

Elizabethtown Area School District

Year Ended June 30, 2018

 **TROUT, EBERSOLE & GROFF_{LLP}**
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Elizabethtown Area School District

Financial Statements with Supplementary Information

Year Ended June 30, 2018

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Financial Statements with Supplementary Information

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INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members
Elizabethtown Area School District
Elizabethtown, 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 **Elizabethtown Area School District** (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 misstatements, 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 auditors consider 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.

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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 **Elizabethtown 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.

Change in Accounting Principle

As described in Note 21 to the financial statements, **Elizabethtown Area School District** adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, budgetary comparison information on pages 65 and 66, other postemployment benefits (OPEB) health care benefits plan information on pages 67 through 71, and pension information on pages 72 through 74 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 **Elizabethtown Area School District's** basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining financial statements 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 combining and individual fund financial statements 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 November 7, 2018, on our consideration of **Elizabethtown 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 solely 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 the effectiveness of 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 **Elizabethtown Area School District's** internal control over financial reporting and compliance.

November 7, 2018
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP
TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2018

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

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

Financial Highlights

Overall expenditures in the general fund for the 2017-2018 fiscal year were expected to increase by 3.40% from the previous year's expenditure budget with the anticipation of utilizing \$1.24 million of fund balance. At year end, actual expenditures and other financings sources (uses) were 3.07% higher than budgeted, but this included a \$1,954,600 transfer from General Fund to Capital Reserve. When this transfer is excluded, expenditures were almost exactly on budget, a variance of approximately \$84,000 or less than 0.1%.

Revenues were greater than budgeted by 2.25%. Real estate tax collections were stronger than expected, especially interim taxes. Interest earnings, due to rising interest rates, were well above budget. Overall, the general fund had an overall deficit, including the capital reserve transfer, of \$1,761,800 for the 2017-2018 fiscal year. Total actual general fund expenditures of \$57,135,391 closely approximated total budgeted expenditures of \$56,691,023.

Total revenues were \$1,343,742 higher than budgeted. Local revenue was \$749,142 or 1.86% higher than budgeted. The bulk of this increase was in the collection of local real estate taxes and interest earnings. State revenue was \$321,549 more than budgeted. This was mostly attributable to increases in the School District's share of the state's reimbursement of retirement contributions and increases in special education instructional subsidies.

During the current year, the School District adopted new accounting guidance, GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires the School District to report its full net OPEB liability for the single-employer OPEB plan and its proportionate share of the cost-sharing multiple-employer OPEB plan. Consequently, the School District's net position as of July 1, 2017, has been restated to record the cumulative effect of the change in this accounting principle.

Using this Annual Report

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand **Elizabethtown Area School District** as a financial whole.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

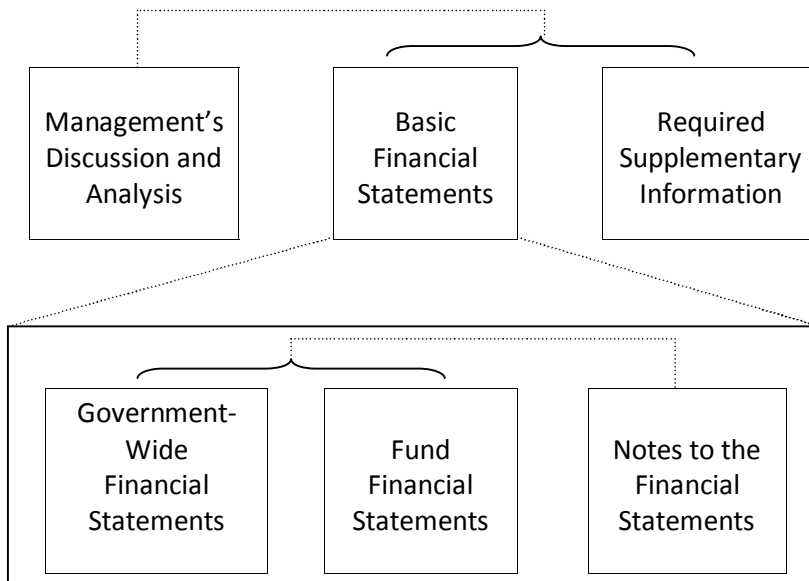
Using this Annual Report (Continued)

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others.

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

Figure A-1 shows how the required parts of the financial report are arranged and relate to one another.

Figure A-1
Required Components of Elizabethtown Area School District's Financial Report



Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Using this Annual Report (Continued)

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<p align="center">Figure A-2 Major Features of Elizabethtown Area School District's Government-Wide and Fund Financial Statements</p>				
		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School District operates similar to private business - food service and internal services funds	Instances in which the School District is the trustee or agent for someone else's resources - scholarship and activity funds
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flow	Statement of Net Position and Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows, and liabilities and deferred inflows. 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.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows, and liabilities and deferred inflows, is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, the reader needs to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration, and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.
- **Business-type activities** - The School District operates a food service operation and charges fees to staff, students, and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin on page 19, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the School 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 School 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 School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides, whether to outside customers or to other units in the School District, these services are generally reported in proprietary funds. The food service fund is the School 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 flow.

The School District's other proprietary fund is the internal service fund. This fund is used to facilitate the payments of actual claims incurred by the School District's self-funded medical plan. The School District contracts with a third-party administrator to process all claims and notify the School District on a weekly basis of the dollar amount of claims that are to be paid.

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds and student activity funds. All of the School District's fiduciary activities are reported in separate statements of net position and changes in net position - fiduciary funds. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was \$(46,656,364) as of June 30, 2018. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of an approximate \$93.1 million net pension liability at June 30, 2018, and significant footnote disclosure found in Note 13.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Financial Analysis of the School District as a Whole (Continued)

Table A-1
Fiscal Years Ended June 30, 2018 and 2017
Net Position

	2018			2017*		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and Other Assets	21,343,409	192,744	21,536,153	30,785,284	306,270	31,091,554
Capital Assets and Other						
Non-Current Assets	<u>80,176,388</u>	<u>2,197</u>	<u>80,178,585</u>	<u>70,246,958</u>	<u>2,287</u>	<u>70,249,245</u>
Total Assets	101,519,797	194,941	101,714,738	101,032,242	308,557	101,340,799
Deferred Outflows of Resources	18,626,778	363,000	18,989,778	22,199,530	434,000	22,633,530
Current and Other						
Liabilities	11,528,280	177,389	11,705,669	9,684,009	54,202	9,738,211
Long-Term Liabilities	<u>150,783,211</u>	<u>1,945,000</u>	<u>152,728,211</u>	<u>156,004,620</u>	<u>2,005,340</u>	<u>158,009,960</u>
Total Liabilities	162,311,491	2,122,389	164,433,880	165,688,629	2,059,542	167,748,171
Deferred Inflows of Resources	2,873,000	54,000	2,927,000	1,004,000	18,000	1,022,000
Net Position:						
Net Investment in						
Capital Assets	29,840,975	2,197	29,843,172	29,832,485	2,287	29,834,772
Restricted						
For Capital Projects	3,517,673	-0-	3,517,673	1,550,385	-0-	1,550,385
Unrestricted (Deficit)	<u>(78,396,564)</u>	<u>(1,620,645)</u>	<u>(80,017,209)</u>	<u>(74,843,727)</u>	<u>(1,337,272)</u>	<u>(76,180,999)</u>
Total Net Position	(45,037,916)	(1,618,448)	(46,656,364)	(43,460,857)	(1,334,985)	(44,795,842)

*2017 amounts above have been adjusted to reflect the retroactive adoption of GASB 75 for comparative purposes only.

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The deferred inflows and outflows of resources are discussed in Note 1 to the financial statements. The negative unrestricted net position is due to the requirement of the School District to report its proportionate share of the PSERS net pension liability as defined in GASB Statement No. 68. Note 13 of these financial statements further explains the defined benefit pension plan.

The results of this year's operations as a whole are reported in the statement of activities on pages 17 and 18. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Financial Analysis of the School District as a Whole (Continued)

The two largest general revenues are the local real estate taxes assessed to community taxpayers and basic education subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from the statement of activities and rearranges it slightly so that you can see the total revenues for the year.

Table A-2
Fiscal Years Ended June 30, 2018 and 2017
Changes in Net Position

	<u>2018</u>			<u>2017</u>		
	Governmental	Business-		Governmental	Business-	
	Activities	Type		Activities	Type	
	Activities	Activities	Total	Activities	Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	720,131	648,600	1,368,731	720,070	697,120	1,417,190
Operating Grants and Contributions	10,900,595	744,591	11,645,186	9,973,453	824,844	10,798,297
Capital Grants and Contributions	453,466	-0-	453,466	870,379	-0-	870,379
General Revenues:						
Property Taxes	33,366,164	-0-	33,366,164	31,452,838	-0-	31,452,838
Other Taxes	4,798,945	-0-	4,798,945	4,662,356	-0-	4,662,356
Unrestricted Grants and Subsidies	9,528,202	-0-	9,528,202	9,343,377	-0-	9,343,377
Unrestricted Contributions	949,611	-0-	949,611	940,210	-0-	940,210
Unrestricted Investment Earnings	323,971	127	324,098	57,559	120	57,679
Other General Revenues	<u>66,791</u>	<u>-0-</u>	<u>66,791</u>	<u>191,585</u>	<u>-0-</u>	<u>191,585</u>
Total Revenues	61,107,876	1,393,318	62,501,194	58,211,827	1,522,084	59,733,911
Expenses:						
Instructional Programs	41,692,411	-0-	41,692,411	40,631,896	-0-	40,631,896
Instructional Student Support	4,055,485	-0-	4,055,485	3,873,137	-0-	3,873,137
Administrative, Financial and Central Support Services	6,544,390	-0-	6,544,390	7,264,143	-0-	7,264,143
Operation and Maintenance of Plant Services	4,912,552	-0-	4,912,552	5,004,993	-0-	5,004,993
Pupil Transportation	2,533,464	-0-	2,533,464	2,381,862	-0-	2,381,862
Student Activities	1,251,668	-0-	1,251,668	1,210,800	-0-	1,210,800
Community Services	126,292	-0-	126,292	97,936	-0-	97,936
Interest on Long-Term Debt	1,568,673	-0-	1,568,673	1,547,593	-0-	1,547,593
Food Services	<u>-0-</u>	<u>1,676,781</u>	<u>1,676,781</u>	<u>-0-</u>	<u>1,735,554</u>	<u>1,735,554</u>
Total Expenses	62,684,935	1,676,781	64,361,716	62,012,360	1,735,554	63,747,914
Decrease in Net Position	(1,577,059)	(283,463)	(1,860,522)	(3,800,533)	(213,470)	(4,014,003)

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Financial Analysis of the School District as a Whole (Continued)

Table A-3 shows the School District's eight largest functions - instructional programs, instructional student support, administrative, financial, and central support services, operation and maintenance of plant services, pupil transportation, student activities, community services, and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants and subsidies to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Years Ended June 30, 2018 and 2017
Governmental Activities

	<u>2018</u>		<u>2017</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional Programs	41,692,411	33,061,410	40,631,896	32,881,214
Instructional Student Support	4,055,485	3,367,242	3,873,137	3,205,294
Administrative, Financial and Central Support Services	6,544,390	5,883,620	7,264,143	6,657,507
Operation and Maintenance of Plant Services	4,912,552	4,586,639	5,004,993	4,705,020
Pupil Transportation	2,533,464	1,492,780	2,381,862	1,318,517
Student Activities	1,251,668	977,553	1,210,800	847,756
Community Services	126,292	126,292	97,936	97,936
Interest on Long-Term Debt	<u>1,568,673</u>	<u>1,115,207</u>	<u>1,547,593</u>	<u>735,214</u>
Total Governmental Activities	62,684,935	50,610,743	62,012,360	50,448,458
Unrestricted Grants and Subsidies		<u>(9,528,202)</u>		<u>(9,343,377)</u>
Total Needs from Local Taxes and Other Revenues		41,082,541		41,105,081

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4
Fiscal Years Ended June 30, 2018 and 2017
Business-Type Activities

	<u>2018</u>		<u>2017</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	1,676,781	283,590	1,735,554	213,590

The statement of revenues, expenses, and changes in net position for this proprietary fund will further detail the actual results of operations.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

The School District Funds

As of June 30, 2018, the School District governmental funds reported a combined fund balance of \$10,433,430 which is a decrease of \$11.8 million over the previous year. The primary reason for this decrease is explained below:

The School District's capital projects fund was decreased due to spending related to the renovation of the Bainbridge Elementary School, certain energy savings capital projects, and planning for renovations at the Rheems Elementary School.

General Fund Budget

During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. A schedule, showing the School District's original and final budget amounts compared with amounts actually paid and received, is provided on page 65.

Transfers between specific categories of expenditures and financing uses occur during the year. The transfers occur from expenditure categories that were underspent to expenditure categories that were overspent.

The budgetary reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements and enhancements to the School District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

Capital Assets and Debt Administration

Capital Assets - Governmental Activities

As of June 30, 2018, the School District had \$80,176,388 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$9,929,430.

Table A-5
Governmental Activities
Capital Assets - net of Depreciation

	2018	2017
Land and Site Improvements	5,303,514	5,641,463
Building and Building Improvements	59,343,763	60,706,858
Furniture and Equipment	2,085,571	2,063,529
Vehicles	35,419	49,427
Construction in Process	<u>13,408,121</u>	<u>1,785,681</u>
	80,176,388	70,246,958

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Debt Administration

As of July 1, 2017, the School District had a total outstanding bond principal of \$54,115,000. During the year, the School District reduced principal in the amount of \$2,100,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2018, of \$52,015,000.

Table A-6
Outstanding Debt

	2018	2017
Issue:		
Series of 2012	7,330,000	8,630,000
Series of 2013	8,990,000	9,055,000
Series of 2015	8,660,000	8,720,000
Series of 2015A	7,610,000	8,220,000
Series of 2016	5,365,000	5,380,000
Series of 2016A	4,535,000	4,585,000
Series of 2017	<u>9,525,000</u>	<u>9,525,000</u>
	52,015,000	54,115,000

More detailed information about our long-term debt is included in Note 10 to the financial statements. Information about the School District's operating leases is detailed in Note 11.

Accrued vacation pay, sick leave, and service stipends for specific employees of the School District are detailed in Note 12 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The School District's general obligation bond rating is a Moody's Aa3. The Aa3 rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. When assigning its rating, Moody's cited the School District's stable tax base, strong financial position with conservative budgeting practices, and low debt burden on market value basis with limited capital needs.

The School District does not expect a significant growth in student population. Despite a good amount of available land, current zoning ordinances discourage residential development. Increases in assessed values have been relatively low in recent years, primarily as a result of the School District being a residential community with few large employers and some properties that qualify as exempt or for preferential assessment under the Clean and Green Act. The School District is authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial, and other business properties to encourage development and job growth within the School District. The wage tax shows a steady annual increase that generally reflects increases at or slightly above the CPI, an indication that employment opportunities are available for residents of our School District.

Elizabethtown Area School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2018

Economic Factors and Next Year's Budgets and Rates (Continued)

In the 2018-2019 budget, the School District increased expenditures by 3.37% from the previous year's budget. The largest increase in expenditures, \$1,803,437, was in instructional services and primarily in the area of salaries and benefits. Benefits increased mainly due to the increase in the PSERS rate from 32.57% to 33.43% of total salaries. Debt service is funded at the maximum needed level.

Budgeted revenue for the 2018-2019 school year is 2.23% higher than the previous fiscal year actual revenue. The millage rate for 2018-2019 is 16.6063, which is 20.33% less than the previous year due to the Lancaster County reassessment. Local revenue continues to provide the majority of funding for School District expenses as noted on page 10.

The comparison of revenue and expenditure categories is as follows:

**Table A-7
Budgeted Revenues**

	2018-2019	2017-2018
Local Sources	67.0%	67.0%
State Sources	32.0%	32.0%
Federal Sources	1.0%	1.0%

Budgeted Expenditures

	2018-2019	2017-2018
Instruction	63.7%	63.5%
Support Services	26.7%	27.7%
Athletics & Extracurricular	1.9%	1.9%
Fund Transfers/Debt	7.7%	6.9%

Contacting the School District Business Administrator

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact George M. Longridge, Business Manager, **Elizabethtown Area School District**, 600 East High Street, Elizabethtown, PA 17022.

Elizabethtown Area School District

STATEMENT of NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 6,975,478	\$ 70,107	\$ 7,045,585
Restricted Cash	583,270	-0-	583,270
Investments	8,332,254	-0-	8,332,254
Taxes Receivable, net	1,493,786	-0-	1,493,786
Internal Balances	116,540	(116,540)	-0-
Due from Other Governments	3,374,724	95,588	3,470,312
Other Receivables	109,635	3,080	112,715
Prepaid Expenses	244,512	-0-	244,512
Inventories	<u>113,210</u>	<u>140,509</u>	<u>253,719</u>
Total Current Assets	21,343,409	192,744	21,536,153
Capital Assets			
Non-Depreciable	14,503,834	-0-	14,503,834
Depreciable, net	<u>65,672,554</u>	<u>2,197</u>	<u>65,674,751</u>
Total Capital Assets	80,176,388	2,197	80,178,585
TOTAL ASSETS	<u>101,519,797</u>	<u>194,941</u>	<u>101,714,738</u>
DEFERRED OUTFLOWS of RESOURCES			
Loss on Bond Refunding, net of Accumulated Amortization	148,778	-0-	148,778
Pension	17,144,000	350,000	17,494,000
Other Postemployment Benefits	<u>1,334,000</u>	<u>13,000</u>	<u>1,347,000</u>
TOTAL DEFERRED OUTFLOWS of RESOURCES	<u>\$ 18,626,778</u>	<u>\$ 363,000</u>	<u>\$ 18,989,778</u>

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of NET POSITION

(Continued)

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,344,750	\$ 117,107	\$ 2,461,857
Current Portion of Long-Term Debt	2,175,000	-0-	2,175,000
Accrued Salaries and Benefits	5,662,972	-0-	5,662,972
Accrued Interest on Long-Term Debt	240,616	-0-	240,616
Payroll Deductions and Withholdings	276,097	-0-	276,097
Unearned Revenues	52,169	60,282	112,451
Due to Other Governments	203,729	-0-	203,729
Other Current Liabilities	<u>572,947</u>	<u>-0-</u>	<u>572,947</u>
Total Current Liabilities	11,528,280	177,389	11,705,669
Noncurrent Liabilities			
Long-Term Portion of Bonds Payable, net of Unamortized Premium	50,312,743	-0-	50,312,743
Long-Term Portion of Compensated Absences	1,173,468	-0-	1,173,468
Net Pension Liability	91,317,000	1,864,000	93,181,000
Net Other Postemployment Benefit Liabilities	<u>7,980,000</u>	<u>81,000</u>	<u>8,061,000</u>
Total Noncurrent Liabilities	<u>150,783,211</u>	<u>1,945,000</u>	<u>152,728,211</u>
TOTAL LIABILITIES	<u>162,311,491</u>	<u>2,122,389</u>	<u>164,433,880</u>
DEFERRED INFLOWS of RESOURCES			
Pension	2,417,000	49,000	2,466,000
Other Postemployment Benefits	<u>456,000</u>	<u>5,000</u>	<u>461,000</u>
TOTAL DEFERRED INFLOWS of RESOURCES	<u>2,873,000</u>	<u>54,000</u>	<u>2,927,000</u>
NET POSITION			
Net Investment in Capital Assets	29,840,975	2,197	29,843,172
Restricted for:			
Capital Projects	3,517,673	-0-	3,517,673
Unrestricted (Deficit)	<u>(78,396,564)</u>	<u>(1,620,645)</u>	<u>(80,017,209)</u>
TOTAL NET POSITION	<u>\$ (45,037,916)</u>	<u>\$ (1,618,448)</u>	<u>\$ (46,656,364)</u>

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 41,692,411	\$ 486,148	\$ 8,144,853	\$ -0-	\$ (33,061,410)	\$ -0-	\$ (33,061,410)
Instructional Student Support	4,055,485	-0-	688,243	-0-	(3,367,242)	-0-	(3,367,242)
Administrative, Financial and Central Support Services	6,544,390	23,935	636,835	-0-	(5,883,620)	-0-	(5,883,620)
Operation and Maintenance of Plant Services	4,912,552	30,156	295,757	-0-	(4,586,639)	-0-	(4,586,639)
Pupil Transportation	2,533,464	-0-	1,040,684	-0-	(1,492,780)	-0-	(1,492,780)
Student Activities	1,251,668	179,892	94,223	-0-	(977,553)	-0-	(977,553)
Community Services	126,292	-0-	-0-	-0-	(126,292)	-0-	(126,292)
Interest on Long-Term Debt	<u>1,568,673</u>	<u>-0-</u>	<u>-0-</u>	<u>453,466</u>	<u>(1,115,207)</u>	<u>-0-</u>	<u>(1,115,207)</u>
Total Governmental Activities	62,684,935	720,131	10,900,595	453,466	(50,610,743)	-0-	(50,610,743)
Business-Type Activities:							
Food Services	<u>1,676,781</u>	<u>648,600</u>	<u>744,591</u>	<u>-0-</u>	<u>-0-</u>	<u>(283,590)</u>	<u>(283,590)</u>
Total Primary Government	<u>\$ 64,361,716</u>	<u>\$ 1,368,731</u>	<u>\$ 11,645,186</u>	<u>\$ 453,466</u>	\$ (50,610,743)	\$ (283,590)	\$ (50,894,333)

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:							
Taxes:							
Property Taxes, Levied for							
General Purposes, net					\$ 33,366,164	\$ -0-	\$ 33,366,164
Public Utility Realty, Earned Income,							
and other Taxes Levied for							
General Purposes, net					4,798,945	-0-	4,798,945
Unrestricted Grants and Subsidies					9,528,202	-0-	9,528,202
Unrestricted Contributions					949,611	-0-	949,611
Unrestricted Investment Earnings					323,971	127	324,098
Other General Revenues					<u>66,791</u>	<u>-0-</u>	<u>66,791</u>
Total General Revenues					<u>49,033,684</u>	<u>127</u>	<u>49,033,811</u>
CHANGES in NET POSITION					(1,577,059)	(283,463)	(1,860,522)
NET POSITION							
Beginning, as Originally Stated					(37,308,770)	(1,263,645)	(38,572,415)
Cumulative Effect of Change in Accounting Principle (Note 21)					<u>(6,152,087)</u>	<u>(71,340)</u>	<u>(6,223,427)</u>
Beginning, Restated					<u>(43,460,857)</u>	<u>(1,334,985)</u>	<u>(44,795,842)</u>
Ending					<u><u>\$ (45,037,916)</u></u>	<u><u>\$ (1,618,448)</u></u>	<u><u>\$ (46,656,364)</u></u>

See notes to financial statements.

Elizabethtown Area School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,241,535	\$ 2,220,650	\$ -0-	\$ 5,462,185
Restricted Cash	-0-	583,270	-0-	583,270
Investments	3,497,595	4,830,614	-0-	8,328,209
Taxes Receivable, net	1,493,786	-0-	-0-	1,493,786
Due from Other Funds	287,591	818	-0-	288,409
Due from Other Governments	3,374,724	-0-	-0-	3,374,724
Other Receivables	109,635	-0-	-0-	109,635
Prepaid Expenses	19,172	-0-	-0-	19,172
Inventories	113,210	-0-	-0-	113,210
TOTAL ASSETS	<u>12,137,248</u>	<u>7,635,352</u>	<u>-0-</u>	<u>19,772,600</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES				
LIABILITIES				
Accounts Payable	277,937	1,663,223	-0-	1,941,160
Retainage Payable	-0-	403,590	-0-	403,590
Due to Other Funds	332,325	47,862	-0-	380,187
Accrued Salaries and Benefits	5,662,972	-0-	-0-	5,662,972
Payroll Deductions and Withholdings	276,097	-0-	-0-	276,097
Payable to Other Governments	203,729	-0-	-0-	203,729
Unearned Revenue	52,169	-0-	-0-	52,169
TOTAL LIABILITIES	6,805,229	2,114,675	-0-	8,919,904
DEFERRED INFLOWS of RESOURCES				
Delinquent Taxes	419,266	-0-	-0-	419,266
FUND BALANCES				
Nonspendable	132,382	-0-	-0-	132,382
Restricted	-0-	5,520,677	-0-	5,520,677
Committed	1,000,000	-0-	-0-	1,000,000
Assigned	700,000	-0-	-0-	700,000
Unassigned	3,080,371	-0-	-0-	3,080,371
TOTAL FUND BALANCES	<u>4,912,753</u>	<u>5,520,677</u>	<u>-0-</u>	<u>10,433,430</u>
TOTAL LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES	<u>\$ 12,137,248</u>	<u>\$ 7,635,352</u>	<u>\$ -0-</u>	<u>\$ 19,772,600</u>

See notes to financial statements.

Elizabethtown Area School District
RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds \$ 10,433,430

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 assets is \$112,127,835 and the accumulated depreciation is \$31,951,447. 80,176,388

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 1,378,049

Property taxes are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 419,266

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 and related accounts at year end consist of:

Bonds Payable	(52,015,000)
Accrued Interest on Long-Term Debt	(240,616)
Bond Premium, net of Amortization	(472,743)
Compensated Absences	(1,173,468)
Net Other Postemployment Benefit (OPEB) Liabilities	(7,980,000)
Net Pension Liability	(91,317,000)

Deferred outflows of resources - loss on bond refundings, pension, and OPEB are not due and payable in the current period and, therefore, are not reported in the funds. 18,626,778

Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds. (2,873,000)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (45,037,916)

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	Major Funds			Total
	General Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
REVENUES				
Local Sources:				
Real Estate Taxes	\$ 34,344,950	\$ -0-	\$ -0-	\$ 34,344,950
Other Taxes	4,798,945	-0-	-0-	4,798,945
Investment Earnings	213,357	109,749	-0-	323,106
Other Revenue	1,633,086	-0-	-0-	1,633,086
Total Local Sources	40,990,338	109,749	-0-	41,100,087
State Sources	19,189,773	-0-	-0-	19,189,773
Federal Sources	818,051	-0-	-0-	818,051
Total Revenues	60,998,162	109,749	-0-	61,107,911
EXPENDITURES				
Instructional Services	38,890,643	-0-	-0-	38,890,643
Support Services	16,948,319	477,510	-0-	17,425,829
Noninstructional Services	1,296,429	-0-	-0-	1,296,429
Capital Outlay	-0-	11,662,838	-0-	11,662,838
Debt Service	-0-	-0-	3,697,692	3,697,692
Total Expenditures	57,135,391	12,140,348	3,697,692	72,973,431
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	3,862,771	(12,030,599)	(3,697,692)	(11,865,520)
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Expenditures	14,836	-0-	-0-	14,836
Proceeds From Sales of Fixed Assets	17,154	-0-	-0-	17,154
Transfers In (Out)	(5,652,292)	1,954,600	3,697,692	-0-
Refund of Prior Year Receipts	(3,761)	-0-	-0-	(3,761)
Net Other Financing Sources (Uses)	(5,624,063)	1,954,600	3,697,692	28,229
NET CHANGES in FUND BALANCES	(1,761,292)	(10,075,999)	-0-	(11,837,291)
FUND BALANCES				
Beginning	6,712,370	15,596,676	-0-	22,309,046
Inventory Adjustment	(38,325)	-0-	-0-	(38,325)
Ending	\$ 4,912,753	\$ 5,520,677	\$ -0-	\$ 10,433,430

See notes to financial statements.

Elizabethtown 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 Changes in Fund Balances - Total Governmental Funds \$ (11,837,291)

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. The amount by which capital outlays exceed depreciation in the period is as follows:

Depreciation Expense	(1,999,064)	
Capital Outlays	<u>11,928,494</u>	9,929,430

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues changed by this amount this year. (29,175)

The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items. 21,799

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,100,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. 7,220

In the statement of activities, certain operating expenses (e.g., compensated absences) 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. \$ 4,742

See notes to financial statements.

Elizabethtown Area School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,
EXPENDITURES, and CHANGES in FUND BALANCES to
the STATEMENT of ACTIVITIES
(Continued)
Year Ended June 30, 2018

In the statement of activities, deferred inflows of resources - OPEB, deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with total OPEB liability. Whereas in the governmental funds, OPEB expense is recorded when required contributions and benefits are payable. This amount represents the current OPEB obligation expense over amounts payable.

\$ (116,340)

In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with total pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense over amounts payable.

(2,215,000)

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net expense of the internal service funds is allocated among the governmental activities.

595,881

The governmental funds follow the purchase method of inventory. However the statement of net position uses the consumption method of inventory.

(38,325)

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES

\$ (1,577,059)

Elizabethtown Area School District

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2018

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 70,107	\$ 1,513,293
Investments	-0-	4,045
Due from Other Funds	123,189	208,318
Due from Other Governments	95,588	-0-
Other Receivables	3,080	-0-
Inventories	140,509	-0-
Prepaid Expenses	-0-	225,340
Total Current Assets	432,473	1,950,996
Capital Assets		
Depreciable, net	2,197	-0-
TOTAL ASSETS	434,670	1,950,996
DEFERRED OUTFLOWS of RESOURCES		
Pension	350,000	-0-
Other Postemployment Benefits	13,000	-0-
TOTAL DEFERRED OUTFLOWS of RESOURCES	363,000	-0-
LIABILITIES		
Current Liabilities		
Accounts Payable	117,107	572,947
Due to Other Funds	239,729	-0-
Unearned Revenues	60,282	-0-
TOTAL CURRENT LIABILITIES	417,118	572,947
Noncurrent Liabilities		
Net Pension Liability	1,864,000	-0-
Net Other Postemployment Benefits (OPEB) Liability	81,000	-0-
Total Noncurrent Liabilities	1,945,000	-0-
TOTAL LIABILITIES	2,362,118	572,947
DEFERRED INFLOWS of RESOURCES		
Pension	49,000	-0-
Other Postemployment Benefits	5,000	-0-
TOTAL DEFERRED INFLOWS of RESOURCES	54,000	-0-
NET POSITION		
Net Investment in Capital Assets	2,197	-0-
Unrestricted (Deficit)	(1,620,645)	1,378,049
TOTAL NET POSITION	\$ (1,618,448)	\$ 1,378,049

See notes to financial statements.

Elizabethtown Area School District
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
 PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Major Enterprise Fund	Internal Service Fund
	Food Service Fund	
OPERATING REVENUES		
Food Service Revenue	\$ 648,600	\$ -0-
Charges for Services	<u>-0-</u>	<u>6,976,653</u>
Total Operating Revenues	648,600	6,976,653
OPERATING EXPENSES		
Salaries	412,449	-0-
Employee Benefits	295,918	6,039,970
Other Purchased Services	811,773	-0-
Repairs and Maintenance	9,880	-0-
Supplies	129,118	-0-
Insurance Expense	-0-	341,666
Depreciation	90	-0-
Other Operating Expenses	<u>17,553</u>	<u>-0-</u>
Total Operating Expenses	<u>1,676,781</u>	<u>6,381,636</u>
OPERATING INCOME (LOSS)	(1,028,181)	595,017
NONOPERATING REVENUES		
Investment Earnings	127	864
State Sources	81,965	-0-
Federal Sources	<u>662,626</u>	<u>-0-</u>
Net Nonoperating Revenues	<u>744,718</u>	<u>864</u>
CHANGES in NET POSITION	(283,463)	595,881
NET POSITION		
Beginning, as Originally Stated	(1,263,645)	782,168
Cumulative Effect of Change in Accounting Principle (Note 21)	<u>(71,340)</u>	<u>-0-</u>
Beginning, as Restated	<u>(1,334,985)</u>	<u>782,168</u>
Ending	<u>\$ (1,618,448)</u>	<u>\$ 1,378,049</u>

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2018

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	\$ 643,172	\$ -0-
Cash Received from Assessments Made to Other Funds	-0-	6,923,448
Cash Payments to Employees for Services	(659,906)	-0-
Cash Payments to Suppliers for Goods and Services	<u>(691,903)</u>	<u>(6,087,175)</u>
Net Cash Provided (Used) by Operating Activities	(708,637)	836,273
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	82,249	-0-
Federal Sources	<u>583,062</u>	<u>-0-</u>
Net Cash Provided by Noncapital Financing Activities	665,311	-0-
CASH FLOWS from INVESTING ACTIVITIES		
Investment Earnings	127	864
Purchase of Investments	<u>-0-</u>	<u>(44)</u>
Net Cash Provided by Investing Activities	<u>127</u>	<u>820</u>
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(43,199)	837,093
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>113,306</u>	<u>676,200</u>
End of Year	<u>\$ 70,107</u>	<u>\$ 1,513,293</u>

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2018

	Major Enterprise Fund	Internal Service Fund
	Food Service Fund	
RECONCILIATION of OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,028,181)	\$ 595,017
ADJUSTMENTS to RECONCILE OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Depreciation	90	-0-
Use of USDA Commodities	85,147	-0-
Pension-Related Changes Other than Periodic Pension Costs	45,000	-0-
OPEB-Related Changes Other than Periodic OPEB Costs	1,659	-0-
(Increase) Decrease in:		
Interfund Receivable	(40,211)	(53,205)
Inventory	397	-0-
Other Current Assets	(3,070)	17,731
Increase (Decrease) in:		
Accounts Payable	116,927	276,730
Accrued Salaries and Benefits	(1,634)	-0-
Interfund Payable	107,345	-0-
Unearned Revenue	7,894	-0-
Total Adjustments	319,544	241,256
Net Cash Provided (Used) by Operating Activities	\$ (708,637)	\$ 836,273

SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

NONCASH NONCAPITAL and RELATED FINANCING ACTIVITIES

Receipt of USDA Donated Commodities	95,399	-0-
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See notes to financial statements.

Elizabethtown Area School District

STATEMENT of NET POSITION -

FIDUCIARY FUNDS

June 30, 2018

	Private Purpose Trust	Student Activities
ASSETS		
Cash and Cash Equivalents	\$ 203,694	\$ 87,149
Investments	<u>252,112</u>	<u>-0-</u>
TOTAL ASSETS	<u>455,806</u>	<u>87,149</u>
LIABILITIES		
Accounts Payable	14,850	6,073
Due to Student Groups	<u>-0-</u>	<u>81,076</u>
TOTAL LIABILITIES	14,850	87,149
NET POSITION		
Held in Trust for Scholarships	121,721	-0-
Held in Trust for Health Programs	383	-0-
Endowments	<u>318,852</u>	<u>-0-</u>
TOTAL NET POSITION	<u>440,956</u>	<u>-0-</u>
TOTAL LIABILITIES and NET POSITION	<u>\$ 455,806</u>	<u>\$ 87,149</u>

See notes to financial statements.

Elizabethtown Area School District

STATEMENT of CHANGES in NET POSITION -

FIDUCIARY FUNDS

Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Gifts and Contributions	\$ 10,481
Investment Earnings	<u>2,546</u>
Total Additions	13,027
DEDUCTIONS	
Scholarships Awarded	<u>18,325</u>
CHANGES in NET POSITION	(5,298)
NET POSITION	
Beginning	<u>446,254</u>
Ending	<u>\$ 440,956</u>

See notes to financial statements.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Elizabethtown Area School District (the School District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Elizabethtown Borough and Mount Joy, West Donegal, and Conoy Townships. These include regular, advanced academic, vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of four elementary schools, one middle school, one intermediate school, and one high school, serving approximately 4,000 students.

The accounting policies of **Elizabethtown Area School District** conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the GASB, *The Financial Reporting Entity*, and as amended, the criteria used by the School District to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the School District as defined below.

Impose its Will - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - If the School District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the School District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

Based on the foregoing criteria, no additional entities are included in the accompanying general purpose financial statements.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures

Lancaster County Career and Technology Center

The School District is one of 16 member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2018, was approximately \$900,313. Complete general purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster County Career and Technology Center Authority

The School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. The School District entered into an operating lease with LCCTC and the Authority as described in Note 11. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster-Lebanon Joint Authority

The School District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended, by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2018. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster-Lebanon Intermediate Unit (LLIU)

The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' boards of directors. **Elizabethtown Area School District** is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. **Elizabethtown Area School District** contracts with the LLIU for special education services for School District students. The amount paid for services for the year ended June 30, 2018, was approximately \$2,550,345. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Lancaster County Academy (Academy)

The School District participates with 11 other school districts in Lancaster County. Each public school district appoints one member to serve on the joint operating committee. As a member district, each school district has an ongoing financial responsibility to fund the operations of the Academy. The School District's portion of the operating expenditures for the year ended June 30, 2018, was \$41,000. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau)

The School District participates with 16 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made monthly. The School District's portion of the operating expenditures for the year ended June 30, 2018, was \$67,232. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Greater Elizabethtown Area Recreation and Community Services (GEARS)

The Greater Elizabethtown Area Recreation and Community Services (GEARS) was formed to provide recreational, continuing education, and social-service activities/programs for the children, youth, and adults of the participating municipalities in a fiscally responsible manner. GEARS is composed of a twelve-member board with three members from each of the following four entities: **Elizabethtown Area School District**, Borough of Elizabethtown, Mount Joy Township, and West Donegal Township. GEARS is not reported as part of the School District's reporting entity. For the year ended June 30, 2018, the School District provided \$25,973 of financial support to GEARS. Complete financial statements for GEARS can be obtained from the GEARS office at the Elizabethtown Area Middle School at 600 East High Street, Elizabethtown, PA 17022.

Basis of Presentation - Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of Presentation - Financial Statements

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Government-wide Financial Statements (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the School District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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 governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities, as well as deferred inflows and outflows of resources associated with the operation of these funds, are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

General Fund - The general fund is the principal operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund includes the capital reserve fund and any bond construction funds held by the School District.

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

The School District reports the following proprietary funds:

Food Service Fund - This major fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

Internal Service Fund - This fund is used to account for health insurance premiums and claims which are services provided to the School District employees as benefits.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships, and to provide materials for health-related programs.

The agency fund is used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, deferred inflows and outflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, compensated absence, pension and other postemployment benefits payments, which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments. Current property taxes measurable at June 30, 2018, which are not intended to finance fiscal 2018 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenues at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenues 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are 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 nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the fund’s principal ongoing operations. The principal operating revenues of the School District’s food service fund are charges to students and staff for food. Operating expenses include the costs to provide food. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When amounts are available in multiple fund balance classifications, it is the School District’s policy to use funds in the following order: restricted, committed, assigned, and unassigned.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost plus accrued interest, which approximates fair value.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Taxes Receivable and Deferred Inflows of Tax Revenues

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivable are considered to be fully collectible (Note 4).

Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first in/first-out (FIFO) basis and are expensed when used.

Inventories in governmental funds represent the estimated cost using the first-in/first-out (FIFO) method of supplies on hand at June 30, 2018. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost has been recorded as an asset in the governmental funds, offset by fund balance classified as nonspendable in an equal amount.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2018, including the value of commodities donated by the federal government. Any unused commodities donated by the federal government are reported as deferred revenue until used.

Capital Assets and Depreciation

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at acquisition value on the date donated. The School District capitalizes assets with an individual cost of \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

Building	50 - 100 Years
Building Improvements	15 - 30 Years
Land Improvements	50 Years
Furniture	10 - 25 Years
Equipment	5 - 25 Years
Vehicles	3 - 15 Years

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 are amortized over the life of the bonds using the effective interest method. They are re-categorized as gains or losses on bond refinancing in the event that debt is refinanced. Amortization continues over the life of the new or refinanced debt, whichever is shorter.

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

Compensated Absences

The School District accrues unused vacation and sick leave as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy. The School District also accrues service stipends to be paid out at retirement in accordance with School District policy.

Vacation and sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated vacation and sick leave and employees' wage rates at year end, taking into consideration any limits specified in the School District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Payments for compensated absences are contributed into a 403(b) tax sheltered annuity account.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. As of June 30, 2018, the School District had no encumbrances.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple-employer defined benefit pension plan. 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.

Other Postemployment Benefits (OPEB)

Single-Employer Defined Benefit OPEB Plan

The School District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total 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 OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

Cost-Sharing Multiple-Employer Defined Benefit Plan

The School District participates in the Pennsylvania Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Program. 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.

Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Classification

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School Board. Commitments may be changed only by the School District taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Business Manager or designee.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts available for consumption or not restricted in any manner.

The School District's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively, when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

The School District has adopted a formal minimum fund balance policy. The School District will strive to maintain an unassigned general fund balance of approximately 5% to 8% of the budgeted expenditures for that fiscal year. The total fund balance, including committed, assigned, or unassigned categories may exceed 8% of the budgeted expenditures for that fiscal year.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include depreciation, compensated absences, allowance for uncollectible taxes, claims incurred but not reported, pension related items, and other postemployment benefits.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Year Changes in Accounting Principles

During the current year, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits, or OPEB). This statement replaces the requirements of GASB Statement No. 45. The School District participates in two OPEB plans: a single-employer defined benefit OPEB plan, and a cost-sharing multiple-employer defined benefit pension plan (the Pennsylvania Public School Employees' Retirement System Health Insurance Premium Assistance Program, or PSERS HIPAP.) As a result of implementation of this statement in 2018, the School District reports its full net OPEB liability for the single-employer plan in the statement of net position, and reports its proportionate share of the net OPEB liability of the PSERS HIPAP. The School District has provided additional disclosures related to other postemployment benefits provided to its employees, and provides supplementary information required by GASB Statement No. 75. Since the statement was implemented retroactively, beginning net position was restated, as discussed in Note 21, to account for the cumulative effect.

During the current year, the School District adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

During the current year, the School District adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt using only existing resources. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

Pending Changes in Accounting Principles

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this statement are effective for the School District's June 30, 2019 financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the School District's June 30, 2020 financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the School District's June 30, 2021 financial statements.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles (Continued)

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for the School District's June 30, 2019 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the School District's June 30, 2021 financial statements.

The effects of implementation of these standards have not yet been determined.

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

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

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Certain high-quality bank and corporate debt instruments.

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

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were significant violations of either the state statutes or the policy of the School District.

Cash and Cash Equivalents - Custodial Credit Risk

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 although the public school code requires all deposits of the School District which are not insured to be collateralized by the depository institution.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

As of June 30, 2018, \$7,801,784 of the School District's bank balance of \$8,051,784 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust	
Department not in the School District's Name	<u>7,801,784</u>
	7,801,784

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	7,801,784
Insured Amount	<u>250,000</u>
Bank Balance	8,051,784
Outstanding Checks	<u>(132,994)</u>
Carrying Amount - Bank Balances	7,918,790
Petty Cash	<u>908</u>
Total Cash and Cash Equivalents Per Financial Statements	7,919,698

Restricted Cash

At June 30, 2018, \$583,270 is restricted to guarantee satisfaction of performance of facility renovation projects included in construction in progress.

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2018, the School District did not hold any investments classified in the fair value hierarchy.

At June 30, 2018, the School District holds the following investments recorded at cost or amortized cost:

PSDLAF Collateralized Flex CD Pool	7,654,000
PSDLAF Max Series	<u>930,366</u>
	8,584,366

The PSDLAF Collateralized Flex CD Pool positions mature from 30 to 180 days. The PSDLAF Max Series balances are liquid.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) Collateralized Flex CD Pool is an external short-term fixed income investment pool. The School District carries fixed income investments at cost when the maturity of the underlying collateralized or FDIC insured certificate of deposit investments is one year or less.

PSDLAF Max Series is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PMA Financial Network, Inc. The pool is audited annually by CliftonLarsonAllen, LLP, an independently elected public official.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Restrictions on Qualified Investment Pool Withdrawals

The School District has an investment in a qualified investment pool with PSDLAF. Except for direct deposits from the Commonwealth, investments in the PSDLAF Max account are subject to a 14-day minimum holding period, and to penalty for early withdrawal. This requirement has been waived by the trust since inception.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management monitors rates of returns for investments on a monthly basis and governance reviews investment returns on at least a quarterly basis.

Credit Risk

The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the School District investments were rated as:

Investments	Standard & Poor's
PSDLAF - Max Series	AAAm
PSDLAF - Collateralized Flex CD Pool	Unrated

Concentration of Credit Risk

The School District places no limit on the amount they may invest in any one issuer. At June 30, 2018, the School District does not have any concentration of credit risk in its investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments which are subject to custodial credit risk at June 30, 2018.

NOTE 3 - REAL ESTATE TAXES

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2018, was 20.845 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2018, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Lancaster County Tax Claim Bureau)

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES

The School District, in accordance with accounting principles generally accepted in the United States of America, recognizes delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

The balances at June 30, 2018, are as follows:

	Taxes Receivable	Estimated Uncollectable	Net Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	752,265	-0-	752,265	332,999	419,266
Realty Transfer Taxes	73,416	-0-	73,416	73,416	-0-
Earned Income Taxes	<u>668,105</u>	<u>-0-</u>	<u>668,105</u>	<u>668,105</u>	<u>-0-</u>
	1,493,786	-0-	1,493,786	1,074,520	419,266

NOTE 5 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2018, the following amounts are due from other governmental units:

Due From	General Fund	Enterprise Fund	Total
Federal Grants	298,974	89,163	388,137
State Match for Lunch Program	-0-	6,425	6,425
State Retirement Subsidy	1,666,829	-0-	1,666,829
State Social Security Subsidy	341,195	-0-	341,195
Other State Subsidies	144,628	-0-	144,628
Local	<u>923,098</u>	<u>-0-</u>	<u>923,098</u>
	3,374,724	95,588	3,470,312

NOTE 6 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2018, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	287,591	332,325
Enterprise Fund - Food Service	123,189	239,729
Internal Service Fund	208,318	-0-
Capital Projects Fund	<u>818</u>	<u>47,862</u>
	619,916	619,916

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - INTERFUND ACCOUNTS (Continued)

The general fund has interfund receivables that represent other fund expenses that were paid for by the general fund. The general fund and enterprise fund - food service have interfund payables that represent net amounts owed to the internal service fund for health costs paid by the internal service fund. The capital projects fund owes the general fund for procurement card purchases. The capital projects fund has interfund receivables that represent paid other fund expenses.

Interfund transfers for the year ended June 30, 2018, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	5,652,292
Capital Projects Fund	1,954,600	-0-
Debt Service Fund	<u>3,697,692</u>	<u>-0-</u>
	5,652,292	5,652,292

Transfers are made from the general fund to the capital projects fund to provide resources for future capital projects. Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds.

NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2018, is as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	1,095,713	-0-	-0-	1,095,713
Construction in Progress	<u>1,785,681</u>	<u>11,622,440</u>	<u>-0-</u>	<u>13,408,121</u>
Total Cost	2,881,394	11,622,440	-0-	14,503,834
Capital Assets Being Depreciated:				
Land Improvements	7,902,930	-0-	-0-	7,902,930
Building and Building Improvements	83,952,503	-0-	-0-	83,952,503
Furniture and Equipment	5,104,296	306,054	-0-	5,410,350
Vehicles	<u>358,218</u>	<u>-0-</u>	<u>-0-</u>	<u>358,218</u>
Total Cost	97,317,947	306,054	-0-	97,624,001

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Accumulated Depreciation:				
Land Improvements	3,357,180	337,949	-0-	3,695,129
Building and Building Improvements	23,245,645	1,363,095	-0-	24,608,740
Furniture and Equipment	3,040,767	284,012	-0-	3,324,779
Vehicles	<u>308,791</u>	<u>14,008</u>	<u>-0-</u>	<u>322,799</u>
Total Accumulated Depreciation	<u>29,952,383</u>	<u>1,999,064</u>	<u>-0-</u>	<u>31,951,447</u>
 Net Capital Assets Being Depreciated	 <u>67,365,564</u>	 <u>(1,693,010)</u>	 <u>-0-</u>	 <u>65,672,554</u>
 Net Capital Assets	 70,246,958	 9,929,430	 -0-	 80,176,388

Capital asset activity for business-type activities for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	108,747	-0-	18,610	90,137
Accumulated Depreciation:				
Equipment	<u>106,460</u>	<u>90</u>	<u>18,610</u>	<u>87,940</u>
Net Capital Assets	<u>2,287</u>	<u>90</u>	<u>-0-</u>	<u>2,197</u>

Depreciation expenses were charged to governmental functions as follows:

Instructional Programs	1,360,504
Instructional Student Support	132,190
Administration and Financial Support Services	213,270
Operation and Maintenance of Plant Services	159,680
Transportation	87,270
Student Activities	41,790
Community Services	<u>4,360</u>
	<u>1,999,064</u>

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2018, the School District was liable for \$5,662,972 of payroll, payable during July and August 2018, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2018, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and service stipends.

NOTE 9 - UNEARNED REVENUE

Unearned revenue in the general fund consists of student activities funding received, but not yet earned of \$52,169 as of June 30, 2018.

Unearned revenue in the food service fund consists of prepaid lunch sales of \$60,282 as of June 30, 2018.

NOTE 10 - LONG-TERM DEBT

General Obligation Debt

The School District issues general obligations to provide funds for major capital improvements. These bonds and notes are direct obligations and pledge the full faith and credit of the School District.

On May 9, 2017, the School District issued general obligation bonds, Series of 2017, in the amount of \$9,525,000. The purpose of the bonds was to (1) finance the acquisition, design, construction, furnishing and equipping of improvements to Bainbridge Elementary School and other ongoing and proposed capital projects as determined by the School District, and (2) pay costs expenses of issuing the bonds. The bonds bear interest rates ranging from 1.00% to 4.00% with principal maturities from \$5,000 to \$1,480,000.

On December 1, 2016, the School District issued general obligation bonds, Series of 2016, in the principal amount of \$5,410,000. The purpose of the bonds was to (1) refund of the School District's outstanding general obligation bonds, Series of 2011 currently outstanding in the amount of \$5,230,000, and (2) pay costs, fees, and expenses with respect to issuing the Series of 2016 bonds. The bonds bear interest rates ranging from .90% to 3.00% with principal maturities from \$15,000 to \$2,335,000.

On December 1, 2016, the School District issued general obligation bonds, Series A of 2016, in the principal amount of \$4,585,000. The purpose of the bonds was to (1) finance the acquisition, design, construction, furnishing and equipping of improvements to Bainbridge Elementary School and other ongoing and proposed capital projects as determined by the School District, and (2) pay costs expenses of issuing the bonds. The bonds bear interest rates ranging from .90% to 4.00% with principal maturities from \$40,000 to \$1,835,000.

On August 18, 2015, the School District issued general obligation bonds, Series A of 2015, in the amount of \$8,930,000. The purpose of the bonds was to (1) refund the general obligation bonds, Series A of 2010, (2) refund the general obligation bonds, Series of 2010, (3) finance various capital projects for existing school facilities, (4) and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .29% to 3.00% with principal maturities from \$65,000 to \$1,295,000.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

On June 23, 2015, the School District issued general obligation bonds, Series of 2015, in the amount of \$8,865,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series of 2010 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .30% to 3.00% with principal maturities from \$85,000 to \$1,460,000.

On October 30, 2013, the School District issued general obligation bonds, Series of 2013, in the amount of \$9,450,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series A of 2009 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .29% to 3.10% with principal maturities from \$75,000 to \$2,400,000.

On March 26, 2012, the School District issued general obligation bonds, Series of 2012, in the amount of \$9,995,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series of 2007 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 1.67% to 3.52% with principal maturities from \$5,000 to \$1,215,000.

Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2018, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2018	Due Within One Year
Series of 2012	06/30/2024	1.67% - 3.52%	7,330,000	1,280,000
Series of 2013	11/15/2025	.29% - 3.10%	8,990,000	700,000
Series of 2015	02/15/2031	.30% - 3.00%	8,660,000	65,000
Series A of 2015	02/15/2031	.29% - 3.00%	7,610,000	65,000
Series of 2016	09/01/2032	.90% - 3.00%	5,365,000	15,000
Series A of 2016	09/01/2039	.90% - 4.00%	4,535,000	45,000
Series of 2017	11/15/2039	1.00% - 4.00%	<u>9,525,000</u>	<u>5,000</u>
			52,015,000	2,175,000

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
General Obligation Debt	54,115,000	-0-	(2,100,000)	52,015,000
Net Bond Premium (Discount)	506,294	-0-	(33,551)	472,743
Deferred Loss on Bond Refunding	(160,530)	-0-	11,752	(148,778)
Estimated Liability for Compensated Absences	<u>1,178,210</u>	<u>62,899</u>	<u>(67,641)</u>	<u>1,173,468</u>
	55,638,974	62,899	(2,189,440)	53,512,433

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

Aggregate annual debt service requirements to maturity for the above governmental debt obligations are as follows:

	Interest	Principal	Total
2019	1,553,109	2,175,000	3,728,109
2020	1,510,150	2,220,000	3,730,150
2021	1,465,774	2,265,000	3,730,774
2022	1,418,568	2,315,000	3,733,568
2023	1,364,729	2,365,000	3,729,729
2024 - 2028	5,721,615	13,265,000	18,986,615
2029 - 2033	3,609,888	14,160,000	17,769,888
2034 - 2038	1,749,638	9,100,000	10,849,638
2039 - 2040	<u>167,600</u>	<u>4,150,000</u>	<u>4,317,600</u>
	18,561,071	52,015,000	70,576,071

The School District pays the long-term obligations of the governmental activities from the general fund, except for debt service. Debt service payments are paid from the debt service fund which is, however, funded by transfers from the general fund.

Interest costs incurred during the year ended June 30, 2018, were \$1,568,673, all of which was charged to expense.

NOTE 11 - OPERATING LEASES

The School District leases copiers under an operating lease ending March 2021. Total rental expense for the operating leases reflected in the accompanying financial statements is \$137,406 during the year ended June 30, 2018. Minimum future rental payments under the operating lease in excess of one year as of June 30, 2018, is as follows:

2019	137,406
2020	137,406
2021	<u>103,055</u>
	377,867

In September 2011, the Lancaster County Career and Technology Center Authority (Authority) adopted a resolution approving capital projects for the Lancaster County Career and Technology Center (LCCTC) and to have the Authority issue guaranteed lease revenue bonds totaling between \$21,000,000 and \$30,000,000.

The LCCTC and the sixteen-member School Districts entered into an agreement with the Authority stipulating that each School District will pay its proportionate share of the lease rentals in order to fund the debt based on real estate market values as set forth in the LCCTC Organization Agreement.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OPERATING LEASES (Continued)

The Authority issued lease revenue bonds and notes between June 2012 and February 2017. Total lease expense for the Authority rentals amounted to \$67,898 for the year ended June 30, 2018.

The School District's lease rental obligation for future minimum rental payments related to these bond and note issues are as follows:

Fiscal Year Ended June 30,	Estimated Future Minimum Rental Payments
2019	67,540
2020	67,532
2021	67,475
2022	67,385
2023	67,481
2024 - 2028	337,578
2029 - 2033	337,351
2034 - 2037	<u>269,774</u>
	1,282,116

NOTE 12 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities for compensated absences is as follows as of June 30, 2018:

Accumulated Sick Days	738,407
Accumulated Vacation Days	177,767
Accrued Service Stipend	<u>257,294</u>
	1,173,468

NOTE 13 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by the Public School Employees' Retirement System (PSERS).

PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.pa.gov.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to four membership classes. Class T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

Member Contributions

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

Members who joined the plan 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 T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2018, was 32.57% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$8,362,000 for the year ended June 30, 2018.

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 \$93,181,000 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 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 0.1887%, which was an decrease of .0052% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$10,622,000. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	972,000	563,000
Changes in Assumptions	2,532,000	-0-
Net Difference between Projected and Actual Investment Earnings	2,160,000	-0-
Change in Proportions	3,282,000	1,889,000
Difference between Employer Contributions and Proportionate Share of Total Contributions	186,000	14,000
Contributions Subsequent to the Measurement Date	<u>8,362,000</u>	<u>-0-</u>
	17,494,000	2,466,000

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

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

\$8,362,000 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase or (decrease) in pension expense as follows:

Year Ended June 30:

2019	2,268,000
2020	3,115,000
2021	2,026,000
2022	<u>(743,000)</u>
	6,666,000

Actuarial Assumptions

The total pension liability as of June 30, 2017, was determined by rolling forward PSERS' 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. There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2017.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity (Hedged)	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute Return (HF)	10.0%	3.4%
Risk Parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative Investments (PE)	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>(20.0%)</u>	1.1%
	100.0%	

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to 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 1 percentage point lower (6.25%) or 1 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	114,716,000	93,181,000	75,027,000

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the School District reported a payable of \$2,538,106 to PSERS. \$159,892 was withheld from participants' pay during June 2018, and is payable to PSERS by July 10, 2018. \$2,378,214 is the School District's contribution attributable to payroll during the second quarter of 2018, and is payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania.

Pension Reform

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension Reform (Continued)

The pension reform act is anticipated to result in increases to employer contribution rates for the next 15 years through 2034 due to higher initial costs of the new retirement plans. From 2035 to 2050, employer rates are projected to begin to decline due to the lower long-term employer costs of the new retirement plans.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the OPEB Plan

Plan Description

The School District maintains a single-employer defined benefit OPEB plan to provide postemployment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

Benefits Provided

The plan provides medical and prescription drug coverage to employees who retire from active service and qualify for pension benefits, and their spouse and eligible dependents. Retirees are eligible for benefits until age 65 upon paying 100% of the premium; spouse and dependents are eligible for benefits until age 65, and may continue coverage for no more than three years after the retiree's death upon paying the COBRA-equivalent premium.

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	14
Inactive Employees Entitled to but not yet Receiving Benefits	-0-
Active Employees	<u>392</u>
	406

Total OPEB Liability

The School District's total OPEB liability of \$4,216,000 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2017.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.13%, Based on 20-Year High Grade Municipal Rate Index

Long Term Expected Rate of Return: N/A, the Plan is Unfunded

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Healthcare Cost Trend: 9.0% for 2018, decreasing 1.0% per year to an ultimate rate of 5.0% for 2022 and later years

Retirees' Share of Benefit-Related Costs: 100.0% of Premium

Mortality Rates:

Preretirement - RP-2014 Employee (Male and Female)

Postretirement - RP-2014 Health Annuitant (Male and Female)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period ended July 1, 2017.

Changes in the Total OPEB Liability

Balance, June 30, 2017	4,133,000
Changes for the Year	
Service Cost	158,000
Interest	123,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	-0-
Benefit Payments	<u>(198,000)</u>
Net Changes	<u>83,000</u>
Balance, June 30, 2018	4,216,000

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

The following presents the total OPEB liability of the School District for the single-employer plan, as well as what the School District's total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

Total OPEB Liability

2.13% Discount Rate (1.0% Decrease)	4,612,000
3.13% Discount Rate (Current Rate)	4,216,000
4.13% Discount Rate (1.0% Increase)	3,860,000

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

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's single-employer plan, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

Total OPEB Liability

8.0% Decreasing to 4.0% (1% Decrease)	3,767,000
9.0% Decreasing to 5.0% (Current Rate)	4,216,000
10.0% Decreasing to 6.0% (1% Increase)	4,743,000

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The Pennsylvania Public School Employees' Retirement System (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 (HOP). As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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, 2018, 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 \$217,000 for the year ended June 30, 2018.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

OPEB Liabilities and OPEB Expense

At June 30, 2018, the School District reported a liability of \$3,845,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The 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, 2017, the School District's proportion was 0.1887%, which was a decrease of 0.0052% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$152,000 related to this plan.

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 Percent of Pay

Investment Return: 3.13%, Based on the S&P 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: Applied to retirees with less than \$1,200 in Premium Assistance per year

Mortality Rates: RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale

Participation Rate:

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

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

The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2015, determined the employer contribution rate for fiscal year 2017.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date

Asset Valuation Method: Market Value

Participation Rate: 63% of eligible retirees are assumed to elect premium assistance

Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits)

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.60%
Fixed Income	<u>23.60%</u>	1.50%
	100.00%	

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

Discount Rate

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

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

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

Net OPEB Liability

2.13% Discount Rate (1.0% Decrease)	4,370,000
3.13% Discount Rate (Current Rate)	3,845,000
4.13% Discount Rate (1.0% Increase)	3,408,000

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

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

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

Net OPEB Liability	
1% Decrease	3,844,000
Current Rate	3,845,000
1% Increase	3,845,000

OPEB Plan Fiduciary Net Position

Detailed information about the PSERS OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System's website at www.psers.pa.gov.

AGGREGATE OPEB INFORMATION

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 \$511,925. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions and Benefit Payments After the Measurement Date	393,000	-0-
Differences Between Expected and Actual Experience	-0-	186,000
Changes of Assumptions	954,000	179,000
Changes in Proportion	-0-	96,000
	1,347,000	461,000

\$393,000 reported as deferred outflows of resources related to OPEB resulting from the School District's benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be increased in OPEB expense as follows:

Fiscal Year Ended June 30:	
2019	32,000
2020	32,000
2021	32,000
2022	32,000
2023	32,000
Thereafter	333,000
	493,000

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - RISK MANAGEMENT

Self-Insured Health Benefits

The School District self-insures medical and prescription benefits for eligible employees and their dependents. The claims for these self-insured benefits are processed by the School District's third-party administrator. The School District remits funds to the third-party administrator. The third-party administrator invoices the School District weekly for paid claims. The School District was limited in liability to \$175,000 per individual and \$7,345,284 in total for medical and prescription claims for the year ended June 30, 2018. The School District has recorded a liability for claims incurred prior to June 30, 2018, and paid subsequently in the amount of \$572,947. School District obligations for health claims incurred by participants are estimated as claims paid after year end that have service dates during the reporting period, and adding an additional reserve for unreported claims which is determined by the third-party administrator. The claim liability is reflected in accounts payable in the internal service fund on the statement of net position - proprietary funds.

Change in Aggregate Claim Liabilities - Health Benefits

	June 30, 2018	June 30, 2017
Claim Liability - Beginning of Year	296,217	594,846
Current Year Claims and Changes in Estimates	5,369,861	5,923,638
Claim Payments by School District	<u>(5,093,131)</u>	<u>(6,222,267)</u>
Claim Liability - End of Year	572,947	296,217

Workers' Compensation

The School District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for 19 member school districts and the Lancaster-Lebanon Intermediate Unit and the Lancaster County Academy. This agreement states that the School District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2018, the School District is not aware of any additional assessments relating to the Fund.

Other Risks

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2018, and the two previous fiscal years, no settlements exceeded insurance coverage.

The School District fully insures dental and vision benefits for employees electing coverage.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - FUND BALANCE CLASSIFICATIONS

Nonspendable fund balance represents fund balances that are not in a spendable form or are required to be maintained intact.

General Fund - Nonspendable Prepaid Expenses	19,172
General Fund - Nonspendable Inventories	<u>113,210</u>
	132,382

Restricted fund balance is restricted by a third party.

Capital Project Fund - Cash in Escrow to Guarantee Satisfactory Completion of Capital Projects	583,270
Capital Project Fund - Future Capital Projects	<u>4,937,407</u>
	5,520,677

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. At June 30, 2018, the School District has included the following as committed fund balances:

General Fund - Committed to Offset Future Retirement Contributions	1,000,000
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Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or a body to which the governing body delegates the authority.

General Fund - Assigned for Fiscal Year 2018-2019 Budget Deficit	700,000
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NOTE 17 - COMPONENTS of NET POSITION

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to capital assets or related debt are also included in this component of net position.

The restricted component of net position consists of the resources of the School District's capital reserve fund, which pursuant to Commonwealth legislation, may only be spent for capital improvements; replacement of, addition to and improvement to public works; deferred maintenance and the replacement of school buses. The Pennsylvania Department of Education has determined that new construction and the associated debt service may also be accounted for in the capital reserve fund.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 18 - CONTINGENCIES and COMMITMENTS

Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

Legal Matters

The School District is involved in claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Construction Commitments

The School District has entered into various contracts for renovations, solar additions, and improvements to a School District elementary school. The amount remaining on the outstanding contracts is approximately \$763,271 at June 30, 2018.

Transportation Contract

The School District has entered into an agreement for the transportation of school pupils. The original agreement was for the period of July 1, 2010 through June 30, 2015, with one two-year and one one-year extensions added. The current agreement expired on June 30, 2018. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract which are subject to annual CPI increases based on the transportation cost index adjustment determined by the Department of Education.

Collective Bargaining Agreement

The School District has entered into a collective bargaining agreement with the Elizabethtown Area Education Association. The agreement in effect is for the period of July 1, 2017 through June 30, 2020. The agreement stipulates the overall working conditions as well as the provisions for wages and employee benefits for the School District's professional staff for the term of the contract.

NOTE 19 - TAX ABATEMENTS

The School District is a local taxing authority, authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial and other business properties to encourage development and job growth within the School District. The School District, in conjunction with the county and municipal taxing authorities, approved eligible areas on November 19, 2013, and on July 14, 2014. Applications for exemption must be made within five years of the effective date of the School Board's approval of the area. The property tax abatement is equal to 100% of the real property tax on the assessed value of the property improvement to the deteriorated property. The percentage of tax abatement declines in increments of 10% from years 2 through 10. Exemption is revoked and forfeited for failure by the property owner to pay any nonexempt real estate taxes by the last day of the time period to pay such taxes in the penalty period.

Elizabethtown Area School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 19 - TAX ABATEMENTS (Continued)

For the year ended June 30, 2018, the School District abated approximately \$663,000 of property taxes under these agreements.

NOTE 20 - PAYMENTS in LIEU of TAXES

The School District, as a taxing Authority, is permitted to accept payment in lieu of taxes (PILOT) from charitable organizations owning exempt real estate within its boundaries. The School District, in 2008, entered into a 20-year agreement with a charitable organization that provides for PILOT of approximately \$804,000 in the initial year escalating to approximately \$1,049,000 in the final year of the agreement. The receipt from this agreement, along with other PILOT receipts, is recorded as unrestricted contributions of the governmental activities in the statement of activities.

NOTE 21 - CHANGE in ACCOUNTING PRINCIPLE

In conjunction with implementation of GASB Statement No. 75, the School District restated the beginning net position of the governmental activities, the business-type activities, and proprietary fund. In prior years, the School District accounted for other postemployment benefits (OPEB) in accordance with GASB Statement No. 45, which permitted amortization of the initial unfunded OPEB liability for a period of thirty years, and did not require the School District to report its proportionate share of cost-sharing multiple-employer OPEB plans. Accordingly, net position as of July 1, 2017, has been restated as follows:

	Governmental Activities	Business-Type Activities and Proprietary Fund
Net Position as Previously Reported on June 30, 2017	(37,308,770)	(1,263,645)
Prior Period Adjustment:		
Net OPEB Liability	(7,393,087)	(83,340)
Deferred Outflows of Resources	1,444,000	14,000
Deferred Inflows of Resources	<u>(203,000)</u>	<u>(2,000)</u>
Total Prior Period Adjustment	<u>(6,152,087)</u>	<u>(71,340)</u>
Net Position as Restated, July 1, 2017	(43,460,857)	(1,334,985)

Elizabethtown Area School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -

BUDGET and ACTUAL -

GENERAL FUND

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Local Sources:				
Real Estate Taxes	\$ 34,211,386	\$ 34,211,386	\$ 34,344,950	\$ 133,564
Other Taxes	4,514,810	4,514,810	4,798,945	284,135
Investment Earnings	25,000	25,000	213,357	188,357
Other Revenue	1,490,000	1,490,000	1,633,086	143,086
Total Local Sources	40,241,196	40,241,196	40,990,338	749,142
State Sources	18,868,223	18,868,224	19,189,773	321,549
Federal Sources	545,000	545,000	818,051	273,051
Total Revenues	59,654,419	59,654,420	60,998,162	1,343,742
EXPENDITURES				
Instructional Services:				
Regular Programs	28,153,345	28,151,127	27,855,156	295,971
Special Programs	7,687,600	7,687,601	8,361,714	(674,113)
Vocational Programs	2,575,418	2,575,418	2,429,459	145,959
Other Instructional Programs	276,807	276,807	241,531	35,276
Nonpublic School Programs	-0-	-0-	2,783	(2,783)
Total Instructional Services	38,693,170	38,690,953	38,890,643	(199,690)
Support Services:				
Pupil Personnel Services	2,051,603	2,049,325	2,241,034	(191,709)
Instructional Staff Services	753,369	753,369	831,638	(78,269)
Administrative Services	3,814,705	3,814,705	3,689,741	124,964
Pupil Health	746,661	746,661	724,041	22,620
Business Services	1,009,665	1,009,665	1,029,424	(19,759)
Operation of Plant and Maintenance Services	4,610,087	4,610,085	4,583,783	26,302
Student Transportation Services	2,503,606	2,503,606	2,444,040	59,566
Central and Other Business Services	1,355,189	1,357,689	1,404,618	(46,929)
Total Support Services	16,844,885	16,845,105	16,948,319	(103,214)
Noninstructional Services:				
Student Activities	1,055,515	1,055,512	1,174,497	(118,985)
Community Services	99,453	99,453	121,932	(22,479)
Total Noninstructional Services	1,154,968	1,154,965	1,296,429	(141,464)
Total Expenditures	56,693,023	56,691,023	57,135,391	(444,368)
EXCESS of REVENUES				
OVER EXPENDITURES	2,961,396	2,963,397	3,862,771	899,374
OTHER FINANCING SOURCES (USES)				
Transfer Out	(3,992,692)	(3,992,692)	(5,652,292)	(1,659,600)
Proceeds from Sales of Fixed Assets	-0-	-0-	17,154	17,154
Refund of Prior Year's Expenditures	-0-	-0-	14,836	14,836
Refund of Prior Year's Receipts	(5,000)	(5,000)	(3,761)	1,239
Budgetary Reserve	(200,000)	(200,000)	-0-	200,000
Net Other Financing Uses	(4,197,692)	(4,197,692)	(5,624,063)	(1,426,371)
NET CHANGES in FUND BALANCES	\$ (1,236,296)	\$ (1,234,295)	(1,761,292)	\$ (526,997)
FUND BALANCES				
Beginning			6,712,370	
Change in Inventory			(38,325)	
Ending			\$ 4,912,753	

See independent auditors' report.

Elizabethtown Area School District
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Elizabethtown Area School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.
2. If the School Board adopts the resolution, management submits prior to May 31 to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. A public hearing is conducted to obtain taxpayer comments.
4. If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
5. In either case, prior to June 30, the budget is legally enacted through adoption of a resolution.
6. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
7. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2018.
9. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.
10. Where applicable, unbudgeted federal and state revenues and expenditures have been added to the original budgeted revenues and expenditures.

See independent auditors' report.

Elizabethtown Area School District
SCHEDULE of CHANGES in NET OPEB LIABILITY and RELATED RATIOS -
SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
Last 10 Fiscal Years

	2018	2017
Total OPEB Liability		
Service Cost	\$ 158,000	\$ 165,000
Interest	123,000	130,000
Change of Benefit Terms	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(205,000)
Change of Assumptions	-0-	1,051,000
Benefit Payments	<u>(198,000)</u>	<u>(175,000)</u>
Net Change in Total OPEB Liability	83,000	966,000
Total OPEB Liability - Beginning	<u>4,133,000</u>	<u>3,167,000</u>
Total OPEB Liability - Ending	<u>\$ 4,216,000</u>	<u>\$ 4,133,000</u>
Covered Payroll	24,341,850	23,748,146
Net OPEB Liability as a Percentage of Covered Payroll	17.3%	17.4%

Note: Information is not available prior to 2017.

See independent auditors' report.

Elizabethtown Area School District
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
Last 10 Fiscal Years

Funding:

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

Changes of Assumptions:

Measurement period ending June 30, 2016:

Actuarial cost method was adjusted from Unit Credit method to Entry Age Normal.

Discount rate was reduced from 4.00% to 3.00%.

Salary growth changed from an annual rate of 0.00% to 2.50%.

See independent auditors' report.

Elizabethtown Area School District
 SCHEDULE of EMPLOYER CONTRIBUTIONS -
 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
 Last 10 Fiscal Years

Fiscal Year Ended June 30	Contractually Required Contributions	Contributions from Employer	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	215,000	215,000	-0-	23,830,686	0.90%
2016	213,000	213,000	-0-	25,096,810	0.84%
2017	209,000	209,000	-0-	25,124,912	0.83%
2018	217,000	217,000	-0-	26,189,528	0.83%

Note: Information is not available prior to 2015.

See independent auditors' report.

Elizabethtown Area School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OPEB LIABILITY -

PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN

Last 10 Fiscal Years

Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered-Employee Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2016	0.1939%	4,177,000	25,106,006	16.64%	5.73%
2017	0.1887%	3,845,000	25,123,007	15.30%	5.47%

Note: Information is not available prior to 2016. The data provided in the schedule is based on the measurement date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

Elizabethtown Area School District
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
Last 10 Fiscal Years

Changes of Assumptions:

Measurement period ending June 30, 2016:

Discount rate was increased from 2.71% to 3.13%.

Salary grown changes from an effective average of 5.50% to 5.00%

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

See independent auditors' report.

Elizabethtown Area School District
 SCHEDULE of EMPLOYER CONTRIBUTIONS -
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 Last 10 Fiscal Years

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Defined Benefit					
Pension Plan:					
2009	812,918	812,918	-0-	20,322,940	4.00%
2010	854,302	854,302	-0-	21,357,556	4.00%
2011	1,111,803	1,111,803	-0-	22,236,068	5.00%
2012	1,713,123	1,713,123	-0-	21,414,031	8.00%
2013	2,599,517	2,599,517	-0-	22,601,376	11.50%
2014	3,743,461	3,743,461	-0-	23,392,576	16.00%
2015	4,766,705	4,766,705	-0-	23,830,686	20.50%
2016	6,147,137	6,147,137	-0-	25,106,006	25.00%
2017	7,246,281	7,246,281	-0-	25,123,007	29.20%
2018	8,257,531	8,257,531	-0-	26,189,528	31.74%

See independent auditors' report.

Elizabethtown Area School District

SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered- Employee Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1833%	72,551,711	23,392,576	310.15%	57.24%
2015	0.1849%	80,090,261	23,787,038	336.70%	54.36%
2016	0.1939%	96,091,000	25,106,006	382.74%	50.14%
2017	0.1887%	93,181,000	25,123,007	370.90%	51.84%

Note: Information is not available prior to 2014. The data provided in the schedule is based on the measurement date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

Elizabethtown Area School District
NOTES to REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years

Changes of Benefit Terms:

Measurement period ending June 30, 2017:

Beginning June 12, 2017, with the passage of Act 5, Class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes of Assumptions:

Measurement period ending June 30, 2016:

Investment rate of return was adjusted from 7.50% to 7.25%.

Inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50% to 5.00%.

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

See independent auditors' report.

Elizabethtown Area School District

COMBINING BALANCE SHEET -

CAPITAL PROJECTS FUND

June 30, 2018

	Capital Projects Fund	Capital Reserve Fund	2017 Bond Construction Fund	Totals
ASSETS				
Cash and Cash Equivalents	\$ 890,527	\$ 512,235	\$ 817,888	\$ 2,220,650
Restricted Cash	-0-	-0-	583,270	583,270
Investments	-0-	3,005,054	1,825,560	4,830,614
Due from Other Funds	<u>818</u>	<u>-0-</u>	<u>-0-</u>	<u>818</u>
TOTAL ASSETS	<u>891,345</u>	<u>3,517,289</u>	<u>3,226,718</u>	<u>7,635,352</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	33,250	-0-	1,629,973	1,663,223
Retainage Payable	-0-	-0-	403,590	403,590
Due to Other Funds	<u>11,875</u>	<u>-0-</u>	<u>35,987</u>	<u>47,862</u>
TOTAL LIABILITIES	45,125	-0-	2,069,550	2,114,675
FUND BALANCES				
Restricted	<u>846,220</u>	<u>3,517,289</u>	<u>1,157,168</u>	<u>5,520,677</u>
TOTAL FUND BALANCES	<u>846,220</u>	<u>3,517,289</u>	<u>1,157,168</u>	<u>5,520,677</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 891,345</u>	<u>\$ 3,517,289</u>	<u>\$ 3,226,718</u>	<u>\$ 7,635,352</u>

See independent auditors' report.

Elizabethtown Area School District
 COMBINING STATEMENT of REVENUES, EXPENDITURES, and
 CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND
 Year Ended June 30, 2018

	Capital Projects Fund	Capital Reserve Fund	2017 Bond Construction Fund	Totals
REVENUES				
Local Sources:				
Investment Earnings	\$ 1,237	\$ 12,304	\$ 96,208	\$ 109,749
EXPENDITURES				
Current:				
Support Services	45,125	-0-	432,385	477,510
Capital Outlay:				
Facilities Acquisition, Construction, and Improvement Services	<u>24,949</u>	<u>-0-</u>	<u>11,637,889</u>	<u>11,662,838</u>
TOTAL EXPENDITURES	<u>70,074</u>	<u>-0-</u>	<u>12,070,274</u>	<u>12,140,348</u>
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	(68,837)	12,304	(11,974,066)	(12,030,599)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-0-</u>	<u>1,954,600</u>	<u>-0-</u>	<u>1,954,600</u>
NET CHANGES in FUND BALANCES	(68,837)	1,966,904	(11,974,066)	(10,075,999)
FUND BALANCES				
Beginning	<u>915,057</u>	<u>1,550,385</u>	<u>13,131,234</u>	<u>15,596,676</u>
Ending	<u><u>\$ 846,220</u></u>	<u><u>\$ 3,517,289</u></u>	<u><u>\$ 1,157,168</u></u>	<u><u>\$ 5,520,677</u></u>

See independent auditors' report.

Elizabethtown Area School District
 COMBINING STATEMENT of FIDUCIARY NET POSITION -
 PRIVATE-PURPOSE TRUST FUND
 June 30, 2018

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Total Private - Purpose Trust Fund
ASSETS					
Cash and Cash Equivalents	\$ 99,748	\$ 385	\$ 18,983	\$ 84,578	\$ 203,694
Investments	<u>252,112</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>252,112</u>
TOTAL ASSETS	<u>351,860</u>	<u>385</u>	<u>18,983</u>	<u>84,578</u>	<u>455,806</u>
LIABILITIES					
Accounts Payable	<u>12,850</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>	<u>14,850</u>
TOTAL LIABILITIES	12,850	-0-	-0-	2,000	14,850
NET POSITION					
Held in Trust for Scholarships	114,010	-0-	131	7,578	121,719
Held in Trust for Health Programs	-0-	385	-0-	-0-	385
Endowments	<u>225,000</u>	<u>-0-</u>	<u>18,852</u>	<u>75,000</u>	<u>318,852</u>
TOTAL NET POSITION	<u>339,010</u>	<u>385</u>	<u>18,983</u>	<u>82,578</u>	<u>440,956</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 351,860</u>	<u>\$ 385</u>	<u>\$ 18,983</u>	<u>\$ 84,578</u>	<u>\$ 455,806</u>

See independent auditors' report.

Elizabethtown Area School District
 COMBINING STATEMENT of CHANGES IN FIDUCIARY NET POSITION -
 PRIVATE-PURPOSE TRUST FUND
 Year Ended June 30, 2018

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Total Private - Purpose Trust Fund
ADDITIONS					
Gifts and Contributions	\$ 10,481	\$ -0-	\$ -0-	\$ -0-	\$ 10,481
Investment Earnings	<u>2,017</u>	<u>2</u>	<u>18</u>	<u>509</u>	<u>2,546</u>
TOTAL ADDITIONS	12,498	2	18	509	13,027
DEDUCTIONS					
Scholarships Awarded	<u>16,325</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>	<u>18,325</u>
CHANGES IN NET POSITION	(3,827)	2	18	(1,491)	(5,298)
NET POSITION					
Beginning	<u>342,837</u>	<u>383</u>	<u>18,965</u>	<u>84,069</u>	<u>446,254</u>
Ending	<u>\$ 339,010</u>	<u>\$ 385</u>	<u>\$ 18,983</u>	<u>\$ 82,578</u>	<u>\$ 440,956</u>

See independent auditors' report.

Elizabethtown Area School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
Year Ended June 30, 2018

				Federal	Pass-Through	Grant Period		Accrued			Accrued	
			Source	CFDA	Grantor's	Beginning/	Grant	(Deferred)	Total		(Deferred)	Passed
Federal Grantor	Pass-Through Agency	Federal Program	Code	Number	Number	Ending Date	Amount	Revenue at	Received	Expenditures	Revenue at	Through to
								July 1, 2017	for the Year		June 30, 2018	Subrecipients
Child Nutrition Cluster												
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A	\$ -0-	\$ 80,804	\$ 98,511	\$ 17,707	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A	16,892	16,892	-0-	-0-	-0-
			Total	10.553				16,892	97,696	98,511	17,707	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	-0-	407,512	478,968	71,456	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	77,855	77,855	-0-	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/17 - 06/30/18	N/A	(16,338) A)	95,399 B)	85,147 C)	(26,590) D)	-0-
			Total	10.555				61,517	580,766	564,115	44,866	-0-
		Total Child Nutrition Cluster						78,409	678,462	662,626	62,573	-0-
Special Education Cluster												
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Grants to States	I	84.027	062-180013	07/01/17 - 09/30/18	660,037	-0-	172,492	660,037	487,545	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Grants to States	I	84.027	062-170013	07/01/16 - 09/30/17	635,019	10,000	10,000	-0-	-0-	-0-
			Total	84.027				10,000	182,492	660,037	487,545	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Preschool Grants	I	84.173	131-170013	07/01/17 - 09/30/18	4,002	-0-	-0-	4,002	4,002	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Preschool Grants	I	84.173	131-160013	07/01/16 - 06/30/17	2,378	2,378	2,378	-0-	-0-	-0-
			Total	84.173				2,378	2,378	4,002	4,002	-0-
		Total Special Education Cluster						\$ 12,378	\$ 184,870	\$ 664,039	\$ 491,547	\$ -0-

See independent auditors' report.

Elizabethtown Area School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2018

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2017	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2018	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-180135	08/14/17 - 9/30/18	489,366	\$ -0-	\$ 420,586	\$ 483,902	\$ 63,316	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-180135	08/14/17 - 9/30/18	114,997	-0-	82,269	110,647	28,378	-0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-170135	07/01/16 - 09/30/17	85,764	<u>12,168</u>	<u>12,168</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total				84.367				12,168	94,437	110,647	28,378	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-180090	08/14/17-09/30/18	11,048	-0-	11,048	10,006	(1,042)	-0-
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/17 - 9/30/18	N/A	-0-	2,424	2,424	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/16 - 09/30/17	N/A	<u>8,699</u>	<u>8,699</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Medicaid Cluster								8,699	11,123	2,424	-0-	-0-
TOTAL EXPENDITURES of FEDERAL AWARDS								\$ 111,654	\$ 1,400,526	\$ 1,933,644	\$ 644,772	\$ -0-

Legend

I = Indirect funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

Elizabethtown Area School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2018

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 2 - NATIONAL SCHOOL LUNCH PROGRAM - PASSED THROUGH the PENNSYLVANIA DEPARTMENT of AGRICULTURE

- A) Beginning inventory at July 1.
- B) Total amount of commodities received from the Department of Agriculture.
- C) Total amount of commodities used.
- D) Ending inventory at June 30.

NOTE 3 - DE MINIMIS INDIRECT COST RATE

The School District did not elect to use the 10% de minimis indirect cost rate.

NOTE 4 - ACCESS

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2018, was \$103,072 which is listed on the PDE Confirmation as program #044-007135.

See independent auditors' report.

**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 Officers and Members
Elizabethtown Area School District
Elizabethtown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Elizabethtown Area School District**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise **Elizabethtown Area School District's** basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Elizabethtown 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 **Elizabethtown Area School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Elizabethtown 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2018-001 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Elizabethtown 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*.

Elizabethtown Area School District's Response to Findings

Elizabethtown Area School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Elizabethtown Area School District's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

November 7, 2018
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP
TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for EACH MAJOR PROGRAM
and on INTERNAL CONTROL over COMPLIANCE REQUIRED by the UNIFORM GUIDANCE**

To the Board Officers and Members
Elizabethtown Area School District
Elizabethtown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited **Elizabethtown Area School District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Elizabethtown Area School District's** major federal programs for the year ended June 30, 2018. **Elizabethtown 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for **Elizabethtown 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* 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 **Elizabethtown 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 **Elizabethtown Area School District's** compliance.

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Opinion on Each Major Federal Program

In our opinion, **Elizabethtown 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 **Elizabethtown 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 **Elizabethtown 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Elizabethtown 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

November 7, 2018
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP
TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Elizabethtown Area School District
SCHEDULE of FINDINGS and QUESTIONED COSTS
Year Ended June 30, 2018

A. Summary of Auditors' Results

1. The independent auditors' report expresses unmodified opinions on the financial statements of **Elizabethtown Area School District**.
2. One material weakness and no significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of **Elizabethtown Area School District** were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for **Elizabethtown Area School District** expresses an unmodified opinion.
6. Audit findings relative to the major federal awards program for **Elizabethtown Area School District** are reported in part C of this schedule.
7. The programs tested as major programs are: School Breakfast Program - CFDA #10.553, National School Lunch Program - CFDA #10.555, Special Education - Grants to States - CFDA #84.027, and Special Education - Preschool Grants - CFDA #84.173.
8. The threshold for distinguishing type A and B programs was \$750,000.
9. **Elizabethtown Area School District** was not determined to be a low-risk auditee.

Elizabethtown Area School District
SCHEDULE of FINDINGS and QUESTIONED COSTS
(Continued)
Year Ended June 30, 2018

B. Findings - Financial Statements Audit

Material Weakness

#2018-001 2017 Bond Construction Fund - Accounts Payable and Retainage Payable

Criteria: The capital projects funds utilize the modified accrual basis of accounting, which prescribes that expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Statement of Condition: We identified unrecorded accounts payable for the 2017 Bond Construction Fund. We also identified retainage payable that should have been recorded for open contracts related to the Bainbridge project. Adjusting journal entries were proposed to and accepted by management to record additional accounts payable of \$142,610 and retainage payable of \$403,590 to reflect the appropriate balance at year end.

Cause and Effect: If not for the adjustments proposed by the auditors, liabilities would have been understated by an amount that is material to the capital projects funds.

Identification of Repeat Finding: Yes, retainage disclosed as a significant deficiency in the prior year. See #2017-002.

Recommendation: The School District should review invoices received near year end to determine if they should be recorded as accounts payable for the school year. The School District should also review year-end payment applications from contractors to determine the amount of retainage, if any, that should be recorded as a payable in the appropriate fund.

Management Response: Management accepts the auditor's recommendation. The accounts payable was for a playground change order dated January 2018 that was thought to be already processed, and going forward the District will review year end pay applications to determine if any retainage should be recorded as a payable.

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

Elizabethtown Area School District
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Material Weakness

#2017-001 Internal Service Fund - Accounts Payable

Statement of Condition: During our audit, we noted the amount recorded as accounts payable in the Internal Service Fund related to all subsequent invoices received for that fund. Accounts payable should only include expenses incurred related to the fiscal year that were not paid prior to year end. For the Internal Service Fund, the School District should record accounts payable based on the Incurred but Not Reported (IBNR) report provided by their third-party administrator as this will be the best estimate of expenses incurred prior to year end, but not paid before year end. Alternately, the School District could record claims runs after year end, and record a payable for only those claims incurred prior to June 30.

Recommendation: The School District should review the IBNR and post the amounts included on the report as accounts payable and employee benefits expenses in the future. A comparison of the amount to the prior year end provides a second level check of the reasonableness of the amount recorded.

Current Status: The School District appropriately posted IBNR and accounts payable to the Internal Service Fund.

Significant Deficiency

#2017-002 Adjusting Journal Entries and Year-End Close Process

Statement of Condition: During our audit, there were significant adjusting journal entries identified by the auditors that needed to be made in order for the financial statements to be prepared in conformity with generally accepted accounting principles. The School District assumed responsibility for and evaluated the accuracy of the adjusting journal entries and has accepted responsibility for them. The significant audit adjustments that needed to be made were as follows:

1. Adjusting accrued payroll for an understatement which was caused by not recording accrued retirement payouts.
2. Adjusting accounts payable for an understatement which was caused by not recording retainage for construction contracts that were included in construction in process.
3. Adjusting retirement subsidy receivable for an overstatement which was caused by a transposed digit.
4. Adjusting delinquent tax revenue for an understatement which was caused by not reconciling the reports received from the Tax Claim Bureau to the amounts received by the School District.
5. Adjusting transportation subsidy receivable for an understatement which was caused by not recording the transportation balance due.

Recommendation: The School District should reevaluate the year-end close process. The School District should focus on closing the fiscal year accounts, which includes recording as many accrual basis adjustments as possible, within 60 days of year end. The School District should require a second level of management review for all year-end adjusting entries that are posted to the system, focusing on the entries that are judgmental, estimated and/or complex in nature. Additionally, we have the following recommendations which correspond to the items as noted above:

1. The School District should obtain all necessary source documents needed to prepare a complete payroll accrual including listing of September retiree payouts.
2. The School District should review year-end construction contracts to determine whether there is any retainage noted that should be booked as accounts payable.

Elizabethtown Area School District
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
(Continued)
Year Ended June 30, 2018

Significant Deficiency (Continued)

#2017-002 Adjusting Journal Entries and Year-End Close Process (Continued)

3. The School District should reconcile grants and subsidies, and compare to the related expenses where relevant, to determine that appropriate receivable balances are recorded.
4. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.

Current Status: As noted in finding #2018-001, the School District did not record retainage for construction contracts. All other items were corrected by the School District.



ELIZABETHTOWN AREA SCHOOL DISTRICT
DISTRICT OFFICE

Corrective Action Plan
November 7, 2018

Elizabethtown Area School District respectfully submits the following corrective action plan for the year ending June 30, 2018.

Oversight Agency for Audit: U.S. Department of Education

Name and address of independent public accounting firm: Trout, Ebersole & Groff, LLP, 1705 Oregon Pike, Lancaster, Pennsylvania 17601-4200

Audit Period: July 1, 2017 through June 30, 2018.

The finding from the Schedule of Findings and Questioned Costs for the year ended June 30, 2018 is discussed below. The finding is numbered consistently with the number assigned in the schedule:

Findings - Financial Statements Audit

Material Weakness

#2018-0012017 Bond Construction Fund -Accounts Payable and Retainage Payable

Criteria: The capital projects funds utilize the modified accrual basis of accounting, which prescribes that expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Statement of Condition: We identified unrecorded accounts payable for the 2017 Bond Construction Fund. We also identified retainage payable that should have been recorded for open contracts related to the Bainbridge project. Adjusting journal entries were proposed to and accepted by management to record additional accounts payable of \$142,610 and retainage payable of \$403,590 to reflect the appropriate balances at year end.

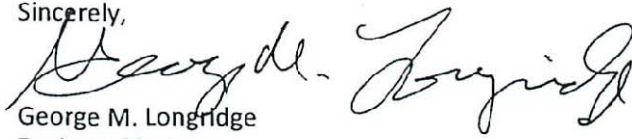
Cause and Effect: If not for the adjustments proposed by the auditors, liabilities would have been understated by an amount that is material to the capital projects funds.

Recommendation: The School District should review invoices received near year end to determine if they should be recorded as accounts payable for the school year. The School District should also review year-end payment applications from contractors to determine the amount of retainage, if any, that should be recorded as payable in the appropriate fund.

Management Response: Management accepts the auditor's recommendation. The accounts payable was for a playground change order dated January 2018 that was thought to be already processed, and going forward the District will review year end pay applications to determine if any retainage should be recorded as a payable.

If the United States Department of Education has questions regarding this plan, please call George M. Longridge at 717-367-1521.

Sincerely,

A handwritten signature in black ink, appearing to read "George M. Longridge". The signature is fluid and cursive, with the first name "George" being more prominent and the last name "Longridge" following in a similar style.

George M. Longridge
Business Manager
Elizabethtown Area School District