 31, 2019

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Lehigh Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Lehigh Area School District's major federal programs for the year ended June 30, 2018. Lehigh Area School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Lehigh Area 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 the Lehigh Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Opinion of Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Lehigh Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lehigh Area 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lehigh Area 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 preceding paragraph 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.

Purpose of this Report

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.



Oaks, Pennsylvania
January 31, 2019

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-17-0226	7/1/16-9/30/17
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-18-0226	8/4/17-9/30/18
ESEA - TITLE I - DELINQUENT	I	84.010	107-18-0226	8/4/17-9/30/18
TOTAL TITLE I				
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-17-0026	7/1/16-9/30/17
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-17-0226	8/4/17-9/30/18
TOTAL TITLE II				
TITLE IV - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144 - 180226	8/4/17-9/30/18
Passed through the Carbon-Lehigh Intermediate Unit				
Special Education Cluster				
IDEA	I	84.027	N/A	7/1/16-9/30/17
IDEA	I	84.027	N/A	7/1/17-9/30/18
TOTAL IDEA				
IDEA - SECTION 619A	I	84.173	N/A	7/1/16-6/30/17
IDEA - SECTION 619A	I	84.173	N/A	7/1/17-6/30/18
TOTAL IDEA - SECTION 619A				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/17-9/30/18
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
NATIONAL SCHOOL LUNCH (U.S.D.A. COMMODITIES)	I	10.555	N/A	7/1/17-6/30/18
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/17-6/30/18
TOTAL NATIONAL SCHOOL LUNCH				
REG/NDY BREAKFAST	I	10.553	N/A	7/1/17-6/30/18
TOTAL CHILD NUTRITION CLUSTER				
CHILD CARE	I	10.558	N/A	7/1/17-6/30/18
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

Source Codes

I - Indirect Funding

D - Direct Funding

See accompanying notes to the schedule of expenditures of federal awards.

<u>Grant Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 529,093	\$ 221,715	\$ -	\$ 221,715	\$ 221,715	\$ -	\$ -
505,734	364,713	-	364,713	364,713	-	-
49,500	49,500	-	49,500	49,500	-	-
<u>1,084,327</u>	<u>635,928</u>	<u>-</u>	<u>635,928</u>	<u>635,928</u>	<u>-</u>	<u>-</u>
112,593	23,978	-	23,978	23,978	-	-
87,434	75,302	-	75,302	75,302	-	-
<u>200,027</u>	<u>99,280</u>	<u>-</u>	<u>99,280</u>	<u>99,280</u>	<u>-</u>	<u>-</u>
<u>11,451</u>	<u>9,815</u>	<u>-</u>	<u>11,451</u>	<u>11,451</u>	<u>1,636</u>	<u>-</u>
401,823	211,423	211,423	-	-	-	-
372,564	155,851	-	372,564	372,564	216,713	-
<u>774,387</u>	<u>367,274</u>	<u>211,423</u>	<u>372,564</u>	<u>372,564</u>	<u>216,713</u>	<u>-</u>
2,214	475	475	-	-	-	-
2,214	2,214	-	2,214	2,214	-	-
<u>4,428</u>	<u>2,689</u>	<u>475</u>	<u>2,214</u>	<u>2,214</u>	<u>-</u>	<u>-</u>
<u>778,815</u>	<u>369,963</u>	<u>211,898</u>	<u>374,778</u>	<u>374,778</u>	<u>216,713</u>	<u>-</u>
<u>2,074,620</u>	<u>1,114,986</u>	<u>211,898</u>	<u>1,121,437</u>	<u>1,121,437</u>	<u>218,349</u>	<u>-</u>
N/A	<u>8,961</u>	<u>4,937</u>	<u>4,024</u>	<u>4,024</u>	<u>-</u>	<u>-</u>
N/A	76,878	(15,391)	79,535	79,535	(12,734)	-
N/A	475,000	-	475,000	475,000	-	-
	<u>551,878</u>	<u>(15,391)</u>	<u>554,535</u>	<u>554,535</u>	<u>(12,734)</u>	<u>-</u>
N/A	101,337	-	101,337	101,337	-	-
	<u>653,215</u>	<u>(15,391)</u>	<u>655,872</u>	<u>655,872</u>	<u>(12,734)</u>	<u>-</u>
N/A	37,606	-	37,606	37,606	-	-
	<u>690,821</u>	<u>(15,391)</u>	<u>693,478</u>	<u>693,478</u>	<u>(12,734)</u>	<u>-</u>
	<u>\$ 1,814,768</u>	<u>\$ 201,444</u>	<u>\$ 1,818,939</u>	<u>\$ 1,818,939</u>	<u>\$ 205,615</u>	<u>\$ -</u>

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the budgetary basis of accounting for all federal awards charged to Governmental Funds and on the accrual basis of accounting for all federal awards charged to Proprietary Funds, as contemplated by accounting principles generally accepted in the United States of America.

NOTE B - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE C - PROGRAM DISCLOSURE FOOTNOTES

1. The federal awards passed through the Carbon-Lehigh Unit under the U.S. Department of Education heading is a part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The federal grants were passed through the following entities in the totals below:

	<u>Awards</u>	<u>Expenditures</u>
PASSED THROUGH		
Pennsylvania Department of Education	\$ 1,295,805	\$ 746,659
Carbon-Lehigh Intermediate Unit	778,815	374,778
Pennsylvania Department of Public Welfare	4,024	4,024
Pennsylvania Department of Agriculture	<u>693,478</u>	<u>693,478</u>
	<u>\$ 2,772,122</u>	<u>\$ 1,818,939</u>

3. The School District received non-monetary assistance from the U.S. Department of Agriculture of \$76,878, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2017-2018 fiscal-year, the School District used \$79,535 in commodities and established a year-end inventory of \$12,734 at June 30, 2018.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

NOTE C - PROGRAM DISCLOSURE FOOTNOTES (Continued)

4. The amount recognized as revenue in the schedule of expenditures of federal awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.

FINANCIAL STATEMENT RECONCILIATION

General Fund federal resource revenue	\$ 750,683
Federal revenue received from local source revenue	374,778
Food Service Fund federal reserve	<u>692,404</u>
TOTAL FEDERAL REVENUE PER FINANCIAL STATEMENTS	1,817,865
Plus change in donated commodities	<u>1,074</u>
TOTAL FEDERAL REVENUE REPORTED ON SEFA	<u><u>\$ 1,818,939</u></u>

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Material weaknesses identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Circular: **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Title I	84.010

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

None.