

**LEHIGHTON AREA SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2016*



*Expertise Beyond The Numbers®*

*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# LEHIGHTON AREA SCHOOL DISTRICT

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lehigh Area School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For the year ended June 30, 2016, the Lehigh Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, budgetary comparison schedule on pages 61 and 62, schedule of the school district's proportionate share of the net pension liability on page 63, schedule of the school district's contributions on page 64 and schedule of funding progress on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

***Other Reporting Required By Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of Lehigh Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lehigh Area School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania  
December 22, 2016

**LEHIGHTON AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

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The discussion and analysis of the Lehigh Area School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the basic financial statements as well as the notes to the financial statements to enhance their understanding of the District's financial performance.

**Overview of the Financial Statements**

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

***Government-Wide Financial Statements***

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

***Governmental Activities***

**Revenue**

The revenue of the School District during 2015-2016 \$37,304,076 came from three major sources. These sources included, local tax and other revenue, (\$21,830,136), operation grants and contributions from the state (\$14,774,847) and federal governments, (\$699,093).

**Expenses**

The 2015-2016 expenses totaled \$55,498,403, a 47% increase from the prior year. The majority (45%) of the increase was due to capital outlay expenditures for stadium, high school and middle school renovation projects. The table below presents the expenses of the Governmental Activities of the District.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

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

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 24,013,223	\$ -	\$ 21,274,749	\$ 16,618,030
Instructional student support	2,394,910	-	2,218,551	2,026,236
Administrative	3,060,338	-	3,333,310	3,092,824
Operation and maintenance	4,765,455	-	3,935,184	3,759,518
Pupil transportation	1,490,741	-	1,554,055	1,069,908
Student activities	922,769	-	874,637	719,299
Community services	21,726	-	23,467	23,467
Interest on long-term debt	1,746,690	-	324,401	(244,696)
Unallocated depreciation	735,870	-	728,870	728,870
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>39,151,722</u></b>	<b>-</b>	<b>\$ <u>34,267,224</u></b>	<b>27,793,456</b>
Less unrestricted grants, subsidies		<u>9,680,797</u>		<u>9,504,397</u>
<b>TOTAL NEEDED FROM LOCAL TAXES AND OTHER REVENUES</b>		<b>\$ <u>(9,680,797)</u></b>		<b>\$ <u>18,289,059</u></b>

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

**Assets, Liabilities and Net Position**

Net Position was adjusted from (\$11,342,932) June 30, 2015 to (\$13,300,588) June 30, 2016. This was due to the District implementing GASB No. 68 Accounting and Financial Reporting for Pensions, effective July 1, 2014. The District's proportionate share net pension liability was \$48,664,000. Table A-2 reflects the condensed Statement of Net Position for the years ending 2015 and 2016.

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

	Governmental Activities			Business-Type Activities		
	2016	2015	Variance	2016	2015	Variance
<b>ASSETS AND DEFERRED</b>						
<b>OUTFLOWS OF</b>						
<b>RESOURCES</b>						
Current and other assets	\$ 67,009,935	\$ 44,010,768	\$ 22,999,167	\$ 663,395	\$ 597,119	\$ 66,276
Noncurrent assets	36,403,371	20,652,615	15,750,756	176,366	188,201	(11,835)
Deferred outflows of resources	4,389,000	2,966,000	1,423,000	77,000	52,000	25,000
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>107,802,306</b>	<b>67,629,383</b>	<b>40,172,923</b>	<b>916,761</b>	<b>837,320</b>	<b>79,441</b>
<b>LIABILITIES AND DEFERRED</b>						
<b>INFLOWS OF RESOURCES</b>						
Current and other liabilities	11,338,184	6,259,147	5,079,037	891,440	801,045	90,395
Long-term liabilities	108,323,598	69,357,168	38,966,430	876,260	789,133	87,127
Deferred inflows of resources	1,441,114	3,356,000	(1,914,886)	8,000	58,000	(50,000)
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>121,102,896</b>	<b>78,972,315</b>	<b>42,130,581</b>	<b>1,775,700</b>	<b>1,648,178</b>	<b>127,522</b>
<b>NET POSITION</b>						
Net investment in capital assets	21,664,648	18,693,329	2,971,319	176,366	188,201	(11,835)
Restricted	58,217	887,178	(828,961)	-	-	-
Unrestricted	(35,023,455)	(30,923,439)	(4,100,016)	(1,035,305)	(999,059)	(36,246)
<b>TOTAL NET POSITION</b>	<b>\$ (13,300,590)</b>	<b>\$ (11,342,932)</b>	<b>\$ (1,957,658)</b>	<b>\$ (858,939)</b>	<b>\$ (810,858)</b>	<b>\$ (48,081)</b>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

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***Business-Type Activities***

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

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

Functions/Programs	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 1,134,371	\$ (156,211)	\$ 1,091,801	\$ (203,908)
Less investment earnings and transfers		108,130		121,275
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		\$ (48,081)		\$ (82,633)

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

***Fund Financial Statements***

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

***Governmental Funds***

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

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**General Fund Budget Comparison.**

The Budgeted Expenditures for the year were \$38,548,582. The actual expenditures were \$42,175,077. The 13.56% increase, was due to the District awarding contracts to build a new Multi-purpose Stadium after the budget was passed.

***Proprietary Funds***

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

***Fiduciary Funds***

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

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

	Governmental Activities			Business-Type Activities		
	2016	2015	Variance	2016	2015	Variance
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 267,561	\$ 251,724	\$ 15,837	\$ 315,371	\$ 307,664	\$ 7,707
Operating grants and contributions	5,881,202	5,651,979	229,223	662,789	580,229	82,560
Capital grants and contributions	367,358	569,097	(201,739)	-	-	-
General revenues						
Property taxes	18,077,177	13,867,235	4,209,942	-	-	-
Other taxes	2,811,045	2,860,675	(49,630)	-	-	-
Grants, subsidies and contributions unrestricted	9,680,797	9,504,397	176,400	-	-	-
Other	216,576	82,650	133,926	108,130	121,275	(13,145)
<b>TOTAL REVENUES</b>	<b>37,301,716</b>	<b>32,787,757</b>	<b>4,513,959</b>	<b>1,086,290</b>	<b>1,009,168</b>	<b>77,122</b>
<b>EXPENSES</b>						
Instruction	24,013,223	21,274,749	2,738,474	-	-	-
Instructional student support	2,394,910	2,218,551	176,359	-	-	-
Administrative and financial support	3,060,338	3,333,310	(272,972)	-	-	-
Operation and maintenance of plant	4,765,455	3,935,184	830,271	-	-	-
Pupil transportation	1,490,741	1,554,055	(63,314)	-	-	-
Student activities	922,769	874,637	48,132	-	-	-
Community services	21,726	23,467	(1,741)	-	-	-
Interest on long-term debt	1,746,690	324,401	1,422,289	-	-	-
Unallocated depreciation	735,870	728,870	7,000	-	-	-
Food service	107,652	99,912	7,740	1,134,371	1,091,801	42,570
<b>TOTAL EXPENSES</b>	<b>39,259,374</b>	<b>34,367,136</b>	<b>4,892,238</b>	<b>1,134,371</b>	<b>1,091,801</b>	<b>42,570</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (1,957,658)</b>	<b>\$ (1,579,379)</b>	<b>\$ (378,279)</b>	<b>\$ (48,081)</b>	<b>\$ (82,633)</b>	<b>\$ 34,552</b>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

**Capital Assets**

At June 30, 2016 the District had \$36,579,737 invested in capital assets which included land, buildings, equipment, vehicles and furniture. This amount represents a net increase (including additions, deletions and depreciation) of \$15,738,921 or 75.52% from last year.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 1,044,943	\$ 1,117,551	\$ 1,189,214	\$ 1,236,965	\$ 1,233,439	\$ 1,282,972
Buildings and building and improvements	17,693,066	18,114,934	18,705,763	19,290,208	19,394,012	19,977,646
Furniture, equipment and vehicles	982,913	942,931	751,608	705,351	709,427	725,537
Construction in progress	<u>16,858,815</u>	<u>665,400</u>	<u>-</u>	<u>209,165</u>	<u>191,345</u>	<u>-</u>
	<u>\$ 36,579,737</u>	<u>\$ 20,840,816</u>	<u>\$ 20,646,585</u>	<u>\$ 21,441,689</u>	<u>\$ 21,528,223</u>	<u>\$ 21,986,155</u>

**Debt Outstanding**

**Table A-6**  
**Outstanding Debt**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>GENERAL OBLIGATION BONDS</b>						
Series AA of 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,000
Series of 2004	-	-	-	-	-	2,090,000
Series of 2012	-	1,470,000	3,320,000	5,140,000	6,935,000	-
Series of 2014	8,444,000	8,449,000	-	-	-	-
Series of 2015	4,995,000	5,000,000	-	-	-	-
Series A of 2015	32,055,000	-	-	-	-	-
<b>GENERAL OBLIGATION NOTES</b>						
Series of 2006	-	-	-	-	-	1,562,380
Series A of 2007	-	-	-	-	-	4,475,000
Series of 2014	<u>9,995,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 55,489,000</u>	<u>\$ 24,919,000</u>	<u>\$ 3,320,000</u>	<u>\$ 5,140,000</u>	<u>\$ 6,935,000</u>	<u>\$ 8,447,380</u>

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

The District Borrowed \$32,055,000 during the fiscal year in order to finance the construction of a new Elementary Center which when completed will consolidate the 4 existing Elementary schools. The total debt outstanding for the District as of June 30, 2016, was \$55,489,000. More detailed information about our long-term liabilities is included in the Notes to the financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

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**Economic Factors and Next Year's Budgets and Rates**

The District and its Professional Staff (Lehigh Area Educational Association) are currently working under a three (3) year Collective Bargaining Agreement effective from September 1, 2016 to August 31, 2020. The District has negotiated a new contract which will expire August 31, 2020.

The District and its Support Staff (Lehigh Area Educational Support Personnel Association) are currently working under a four (4) year Collective Bargaining Agreement effective from July 1, 2012 to June 30, 2016. The District and the Support Staff are currently still in negotiations.

The District and its Act 93 Administration are currently working under a 3 year contract expiring June 30, 2017.

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

**Table A-7**  
**Budgeted Revenue-By Year**

	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>
Local	57.83%	58.79%	58.93%	59.13%	59.90%	56.20%
State	40.86%	39.76%	39.52%	39.22%	38.53%	41.19%
Federal/other	1.31%	1.45%	1.55%	1.65%	1.57%	2.61%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Table A-8**  
**Budgeted Appropriations-By Year**

	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>
Instruction	64.40%	63.57%	64.92%	63.31%	63.71%	64.98%
Support services	28.02%	27.34%	28.65%	27.09%	27.66%	26.14%
Non-instruction/community	2.08%	2.07%	1.78%	1.98%	2.08%	0.33%
Facilities acquisition, construction and improvement	0.00%	1.08%	1.03%	1.42%	0.58%	0.58%
Fund transfers/debt	5.50%	5.94%	5.62%	6.20%	5.97%	7.97%
	<u>100.00%</u>	<u>100.00%</u>	<u>102.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

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**Requests for Information**

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

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

# LEHIGHTON AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 57,452,903	\$ 179,265	\$ 57,632,168
Investments	1,970,000	-	1,970,000
Receivables, net	2,806,786	-	2,806,786
Internal balances (1)	1,490,149	377,671	1,867,820
Due from other governments	628,878	58,811	687,689
Other receivables	1,295,848	26,824	1,322,672
Inventories	3,734	20,824	24,558
Prepaid expenses	1,296,637	-	1,296,637
Other current assets	65,000	-	65,000
TOTAL CURRENT ASSETS	<u>67,009,935</u>	<u>663,395</u>	<u>67,673,330</u>
NONCURRENT ASSETS			
Land	325,786	-	325,786
Site improvements (net of depreciation)	719,157	-	719,157
Building and building improvements (net of depreciation)	17,693,066	-	17,693,066
Furniture and equipment (net of depreciation)	806,547	176,366	982,913
Construction in progress	16,858,815	-	16,858,815
TOTAL NONCURRENT ASSETS	<u>36,403,371</u>	<u>176,366</u>	<u>36,579,737</u>
TOTAL ASSETS	103,413,306	839,761	104,253,067
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>4,389,000</u>	<u>77,000</u>	<u>4,466,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 107,802,306</u>	<u>\$ 916,761</u>	<u>\$ 108,719,067</u>

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

See accompanying notes to the basic financial statements.

	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Internal balances (1)	\$ 999,337	\$ 868,483	\$ 1,867,820
Due to other governments	130,954	-	130,954
Accounts payable	5,136,819	8,776	5,145,595
Current portion of long-term obligations	1,336,788	2,116	1,338,904
Accrued salaries and benefits	2,978,551	194	2,978,745
Prepayments	-	11,871	11,871
Other current liabilities	755,735	-	755,735
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,338,184</b>	<b>891,440</b>	<b>12,229,624</b>
<b>NONCURRENT LIABILITIES</b>			
Bonds and notes payable	57,292,884	-	57,292,884
Long-term portion of compensated absences	2,005,096	19,044	2,024,140
Net pension liability	48,664,000	846,000	49,510,000
NET OPEB obligation	361,618	11,216	372,834
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>108,323,598</b>	<b>876,260</b>	<b>109,199,858</b>
<b>TOTAL LIABILITIES</b>	<b>119,661,782</b>	<b>1,767,700</b>	<b>121,429,482</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	969,114	-	969,114
Deferred inflows of resources, pension activity	472,000	8,000	480,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,441,114</b>	<b>8,000</b>	<b>1,449,114</b>
<b>NET POSITION</b>			
Net investment in capital assets	21,664,648	176,366	21,841,014
Restricted, capital projects	58,217	-	58,217
Unrestricted	(35,023,455)	(1,035,305)	(36,058,760)
<b>TOTAL NET POSITION</b>	<b>(13,300,590)</b>	<b>(858,939)</b>	<b>(14,159,529)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 107,802,306</b>	<b>\$ 916,761</b>	<b>\$ 108,719,067</b>

# LEHIGHTON AREA SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 24,013,222	\$ 173,422	\$ 4,571,623	\$ -
Instructional student support	2,394,910	-	177,817	-
Administrative/financial support services	3,060,338	-	222,271	-
Operation/maintenance of plant services	4,765,455	5,100	247,340	-
Pupil transportation	1,490,741	3,449	518,569	-
Student activities	922,769	85,590	143,582	-
Community services	21,726	-	-	-
Interest on long-term debt	1,746,690	-	-	367,358
Unallocated depreciation	735,870	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>39,151,721</b>	<b>267,561</b>	<b>5,881,202</b>	<b>367,358</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	1,134,371	315,371	662,789	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 40,286,092</b>	<b>\$ 582,932</b>	<b>\$ 6,543,991</b>	<b>\$ 367,358</b>
<b>GENERAL REVENUES</b>				
Taxes				
Property taxes, levied for general purposes				
Taxes levied for specific purposes				
Grants and entitlements not restricted to specific programs				
Investment earnings				
Miscellaneous income				
Loss on sale of capital assets				
<b>TRANSFERS</b>				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
<b>CHANGE IN NET POSITION</b>				
NET POSITION AT BEGINNING OF YEAR, restated				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (19,268,177)	\$ -	\$ (19,268,177)
(2,217,093)	-	(2,217,093)
(2,838,067)	-	(2,838,067)
(4,513,015)	-	(4,513,015)
(968,723)	-	(968,723)
(693,597)	-	(693,597)
(21,726)	-	(21,726)
(1,379,332)	-	(1,379,332)
<u>(735,870)</u>	<u>-</u>	<u>(735,870)</u>
(32,635,600)	-	(32,635,600)
<u>-</u>	<u>(156,211)</u>	<u>(156,211)</u>
<u>(32,635,600)</u>	<u>(156,211)</u>	<u>(32,791,811)</u>
18,077,177	-	18,077,177
2,811,045	-	2,811,045
9,680,797	-	9,680,797
177,193	308	177,501
41,742	170	41,912
(2,360)	-	(2,360)
<u>(107,652)</u>	<u>107,652</u>	<u>-</u>
<u>30,677,942</u>	<u>108,130</u>	<u>30,786,072</u>
(1,957,658)	(48,081)	(2,005,739)
<u>(11,342,932)</u>	<u>(810,858)</u>	<u>(12,153,790)</u>
<u>\$ (13,300,590)</u>	<u>\$ (858,939)</u>	<u>\$ (14,159,529)</u>

# LEHIGHTON AREA SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,379,477	\$ 50,009,375	\$ 64,051	\$ 57,452,903
Investments	-	1,970,000	-	1,970,000
Taxes receivable, net	1,132,790	-	-	1,132,790
Due from other funds	1,490,149	-	-	1,490,149
Due from other governments	628,878	-	-	628,878
Other receivables	1,295,848	-	-	1,295,848
Inventories	3,734	-	-	3,734
Prepaid expenses	1,198,575	98,062	-	1,296,637
Other current assets	65,000	-	-	65,000
<b>TOTAL ASSETS</b>	<b>\$ 13,194,451</b>	<b>\$ 52,077,437</b>	<b>\$ 64,051</b>	<b>\$ 65,335,939</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ 919,270	\$ 80,067	\$ -	\$ 999,337
Due to other governments	130,954	-	-	130,954
Accounts payable	553,159	4,577,826	5,834	5,136,819
Current portion of compensated absences	222,788	-	-	222,788
Accrued salaries and benefits	2,829,404	-	-	2,829,404
Payroll deductions and withholdings	149,147	-	-	149,147
<b>TOTAL LIABILITIES</b>	<b>4,804,722</b>	<b>4,657,893</b>	<b>5,834</b>	<b>9,468,449</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	969,114	-	-	969,114
<b>FUND BALANCES</b>				
Nonspendable	1,202,309	98,062	-	1,300,371
Restricted	-	47,321,482	58,217	47,379,699
Assigned	3,049,176	-	-	3,049,176
Unassigned	3,169,130	-	-	3,169,130
<b>TOTAL FUND BALANCES</b>	<b>7,420,615</b>	<b>47,419,544</b>	<b>58,217</b>	<b>54,898,376</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,194,451</b>	<b>\$ 52,077,437</b>	<b>\$ 64,051</b>	<b>\$ 65,335,939</b>

See accompanying notes to the basic financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2016**

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 54,898,376

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$55,704,252 and the accumulated depreciation is \$19,300,881. 36,403,371

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds. 3,917,000

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 1,673,996

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(58,406,884)
Accrued interest	(755,735)
Compensated absences	(2,005,096)
Net pension liability	(48,664,000)
OPEB obligation	<u>(361,618)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (13,300,590)

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 21,682,645	\$ 146,030	\$ 1,461	\$ 21,830,136
State sources	14,774,847	-	-	14,774,847
Federal sources	699,093	-	-	699,093
<b>TOTAL REVENUES</b>	<u>37,156,585</u>	<u>146,030</u>	<u>1,461</u>	<u>37,304,076</u>
<b>EXPENDITURES</b>				
Instruction	23,552,117	-	-	23,552,117
Support services	10,195,041	181,488	-	10,376,529
Operation of noninstructional services	920,457	2,283	830,422	1,753,162
Capital outlay	6,448,697	10,581,776	-	17,030,473
Debt service	2,786,122	-	-	2,786,122
<b>TOTAL EXPENDITURES</b>	<u>43,902,434</u>	<u>10,765,547</u>	<u>830,422</u>	<u>55,498,403</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(6,745,849)</u>	<u>(10,619,517)</u>	<u>(828,961)</u>	<u>(18,194,327)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(107,652)	-	-	(107,652)
Proceeds from general obligation bonds issued	-	32,055,000	-	32,055,000
Premium on general obligation bonds issued	-	3,198,814	-	3,198,814
Sale/compensation for fixed assets	3,611	-	-	3,611
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(104,041)</u>	<u>35,253,814</u>	<u>-</u>	<u>35,149,773</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,849,890)	24,634,297	(828,961)	16,955,446
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>14,270,505</u>	<u>22,785,247</u>	<u>887,178</u>	<u>37,942,930</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 7,420,615</u>	<u>\$ 47,419,544</u>	<u>\$ 58,217</u>	<u>\$ 54,898,376</u>

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 16,955,446

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

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$16,592,535) exceeds depreciation (\$835,808) in the current period. 15,756,727

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the Governmental Funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of fixed assets sold. (5,971)

Repayment of bond and lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 1,485,000

In the statement of activities, certain operating expenses--compensated absences (vacations) and special termination benefits (early retirement)--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. (36,078)

Proceeds from debt issuances are a revenue in the Governmental Funds, but this amount increases the long-term liabilities in the statement of net position. (32,055,000)

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (3,644,382)

Pension plan expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds. (590,000)

This amount represents pollution remediation expenses for removing asbestos in the Lehighton Middle School. 176,600

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,957,658)

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2016**

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 179,265
Due from other funds	377,671
Due from other governments	58,811
Other receivables	26,824
Inventories	<u>20,824</u>
TOTAL CURRENT ASSETS	<u>663,395</u>
PROPERTY AND EQUIPMENT	
Machinery and equipment	750,084
Accumulated depreciation	<u>(573,718)</u>
PROPERTY AND EQUIPMENT, net	<u>176,366</u>
TOTAL ASSETS	<u>839,761</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>77,000</u>
CURRENT LIABILITIES	
Due to other funds	868,483
Accounts payable	8,776
Accrued salaries and benefits	194
Prepayments from students	11,871
Current portion of compensated absences	<u>2,116</u>
TOTAL CURRENT LIABILITIES	<u>891,440</u>
NONCURRENT LIABILITIES	
Long-term portion of compensated absences	19,044
Other postemployment benefits obligation	11,216
Net pension liability	<u>846,000</u>
TOTAL NONCURRENT LIABILITIES	<u>876,260</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pension activity	<u>8,000</u>
NET POSITION	
Net investment in capital assets	176,366
Unrestricted	<u>(1,035,305)</u>
TOTAL NET POSITION	<u>\$ (858,939)</u>

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenue	\$ 315,371
Other operating revenues	<u>170</u>
TOTAL OPERATING REVENUES	<u>315,541</u>
OPERATING EXPENSES	
Salaries	190,367
Employee benefits	180,030
Purchased professional and technical services	418
Purchased property services	23,715
Other purchased services	639,753
Supplies	83,362
Depreciation	16,426
Other operating expenses	<u>300</u>
TOTAL OPERATING EXPENSES	<u>1,134,371</u>
OPERATING LOSS	<u>(818,830)</u>
NONOPERATING REVENUES	
Earnings on investments	308
State sources	33,320
Federal sources	<u>629,469</u>
TOTAL NONOPERATING REVENUES	<u>663,097</u>
LOSS BEFORE TRANSFERS	(155,733)
TRANSFERS IN	<u>107,652</u>
CHANGE IN NET POSITION	(48,081)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(810,858)</u>
NET POSITION AT END OF YEAR	<u>\$ (858,939)</u>

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 294,712
Cash received from other operating revenue	170
Cash payments to employees for services	(358,603)
Cash payments to suppliers for goods and services	(727,981)
Cash payments to other operating expenses	(300)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(792,002)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	30,062
Federal sources	641,101
Operating transfers in	107,652
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>778,815</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Facilities acquisition/construction/improvement services	<u>(4,591)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>308</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(17,470)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>196,735</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 179,265</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (818,830)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and net amortization	16,426
Donated foods	(67,185)
Pension expense	10,000
(Increase) decrease in	
Accounts receivable	58,678
Advances to other funds	(79,337)
Inventories	(4,276)
Increase in	
Accounts payable	8,776
Accrued Payroll	194
Compensated absences	1,600
Advances from other funds	77,553
Prepayments	3,712
Other postemployment benefits	687
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (792,002)</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Noncash activities	
Donated foods	\$ (67,185)

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

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	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ <u>384,110</u>	\$ <u>76,768</u>
TOTAL ASSETS	\$ <u><u>384,110</u></u>	\$ <u><u>76,768</u></u>
<b>LIABILITIES</b>		
Due to student clubs	\$ <u>-</u>	\$ <u>76,768</u>
TOTAL LIABILITIES	-	\$ <u><u>76,768</u></u>
<b>NET POSITION</b>		
Unrestricted	<u>384,110</u>	
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>384,110</u></u>	

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

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	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 27,235
Earnings on investments, interest and dividends	<u>879</u>
TOTAL ADDITIONS	<u>28,114</u>
DEDUCTIONS	
Scholarships	<u>28,250</u>
CHANGE IN NET POSITION	(136)
NET POSITION AT BEGINNING OF YEAR	<u>384,246</u>
NET POSITION AT END OF YEAR	<u><u>\$ 384,110</u></u>

*See accompanying notes to the basic financial statements.*

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**School District**

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

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

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

**Board of School Directors**

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Administration**

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

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

**Reporting Entity**

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

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

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

**Joint Ventures**

**Carbon Career & Technical Institute** - The School District is a participating member of the Carbon Career & Technical Institute (CCTI). The CCTI is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the CCTI's annual operating budget. Each participating district pays a pro-rata share of the CCTI's operating costs based on the number of students attending the CCTI's from their district. The School District's share of the CCTI's operating costs for 2015-2016 was \$1,678,369.

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

**Lehigh-Carbon Community College** - The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member Districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The School District's share of LCCC's operating costs for 2015-2016 was \$229,733.

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

**Jointly Governed Organizations**

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

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

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

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Accounting**

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

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

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

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

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

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Measurement Focus**

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

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

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

**Basis of Accounting**

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Budgetary Process**

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

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015-2016 budget transfers.

***Use of Estimates***

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2016, was in excess of the minimum requirements just described.

The District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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

**Property Tax Levy** - Property taxes, which were levied during the fiscal year ended June 30, 2016, are recognized as revenue in the fund financial statements when received by the School District during the fiscal year and also estimated to be received by the School District within 60 days after the fiscal year ended.

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

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

**Inventories** - On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2016, the inventory shown in the governmental activities column of the government-wide statement of net position is \$3,734, and \$20,824 is shown as inventory in the business-type activities column of the government-wide statement of net position.

Inventory type items in Governmental Funds utilize the consumption method, that is, they are charged to expenditures when used. A physical inventory was taken as of June 30, 2016; therefore, there is a nonspendable fund balance of \$3,734 in the General Fund.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Inventories on hand at June 30, 2016, consist of:

Purchased food	\$ 8,096
Donated commodities	<u>12,728</u>
	<u>\$ 20,824</u>

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

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

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

Description	Estimated Lives (In Years)	
	Governmental Activities	Business-Type Activities
Buildings and improvements	20-50	20-50
Furniture and equipment	5-10	5-10
Vehicles	8	N/A

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Reclassification** - Certain amounts have been reclassified to conform to the June 30, 2016, presentation of government-wide financial statements on the accrual basis of accounting versus the Governmental Funds financial statements reported on the modified accrual basis of accounting.

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

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

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

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

- **Nonspendable Fund Balance** - This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**LEHIGHTON AREA SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**Assets**

***Custodial Credit Risk - Deposits*** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2016, \$21,509,819 of the School District's bank balance of \$59,356,168 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name, \$500,000 was insured by the FDIC and \$37,346,349 is uninsured and uncollateralized.

***Reconciliation to Financial Statements***

BANK BALANCE	\$ 59,356,168
Plus	
Deposit in transit	6,197
Less	
Outstanding checks	<u>(1,269,319)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u><u>58,093,046</u></u>

**Investments**

As of June 30, 2016, the School District had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Maturities Less Than One Year</u>
State investment pools	\$ <u>1,970,000</u>	\$ <u>-</u>	\$ <u>1,970,000</u>

A portion of the District's investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investment included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2016, is \$1,970,000. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The District had \$1,970,000 invested in PLGIT CD programs, which generally must be held to maturity.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2016.

**Property Taxes**

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

All taxable real property was assessed at \$366,832,526 which includes a property tax reduction in accordance with Act 1 of 2006. The tax rate for the year was \$4.788 per \$100 of assessed valuation or 47.88 mills.

The property tax calendar is as follows:

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Receivables**

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

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
<b>RECEIVABLES</b>					
Taxes	\$ 1,132,790	\$ -	\$ -	\$ -	\$ 1,132,790
Accounts	1,295,848	26,824	-	-	1,322,672
Intergovernmental	<u>628,878</u>	<u>58,811</u>	<u>-</u>	<u>-</u>	<u>687,689</u>
	<u>\$ 3,057,516</u>	<u>\$ 85,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,143,151</u>

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

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the Governmental Funds were:

***Schedule on Deferred Inflows of Resources Unavailable and Unearned***

	<u>Unavailable</u>
Delinquent property taxes, General Fund	<u>\$ 969,114</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Capital Assets**

Capital asset balances and activity for the year ending June 30, 2016, were:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 325,786	\$ -	\$ -	\$ 325,786
Construction in progress	<u>665,400</u>	<u>16,193,415</u>	<u>-</u>	<u>16,858,815</u>
<b>TOTAL CAPITAL ASSETS     NOT BEING DEPRECIATED</b>	<u>991,186</u>	<u>16,193,415</u>	<u>-</u>	<u>17,184,601</u>
Capital assets being depreciated				
Site improvements	2,282,694	-	-	2,282,694
Buildings and building improvements	34,270,345	239,272	-	34,509,617
Furniture and equipment	<u>1,588,305</u>	<u>159,848</u>	<u>(20,813)</u>	<u>1,727,340</u>
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED</b>	<u>38,141,344</u>	<u>399,120</u>	<u>(20,813)</u>	<u>38,519,651</u>
Accumulated depreciation				
Site improvements	(1,490,929)	(72,608)	-	(1,563,537)
Buildings and building improvements	(16,155,411)	(661,140)	-	(16,816,551)
Furniture and equipment	<u>(833,575)</u>	<u>(102,060)</u>	<u>14,842</u>	<u>(920,793)</u>
<b>TOTAL ACCUMULATED     DEPRECIATION</b>	<u>(18,479,915)</u>	<u>(835,808)</u>	<u>14,842</u>	<u>(19,300,881)</u>
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED, net</b>	<u>19,661,429</u>	<u>(436,688)</u>	<u>(5,971)</u>	<u>19,218,770</u>
<b>GOVERNMENTAL ACTIVITIES     CAPITAL ASSETS, net</b>	<u>\$ 20,652,615</u>	<u>\$ 15,756,727</u>	<u>\$ (5,971)</u>	<u>\$ 36,403,371</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 745,493	\$ 4,591	\$ -	\$ 750,084
Accumulated depreciation	<u>(557,292)</u>	<u>(16,426)</u>	<u>-</u>	<u>(573,718)</u>
<b>BUSINESS-TYPE ACTIVITIES     CAPITAL ASSETS, net</b>	<u>\$ 188,201</u>	<u>\$ (11,835)</u>	<u>\$ -</u>	<u>\$ 176,366</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**GOVERNMENTAL ACTIVITIES**

Regular instruction	\$ 9,130
Vocational instruction	760
Adult instruction	1,128
Pupil services	287
Business services	17,698
Operation and maintenance of plant services	21,642
Central services	43,107
Student activities	6,186
Depreciation, unallocated	<u>735,870</u>
	<u>\$ 835,808</u>

The School District disposed of \$20,813 equipment during the year, with \$14,842 in accumulated depreciation. The district received proceeds of \$3,611 from the sale of equipment resulting in a loss on disposition of \$2,360 in governmental activities.

**Interfund Receivables and Payables**

The following interfund receivables and payables were in existence on June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,490,149	\$ 919,270
Capital Projects Fund	-	80,067
Enterprise (Food Service) Fund	<u>377,671</u>	<u>868,483</u>
	<u>\$ 1,867,820</u>	<u>\$ 1,867,820</u>

**Interfund Transfers**

The School District also made the following interfund transfers during the fiscal year ended June 30, 2016:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 107,652
Enterprise (Food Service) Fund	<u>107,652</u>	<u>-</u>
	<u>\$ 107,652</u>	<u>\$ 107,652</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Commitments**

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

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

**Construction Commitments** - The School District has \$25,041,291 in construction commitments at June 30, 2016, related to the Athletic Stadium, Middle School and High School projects.

**Long-Term Liabilities**

Long-term liability balances and activity for the year ended June 30, 2016, were:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 24,744,532	\$ 35,475,609	\$ (18,13,257)	\$ 58,406,884	\$ 1,114,000
Other liabilities					
Vested employee benefits					
Vacation days	45,787	-	(3,055)	42,732	4,273
Sick days	2,209,100	-	(23,948)	2,185,152	218,515
Net pension liability	43,767,000	4,897,000	-	48,664,000	-
Net OPEB obligation	301,238	60,380	-	361,618	-
TOTAL OTHER LIABILITIES	<u>46,323,125</u>	<u>4,957,380</u>	<u>(27,003)</u>	<u>51,253,502</u>	<u>222,788</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 71,067,657</u>	<u>\$ 40,432,989</u>	<u>\$ (1,840,260)</u>	<u>\$ 109,660,386</u>	<u>\$ 1,336,788</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Other liabilities					
Vested employee benefits					
Sick days	\$ 19,560	\$ 1,600	\$ -	\$ 21,160	\$ 2,116
Net pension liability	761,000	85,000	-	846,000	-
Net OPEB obligation	<u>10,529</u>	<u>687</u>	<u>-</u>	<u>11,216</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 791,089</u>	<u>\$ 87,287</u>	<u>\$ -</u>	<u>\$ 878,376</u>	<u>\$ 2,116</u>

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

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

	<u>Expense</u>	<u>Paid</u>
General obligation debt	\$ <u>1,301,122</u>	\$ <u>1,746,690</u>

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

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

The outstanding debt service requirements of these issues at June 30, 2016, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,114,000	\$ 2,033,810
2018	1,509,000	2,010,214
2019	1,540,000	1,982,274
2020	1,571,000	1,953,668
2021	1,602,000	1,924,398
2022 to 2026	8,569,000	9,094,438
2027 to 2031	8,835,000	7,970,491
2032 to 2036	10,289,000	6,442,779
2037 to 2041	11,800,000	3,632,129
2042 to 2044	<u>8,660,000</u>	<u>663,750</u>
	55,489,000	
Unamortized bond discount	(166,687)	\$ <u>37,707,951</u>
Unamortized bond premium	<u>3,084,571</u>	
	<u>\$ 58,406,884</u>	

**Compensated Absences**

**Vacation Days** - 12-month support personnel are entitled to carryover a maximum of five vacation days for use in the following fiscal year. These days are valued based on each eligible employee's per diem rate as of June 30, 2016. The vacation leave earned as of June 30, 2016, in the General Fund that will use currently available financial resources is \$4,273, including FICA tax and retirement contributions (net of reimbursement). This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation leave earned as of June 30, 2016, of \$38,459, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

**Sick-Pay** - All employees, based upon their classification, shall receive the following amounts for each accumulated unused sick day at retirement, unless said employee elects to use their respective accumulated unused sick days to continue health insurance coverage. The sick-pay earned and recorded in the Enterprise Fund and in the business-type activities column of the government-wide statement of net position is \$21,160. The sick-leave earned as of June 30, 2016, in the General Fund that will use currently available financial resources is \$218,515. The amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick-pay earned as of June 30, 2016 is \$1,966,637.

Act 93 Administrators	\$125 per day
Educational Support Personnel	
Association Members	\$40 per day - > 10 years of service - \$50 per day
Education Association Members	\$100 per day

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

**PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

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

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

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

***Contributions***

**Members Contributions**

- Active members who joined the PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 25% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$3,789,000 for the year ended June 30, 2016.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

At June 30, 2016, the School District reported a liability of \$49,510,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2014 to June 30, 2015. 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, 2015, the School District's proportion was .1143%, which was an increase of .0018% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$4,389,000. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ -	\$ 201,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	98,000
Changes in proportions	601,000	173,000
Difference between employer contributions and proportionate share of total contributions	65,000	-
Contributions subsequent to the measurement date	<u>3,723,000</u>	<u>-</u>
	<u>\$ 4,389,000</u>	<u>\$ 472,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ -	\$ 3,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	2,000
Changes in proportions	10,000	3,000
Difference between employer contributions and proportionate share of total contributions	1,000	-
Contributions subsequent to the measurement date	<u>66,000</u>	<u>-</u>
	<u>\$ 77,000</u>	<u>\$ 8,000</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

\$3,789,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ (159,000)	\$ (3,000)
2018	(159,000)	(3,000)
2019	(159,000)	(3,000)
2020	<u>671,000</u>	<u>12,000</u>
	<u>\$ 194,000</u>	<u>\$ 3,000</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2015, was determined by rolling forward the System’s total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ended June 30, 2011. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.50%	4.80%
Private markets (equity)	15.00%	6.60%
Private real estate	12.00%	4.50%
Global fixed income	7.50%	2.40%
U.S. long treasuries	3.00%	1.40%
TIPS	12.00%	1.10%
High yield bonds	6.00%	3.30%
Cash	3.00%	0.70%
Absolute return	10.00%	4.90%
Risk parity	10.00%	3.70%
MLPs/Infrastructure	5.00%	5.20%
Commodities	8.00%	3.10%
Financing (LIBOR)	<u>-14.00%</u>	1.10%
	<u>100.00%</u>	

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>61,025,000</u>	\$ <u>49,510,000</u>	\$ <u>39,860,000</u>

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

**Other Postemployment Benefits**

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

In accordance with the Pennsylvania School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

A summary of the plan provisions follows.

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

Notes:

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

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

PSERS Retirement

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

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

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

	<u>Health Benefits Actuarially Determined</u>
Interest rate	4.5%
Plan members	334
Annual required contribution (ARC)	\$ 297,345
Interest on net OPEB obligation	14,030
Adjustment to ARC	<u>(47,266)</u>
ANNUAL OPEB COST	264,109
Contributions made	<u>(203,042)</u>
INCREASE IN NET OPEB OBLIGATION	61,067
Net OPEB obligation at beginning of year	<u>311,766</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 372,833</u>

The following table shows the benefit separated by fund:

	<u>Other Postemployment Benefit Plan</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Totals</u>
Demographic information			
Active participants	293	7	300
Retired participants	<u>34</u>	<u>-</u>	<u>34</u>
	<u>327</u>	<u>7</u>	<u>334</u>
Annual payroll of active participants	\$ 13,135,294	\$ 109,524	\$ 13,244,818
Annual required contribution (ARC)	\$ 287,470	\$ 9,875	\$ 297,345
Interest on net OPEB obligation	13,556	474	14,030
Adjustment to ARC	<u>(45,670)</u>	<u>(1,596)</u>	<u>(47,266)</u>
ANNUAL OPEB COST	255,356	8,753	264,109
Contributions made	<u>(194,976)</u>	<u>(8,066)</u>	<u>(203,042)</u>
INCREASE IN NET OPEB OBLIGATION	60,380	687	61,067
Net OPEB obligation at beginning of year	<u>301,238</u>	<u>10,528</u>	<u>311,766</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 361,618</u>	<u>\$ 11,215</u>	<u>\$ 372,833</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The School District's annual OPEB cost, the percentage of annual OPEB cost contribute to the plan and the net OPEB obligation of the five fiscal years ended June 30 for the benefits are as follows:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage of Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2016	\$ 264,109	76.9%	\$ 372,833
2015	264,828	97.4%	311,766
2014	514,637	77.3%	305,008
2013	522,943	92.3%	188,071
2012	612,939	81.7%	147,639

**Funding Status and Funding Process** - The funded status of the benefits as of June 30, 2016, is as follows:

	<u>OPEB Healthcare Benefit</u>	
	<u>Governmental</u>	<u>Business-Type</u>
Actuarial accrued liability (a)	\$ <u>1,467,994</u>	\$ <u>48,182</u>
Covered payroll	\$ <u>13,135,294</u>	\$ <u>109,524</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<u>11.18%</u>	<u>43.99%</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision, actual results are compared to past expectations, and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar method over a 30-year period
Remaining amortization period	25 years
Asset valuation method	Pay-as-you-go basis
Actuarial assumptions	
Investment rate of return	4.50%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
2015	6.00%
2016	5.50%
2017+	5.3% to 4.2%

**NOTE D - RISK MANAGEMENT**

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

**NOTE E - FUND BALANCE ALLOCATIONS**

**Nonspendable Fund Balance**

The General Fund and Capital Projects Fun had \$1,202,309 and 98,062 respectively, in nonspendable fund balance at June 30, 2016, comprised of inventories on hand and prepaid expenses at year-end.

**Restricted Fund Balance**

The Capital Projects Fund and Capital Reserve Fund had restricted fund balances of \$47,321,482 and \$58,217 respectively, at June 30, 2016. The funds are restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

**Assigned Fund Balance**

The General Fund has \$1,049,176 assigned for balancing the 2016-2017 budget and \$2,000,000 for increased pension costs.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE F - RESTRICTED NET POSITION**

**Net Investment in Capital Assets**

The components of this restriction are total capital assets of \$36,403,371 with related debt of \$58,406,884, which includes unamortized bond premiums and discounts. In addition, the governmental activities restricted \$47,321,482 for capital projects. The business-type activities column reflects \$176,366 invested in capital assets net of related debt.

**NOTE G - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund, or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2016.

**Litigation**

In accordance with legal counsel, there are no legal matters that could materially affect the financial position of the School District as of June 30, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LEHIGHTON AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>
<b>REVENUES</b>		
Local sources	\$ 21,748,881	\$ 21,748,881
State sources	15,366,908	15,366,908
Federal sources	<u>493,617</u>	<u>493,617</u>
TOTAL REVENUES	<u>37,609,406</u>	<u>37,609,406</u>
<b>EXPENDITURES</b>		
Regular instruction	17,114,761	17,114,761
Special programs	5,898,841	5,898,841
Vocational programs	1,650,613	1,650,613
Other instructional programs	-	-
Higher education Programs	229,733	229,733
Pupil personnel services	1,019,037	1,019,037
Instructional staff services	781,001	781,001
Administrative services	2,220,530	2,220,530
Pupil health	513,450	513,450
Business services	722,660	722,660
Operation and maintenance of plant services	3,342,860	3,342,860
Student transportation services	1,544,000	1,544,000
Central support services	662,251	662,251
Other support services	28,000	28,000
Student activities	782,762	782,762
Community services	20,600	20,600
Facilities, acquisition and construction	-	-
Debt service	2,017,483	2,017,483
Medical benefits	-	-
TOTAL EXPENDITURES	<u>38,548,582</u>	<u>38,548,582</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(939,176)</u>	<u>(939,176)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale/compensation for fixed assets	-	-
Fund transfers out	<u>(110,000)</u>	<u>(110,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(110,000)</u>	<u>(110,000)</u>
NET CHANGE IN FUND BALANCE	(1,049,176)	(1,049,176)
FUND BALANCE AT BEGINNING OF YEAR	<u>12,772,810</u>	<u>12,772,810</u>
FUND BALANCE AT END OF YEAR	<u>\$ 11,723,634</u>	<u>\$ 11,723,634</u>

*See accompanying note to the budgetary comparison schedule.*

<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>	<u>Actual GAAP Basis</u>
\$ 21,682,645	\$ 66,236	\$ 21,682,645
14,774,847	592,061	14,774,847
699,093	(205,476)	699,093
37,156,585	452,821	37,156,585
16,330,291	784,470	16,330,291
5,304,797	594,044	5,304,797
1,678,369	(27,756)	1,678,369
8,882	(8,882)	8,882
229,733	-	229,733
918,601	100,436	918,601
792,230	(11,229)	792,230
1,936,393	284,137	1,936,393
370,726	142,724	370,726
518,683	203,977	518,683
3,280,645	62,215	3,280,645
1,490,741	53,259	1,490,741
634,272	27,979	634,272
27,376	624	27,376
898,881	(116,119)	898,881
21,726	(1,126)	21,726
6,431,564	(6,431,564)	6,431,564
1,301,122	716,361	1,301,122
45	(45)	45
42,175,077	(3,626,495)	42,175,077
(5,018,492)	4,079,316	(5,018,492)
3,611	(3,611)	3,611
-	(110,000)	-
3,611	(113,611)	3,611
(5,014,881)	3,965,705	(5,014,881)
12,772,810	-	12,772,810
\$ 7,757,929	\$ 3,965,705	\$ 7,757,929

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2016**

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**NOTE A - BUDGETARY INFORMATION**

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

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

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

Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Board to make budgetary transfers between major function and major object code only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015-2016 budget transfers.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.1143%</u>	<u>0.1125%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 49,510,000</u>	<u>\$ 44,528,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 14,702,281</u>	<u>\$ 14,360,280</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>336.75%</u>	<u>310.08%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>45.64%</u>	<u>57.24%</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

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	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 3,789,000	\$ 5,720,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>3,789,000</u>	<u>5,720,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>          -</u>	\$ <u>          -</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>15,156,000</u>	\$ <u>28,375,575</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>25.00%</u>	<u>20.16%</u>

# LEHIGHTON AREA SCHOOL DISTRICT

## SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2016

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### HEALTHCARE BENEFIT

Actuarial Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2014	\$ -	\$ 1,516,176	\$ 1,516,176	0%	\$ 13,244,818	11.45%
2012	\$ -	\$ 1,931,453	\$ 1,931,453	0%	\$ 13,490,856	14.32%
2010	\$ -	\$ 2,294,653	\$ 2,294,653	0%	\$ 13,683,863	16.77%

## **SUPPLEMENTARY INFORMATION SECTION**

**LEHIGHTON AREA SCHOOL DISTRICT**  
**COMBINING SCHEDULES**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2016**

**Combining Schedule of Fiduciary Net Position**

	Class of 1957 <u>Scholarship</u>	Craig Barry <u>Scholarship</u>	Class of 2002 <u>Scholarship</u>	Class of 1938 <u>Scholarship</u>	Butch Rodgers <u>Scholarship</u>	DePue <u>Scholarship</u>	Werner <u>Scholarship</u>	Christman <u>Scholarship</u>	T.J. Conarty Sr. Memorial
ASSETS									
Cash	\$ 28,830	\$ 5	\$ 1,784	\$ 134	\$ 1,604	\$ 1,753	\$ 122	\$ 5,734	\$ 2,795
TOTAL ASSETS	<u>28,830</u>	<u>5</u>	<u>1,784</u>	<u>134</u>	<u>1,604</u>	<u>1,753</u>	<u>122</u>	<u>5,734</u>	<u>2,795</u>
NET POSITION									
Held in trust for future recipients	<u>\$ 28,830</u>	<u>\$ 5</u>	<u>\$ 1,784</u>	<u>\$ 134</u>	<u>\$ 1,604</u>	<u>\$ 1,753</u>	<u>\$ 122</u>	<u>\$ 5,734</u>	<u>\$ 2,795</u>

**Combining Schedule of Changes in Fiduciary Net Position**

ADDITIONS									
Contributions	\$ 5,750	\$ -	\$ -	\$ -	\$ 2,600	\$ 1,750	\$ -	\$ -	\$ -
Transfers in	-	-	-	-	-	-	-	-	-
Earnings on investments, interest, dividends, gains and losses	<u>68</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>-</u>	<u>(53)</u>	<u>7</u>
TOTAL ADDITIONS	<u>5,818</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>2,604</u>	<u>1,753</u>	<u>-</u>	<u>(53)</u>	<u>7</u>
DEDUCTIONS									
Awards	<u>5,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>4,995</u>	<u>100</u>
TOTAL DEDUCTIONS	<u>5,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>4,995</u>	<u>100</u>
CHANGE IN NET POSITION	818	(999)	5	1	1,604	1,753	-	(5,048)	(93)
NET POSITION AT BEGINNING OF YEAR	<u>28,012</u>	<u>1,004</u>	<u>1,779</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>10,782</u>	<u>2,888</u>
NET POSITION AT END OF YEAR	<u>\$ 28,830</u>	<u>\$ 5</u>	<u>\$ 1,784</u>	<u>\$ 134</u>	<u>\$ 1,604</u>	<u>\$ 1,753</u>	<u>\$ 122</u>	<u>\$ 5,734</u>	<u>\$ 2,795</u>

<u>Leni Award</u>	<u>Mary E. Kramer Memorial</u>	<u>Mark Kreiger Scholarship</u>	<u>Major General Bert David Memorial</u>	<u>Benjamin John Wolf Scholarship</u>	<u>Mamie Lynaugh Scholarship</u>	<u>Erma S. Krout Memorial</u>	<u>Eugene Flicker Memorial</u>	<u>Harry and Dorris Hutchinson Scholarship</u>	<u>Susan A. Hill Memorial</u>	<u>General Awards Scholarship</u>	<u>Combined Totals</u>
\$ 6,300	\$ 7,250	\$ 9,388	\$ 76,945	\$ 2,163	\$ 112,030	\$ 47,699	\$ 4,444	\$ 59,868	\$ 7,474	\$ 7,788	\$ 384,110
<u>6,300</u>	<u>7,250</u>	<u>9,388</u>	<u>76,945</u>	<u>2,163</u>	<u>112,030</u>	<u>47,699</u>	<u>4,444</u>	<u>59,868</u>	<u>7,474</u>	<u>7,788</u>	<u>384,110</u>
<u>\$ 6,300</u>	<u>\$ 7,250</u>	<u>\$ 9,388</u>	<u>\$ 76,945</u>	<u>\$ 2,163</u>	<u>\$ 112,030</u>	<u>\$ 47,699</u>	<u>\$ 4,444</u>	<u>\$ 59,868</u>	<u>\$ 7,474</u>	<u>\$ 7,788</u>	<u>\$ 384,110</u>
\$ -	\$ -	\$ -	\$ 2,500	\$ 585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,050	\$ 27,235
-	-	-	-	-	-	-	-	-	-	-	-
<u>16</u>	<u>19</u>	<u>25</u>	<u>190</u>	<u>6</u>	<u>277</u>	<u>120</u>	<u>11</u>	<u>150</u>	<u>19</u>	<u>10</u>	<u>879</u>
<u>16</u>	<u>19</u>	<u>25</u>	<u>2,690</u>	<u>591</u>	<u>277</u>	<u>120</u>	<u>11</u>	<u>150</u>	<u>19</u>	<u>14,060</u>	<u>28,114</u>
<u>-</u>	<u>-</u>	<u>250</u>	<u>4,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>9,405</u>	<u>28,250</u>
<u>-</u>	<u>-</u>	<u>250</u>	<u>4,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>9,405</u>	<u>28,250</u>
16	19	(225)	(1,310)	(409)	277	120	11	(1,350)	19	4,655	(136)
<u>6,284</u>	<u>7,231</u>	<u>9,613</u>	<u>78,255</u>	<u>2,572</u>	<u>111,753</u>	<u>47,579</u>	<u>4,433</u>	<u>61,218</u>	<u>7,455</u>	<u>3,133</u>	<u>384,246</u>
<u>\$ 6,300</u>	<u>\$ 7,250</u>	<u>\$ 9,388</u>	<u>\$ 76,945</u>	<u>\$ 2,163</u>	<u>\$ 112,030</u>	<u>\$ 47,699</u>	<u>\$ 4,444</u>	<u>\$ 59,868</u>	<u>\$ 7,474</u>	<u>\$ 7,788</u>	<u>\$ 384,110</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF TAX COLLECTORS' RECEIPTS**  
**GENERAL FUND**  
**JUNE 30, 2016**

	<u>Franklin Township</u>	<u>Lehigh Borough</u>
<b>CURRENT REAL ESTATE TAXES</b>		
Assessed value	\$ 101,852,074	\$ 75,309,540
Millage rate	0.04788	0.04788
TOTAL TAXABLE DUPLICATE	<u>4,876,677</u>	<u>3,605,821</u>
Plus		
Additions	-	3,251
Penalties	15,655	16,338
TOTAL TAXES TO BE COLLECTED	<u>4,892,332</u>	<u>3,625,410</u>
Less		
Discounts	74,114	55,281
Reductions	5,888	-
Refunds	4,669	-
Returned to County	198,622	226,439
Outstanding	-	-
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 4,609,039</u>	<u>\$ 3,343,690</u>
<b>CURRENT PER CAPITA TAXES</b>		
Number of persons assessed	3,073	3,638
Tax rate	\$ 10	\$ 15
TOTAL TAX PER DUPLICATE	<u>30,730</u>	<u>54,570</u>
Plus		
Additions	-	15
Penalties	314	335
TOTAL TAXES TO BE COLLECTED	<u>31,044</u>	<u>54,920</u>
Less		
Discounts	399	454
Exonerations	690	3,420
Refunds	-	-
Outstanding	5,210	18,645
Reductions	-	-
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 24,745</u>	<u>\$ 32,401</u>
<b>CURRENT OCCUPATION TAXES</b>		
Total tax per duplicate	\$ 333,250	\$ 380,875
Plus		
Additions	-	-
Penalties	4,213	3,013
TOTAL TAXES TO BE COLLECTED	<u>337,463</u>	<u>383,888</u>
Less		
Discounts	3,080	2,330
Reductions	6,000	625
Refunds	275	-
Returned to County	72,625	164,125
Exonerations	8,375	20,625
NET CURRENT OCCUPATION TAXES COLLECTED	<u>\$ 247,108</u>	<u>\$ 196,183</u>

<u>Mahoning Township</u>	<u>Parryville Borough</u>	<u>Weissport Borough</u>	<u>East Penn Township</u>	<u>Totals</u>
\$ 116,007,521	\$ 9,669,102	\$ 4,795,349	\$ 59,198,940	\$ 366,832,526
0.04788	0.04788	0.04788	0.04788	0.04788
<u>5,554,440</u>	<u>462,957</u>	<u>229,601</u>	<u>2,834,445</u>	<u>17,563,941</u>
2,073	-	-	-	5,324
<u>17,087</u>	<u>1,384</u>	<u>1,857</u>	<u>6,772</u>	<u>59,093</u>
<u>5,573,600</u>	<u>464,341</u>	<u>231,458</u>	<u>2,841,217</u>	<u>17,628,358</u>
90,957	6,740	3,286	39,045	269,423
3,057	-	-	544	9,489
2,514	254	-	223	7,660
211,018	-	-	350,000	986,079
	<u>43,707</u>	<u>18,771</u>	<u>-</u>	<u>62,478</u>
<u>\$ 5,266,054</u>	<u>\$ 413,640</u>	<u>\$ 209,401</u>	<u>\$ 2,451,405</u>	<u>\$ 16,293,229</u>
2,744	283	237	1,853	11,828
\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>65</u>
<u>27,440</u>	<u>2,830</u>	<u>2,370</u>	<u>18,530</u>	<u>136,470</u>
10	-	-	-	25
<u>157</u>	<u>19</u>	<u>15</u>	<u>80</u>	<u>920</u>
<u>27,607</u>	<u>2,849</u>	<u>2,385</u>	<u>18,610</u>	<u>137,415</u>
305	29	11	198	1,396
1,320	20	220	1,120	6,790
-	-	-	-	-
5,770	850	1,210	4,120	35,805
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,212</u>	<u>\$ 1,950</u>	<u>\$ 944</u>	<u>\$ 13,172</u>	<u>\$ 93,424</u>
\$ 284,375	\$ 26,875	\$ 31,625	\$ 183,500	\$ 1,240,500
-	-	-	-	-
<u>2,325</u>	<u>200</u>	<u>163</u>	<u>975</u>	<u>10,889</u>
<u>286,700</u>	<u>27,075</u>	<u>31,788</u>	<u>184,475</u>	<u>1,251,389</u>
2,583	188	85	1,650	9,916
-	-	-	375	7,000
245	-	-	490	1,010
70,500	11,750	18,875	50,000	387,875
<u>18,750</u>	<u>500</u>	<u>3,875</u>	<u>13,000</u>	<u>65,125</u>
<u>\$ 194,622</u>	<u>\$ 14,637</u>	<u>\$ 8,953</u>	<u>\$ 118,960</u>	<u>\$ 780,463</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

REVENUES

Local sources

Current real estate taxes	\$ 16,293,232
Public utility	23,150
Payment in lieu of taxes	4,398
Current per capita taxes	
511	47,088
679	47,088
Earned income tax	1,677,603
Occupation taxes, assessment	779,706
Real estate transfer tax	180,847
Delinquent real estate taxes	1,783,945
Delinquent EIT	51,165
Interest	29,702
Admissions	66,408
Fees	8,537
Other student activity income	8,145
Federal revenue received from other PA public schools	1,126
I/U services, federal	383,435
Rentals	5,100
Contributions	78,906
Summer school	5,260
Other tuition from patrons	1,800
Receipts from other LEAs in PA, education	158,313
Transportation services provided other governments	3,449
Miscellaneous	44,188
Refunds of prior year expenditures	54
TOTAL LOCAL SOURCE REVENUE	<u>21,682,645</u>

State sources

Basic subsidy, ESBE	8,482,960
Orphan tuition	127,227
Special education	1,439,492
Transportation	518,569
Rentals	367,358
Health services	91,750
State property tax reduction allocation	1,197,837
Extra grants	326,940
FICA revenue	566,457
Retirement revenue	1,656,257
TOTAL STATE SOURCE REVENUE	<u>14,774,847</u>

Federal sources

Title I	576,475
Title II	114,569
Medical assistance reimbursement	8,049
TOTAL FEDERAL SOURCE REVENUE	<u>699,093</u>

TOTAL REVENUES FORWARD	<u>\$ 37,156,585</u>
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**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

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REVENUES		
	TOTAL FORWARDED	\$ <u>37,156,585</u>
EXPENDITURES		
Regular programs - elementary/secondary		16,261,911
Federally funded regular programs		68,380
Life skills support		
Public		300,533
Speech and language impaired		199,257
Emotional support		
Public		887,705
PRRI		430,320
Learning support, public		3,403,266
Multi-handicapped support		47,695
Early intervention support		36,021
Other vocational education programs		1,678,369
Homebound instruction		8,882
Community college programs		229,733
Guidance services		10,654
Counseling services		547,331
Record maintenance services		111,222
Attendance services		40,181
Psychological counseling services		167,310
Other psychological services		41,903
Computer assisted instruction services		770
School library services		518,828
Instructional and curriculum development service		258,541
Instructional staff development		14,091
Board services		35,774
Tax assessment and collection service		139,906
Legal services		101,087
Office of the superintendent services		167,955
Office of the principal services		1,491,671
Other administration services		1,560
Medical services		9,000
Dental services		3,153
Employee benefits		45
Nursing services		450,323
Support services, business		603,962
Operation and maintenance of plant services		3,327,430
Student transportation services		1,490,741
System-wide technology services		629,806
Staff development services		4,466
Other support services		27,376
School sponsored student activities		139,711
School sponsored athletics		759,020
	SUBTOTAL FORWARD	\$ <u>34,645,889</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

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REVENUES		
	TOTAL FORWARDED	\$ <u>37,156,585</u>
EXPENDITURES		
	SUBTOTAL FORWARDED	34,645,889
	Community services	21,726
	Building acquisition services	6,348,744
	Existing building improvement services	99,953
	Debt service	<u>2,786,122</u>
	TOTAL EXPENDITURES	<u>43,902,434</u>
	DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(6,745,849)</u>
OTHER FINANCING SOURCES (USES)		
	Sale of fixed assets	3,611
	Food Service Fund transfers out	<u>(107,652)</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(104,041)</u>
	NET CHANGE IN FUND BALANCE	(6,849,890)
FUND BALANCE AT BEGINNING OF YEAR		<u>14,270,505</u>
	FUND BALANCE AT END OF YEAR	\$ <u><u>7,420,615</u></u>

# LEHIGHTON AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION

### FOOD SERVICE FUND

JUNE 30, 2016

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#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash and cash equivalents	\$	179,265
Due from other funds		377,671
Due from other governments		58,811
Other receivables		26,824
Inventories		20,824
Equipment, net of accumulated depreciation		176,366
Deferred outflows of resources		<u>77,000</u>

#### TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 916,761

#### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Due to other funds	\$	868,483
Accounts payable		8,776
Accrued salaries and benefits		194
Prepayments from students		11,871
Other current liabilities		2,116
Long-term portion of compensated absences		19,044
Other postemployment benefits obligation		11,216
Net pension liability		846,000
Deferred inflows of resources, pension activity		8,000
Net position		<u>(858,939)</u>

#### TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 916,761

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2016**

REVENUES	
Daily sales	
Lunch	\$ 238,101
Breakfast	28,358
A la carte	18,570
Special events	30,350
Miscellaneous	162
Interest revenue	308
State subsidies	33,320
Federal subsidies	562,284
Donated commodities received	67,185
Transfer from General Fund	<u>107,652</u>
TOTAL REVENUES	<u>1,086,290</u>
COST OF GOODS SOLD	
Inventories, July 1, 2015	16,548
Management food costs	297,118
Management non-food costs	340,609
Donated commodities received	67,185
Supplies	5,460
Inventories, June 30, 2016	<u>(20,824)</u>
TOTAL COST OF GOODS SOLD	<u>706,096</u>
GROSS PROFIT	<u>380,194</u>
EXPENSES	
Payroll	190,367
Social security	14,358
Retirement	51,275
Other benefits	104,397
Training	418
Postage	356
Repairs and maintenance	17,912
Rentals	1,919
Extermination	3,884
Software	5,365
Equipment	11,298
Travel	-
Depreciation	16,426
Miscellaneous	300
Pension adjustment	<u>10,000</u>
TOTAL EXPENSES	<u>428,275</u>
CHANGE IN NET POSITION	(48,081)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(810,858)</u>
NET POSITION AT END OF YEAR	<u>\$ (858,939)</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2016**

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REVENUES	
Interest earnings	\$ <u>146,030</u>
EXPENDITURES	
Other administration services	143,536
Support services, business	919
Operation of building services	37,033
School sponsored athletics	2,283
Architecture and engineering services	1,323,759
Building acquisition services	283,712
Existing building improvement services	8,974,305
Debt service	-
TOTAL EXPENDITURES	<u>10,765,547</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(10,619,517)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from general obligation bonds issued	32,055,000
Premium on general obligation bonds issued	3,198,814
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,253,814</u>
NET CHANGE IN FUND BALANCE	24,634,297
FUND BALANCE AT BEGINNING OF YEAR	<u>22,785,247</u>
FUND BALANCE AT END OF YEAR	<u>\$ <u>47,419,544</u></u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL RESERVE FUND**  
**YEAR ENDED JUNE 30, 2016**

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REVENUES AND OTHER FINANCING SOURCES	
Interest earnings	\$ <u>1,461</u>
EXPENDITURES AND OTHER FINANCING USES	
Operation of noninstructional services	
Operation and maintenance of plant services	10,500
Operation of building services	41,362
Professional services	248,134
Existing building improvement services	<u>530,426</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>830,422</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>887,178</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 58,217</u></u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL OBLIGATION BONDS AND NOTES**  
**LONG-TERM DEBT**  
**YEAR ENDED JUNE 30, 2016**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,114,000	\$ 2,033,810
2018	1,509,000	2,010,214
2019	1,540,000	1,982,274
2020	1,571,000	1,953,668
2021	1,602,000	1,924,398
2022 to 2026	8,569,000	9,094,438
2027 to 2031	8,835,000	7,970,491
2032 to 2036	10,289,000	6,442,779
2037 to 2041	11,800,000	3,632,129
2042 to 2044	8,660,000	663,750
	<u>\$ 55,489,000</u>	<u>\$ 37,707,951</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lehigh Area School District's basic financial statements, and have issued our report thereon dated December 22, 2016.

***Internal Control Over Financial Reporting***

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Oaks, Pennsylvania  
December 22, 2016

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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Lehigh Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Lehigh Area School District's major federal programs for the year ended June 30, 2016. Lehigh Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion of Each Major Federal Program***

In our opinion, the Lehigh Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

### ***Report on Internal Control Over Compliance***

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

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

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

### ***Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lehigh Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lehigh Area School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

***Purpose of this Report***

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

*Mailli LLP*

Oaks, Pennsylvania  
December 22, 2016

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning/Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-150226	7/1/14-9/30/15
ESEA - TITLE I - IMPROVING BASIC PROGRAMS	I	84.010	013-160226	7/1/15-9/30/16
ESEA - TITLE I - DELINQUENT	I	84.010	107-160226	7/1/15-9/30/16
ACADEMIC ACHIEVEMENT	I	84.010	077-150226	7/1/14-9/30/15
TOTAL TITLE I				
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-150226	7/1/14-9/30/15
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-160226	7/1/15-9/30/16
TOTAL TITLE II				
<b>Passed through the Carbon-Lehigh Intermediate Unit</b>				
Special Education Cluster				
IDEA	I	84.027	N/A	7/1/14-6/30/15
IDEA	I	84.027	N/A	7/1/15-6/30/16
IDEA - SECTION 619A	I	84.173	N/A	7/1/14-6/30/15
IDEA - SECTION 619A	I	84.173	N/A	7/1/15-6/30/16
<b>Passed through the Lancaster-Lebanon I.U.</b>				
IDEA	I	84.027	N/A	7/1/15-6/30/16
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Public Welfare</b>				
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/14-9/30/15
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/15-9/30/16
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Child Nutrition Cluster				
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/15-6/30/16
REG/NDY BREAKFAST	I	10.553	N/A	7/1/15-6/30/16
CHILD CARE	I	10.558	N/A	7/1/15-6/30/16
NATIONAL SCHOOL LUNCH (U.S.D.A. COMMODITIES)	I	10.555	N/A	7/1/14-6/30/15
TOTAL CHILD NUTRITION CLUSTER				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

**Source Codes**

I - Indirect Funding  
D - Direct Funding

*See accompanying notes to the schedule of expenditures of federal and certain state awards.*

<u>Grant Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 361,967	\$ 26,017	\$ -	\$ 26,017	\$ 26,017	\$ -	\$ -
490,445	490,445	-	490,445	490,445	-	-
37,819	37,819	-	37,819	37,819	-	-
38,840	22,194	-	22,194	22,194	-	-
<u>929,071</u>	<u>576,475</u>	<u>-</u>	<u>576,475</u>	<u>576,475</u>	<u>-</u>	<u>-</u>
113,950	(14)	(14)	-	-	-	-
114,569	114,569	-	114,569	114,569	-	-
<u>228,519</u>	<u>114,555</u>	<u>(14)</u>	<u>114,569</u>	<u>114,569</u>	<u>-</u>	<u>-</u>
382,631	147,093	147,093	-	-	-	-
373,435	182,771	-	373,435	373,435	190,664	-
2,881	2,544	2,544	-	-	-	-
1,126	329	-	1,126	1,126	797	-
<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<u>770,073</u>	<u>342,737</u>	<u>149,637</u>	<u>384,561</u>	<u>384,561</u>	<u>191,461</u>	<u>-</u>
<u>1,927,663</u>	<u>1,033,767</u>	<u>149,623</u>	<u>1,075,605</u>	<u>1,075,605</u>	<u>191,461</u>	<u>-</u>
N/A	5,468	5,468	-	-	-	-
N/A	2,752	-	8,049	8,049	5,297	-
	<u>8,220</u>	<u>5,468</u>	<u>8,049</u>	<u>8,049</u>	<u>5,297</u>	<u>-</u>
N/A	412,208	-	459,139	459,139	46,931	-
N/A	83,841	-	92,462	92,462	8,621	-
N/A	10,683	-	10,683	10,683	-	-
N/A	67,185	(6,782)	61,239	61,239	(12,728)	-
	<u>573,917</u>	<u>(6,782)</u>	<u>623,523</u>	<u>623,523</u>	<u>42,824</u>	<u>-</u>
	<u>573,917</u>	<u>(6,782)</u>	<u>623,523</u>	<u>623,523</u>	<u>42,824</u>	<u>-</u>
	<u>\$ 1,615,904</u>	<u>\$ 148,309</u>	<u>\$ 1,707,177</u>	<u>\$ 1,707,177</u>	<u>\$ 239,582</u>	<u>\$ -</u>

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - ORGANIZATION AND SCOPE**

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

**NOTE C - PROGRAM DISCLOSURE FOOTNOTES**

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

	<u>Awards</u>	<u>Expenditures</u>
<b>PASSED THROUGH</b>		
Pennsylvania Department of Education	\$ 1,157,590	\$ 1,253,328
Carbon-Lehigh Intermediate Unit	760,073	374,561
Lancaster-Lebanon I.U.	10,000	10,000
Pennsylvania Department of Public Welfare	-	8,049
Pennsylvania Department of Agriculture	-	61,239
	<u>\$ 1,927,663</u>	<u>\$ 1,707,177</u>

3. The School District received non-monetary assistance from the U.S. Department of Agriculture of \$67,185, in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2015-2016 fiscal-year, the School District used \$61,239 in commodities and established a year-end inventory of \$12,728 at June 30, 2016.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

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**NOTE C - PROGRAM DISCLOSURE FOOTNOTES (Continued)**

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

FINANCIAL STATEMENT RECONCILIATION	
General Fund federal resource revenue	\$ 711,169
Federal revenue received from local source revenue	384,561
Food Service Fund federal reserve	<u>595,604</u>
TOTAL FEDERAL REVENUE PER FINANCIAL STATEMENTS	1,691,334
Plus change in donated commodities	<u>15,843</u>
 TOTAL FEDERAL REVENUE REPORTED ON SEFA	 <u><u>\$ 1,707,177</u></u>

**NOTE D - INDIRECT COST RATES**

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

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

Significant deficiencies identified: **No**

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

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

**Federal Awards**

Internal control over major programs:

Material weaknesses identified: **No**

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

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

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

Identification of major programs:

Program	CFDA
TITLE I	84.010
Special Education Cluster (IDEA)	
Special Education	
Grants to States (IDEA, Part B)	84.027
Preschool Grants (IDEA, Section 619)	84.173

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **No**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

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

None.

**LEHIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2016**

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**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2015-001 - Individuals with Disabilities Education (IDEA) CFDA No. 84.027 and 84.173**

**Condition:** The School District did not maintain semiannual certifications for employees that worked solely on the IDEA program in support of salaries and wages.

**Recommendation:** The School District should improve its controls over the completion and maintenance of periodic certifications. We suggest the IDEA program coordinators review payroll expenses charged to the program at least semiannually, determining if any employees work solely in the IDEA program and ensure those employees complete periodic certification. A copy of the periodic certification should be maintained by the program coordinator and employee.

**Current Status:** Corrected.