



ANTIETAM SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2018



TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 12
 BASIC FINANCIAL STATEMENTS	
 Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
 Fund Financial Statements	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	18
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21 - 22
Statement of Net Position - Fiduciary Fund.....	23
Statement of Changes in Net Position - Fiduciary Fund.....	24
 Notes to Basic Financial Statements	
Note 1 - Summary of Significant Accounting Policies	25
Note 2 - Stewardship, Compliance, and Accountability	37
Note 3 - Cash and Investments	38
Note 4 - Taxes Receivable and Unavailable Revenue	41
Note 5 - Interfund Receivables and Payables	42
Note 6 - Intergovernmental Receivables and Payables.....	43
Note 7 - Changes in Capital Assets.....	44
Note 8 - Long-Term Liabilities	45
Note 9 - Employee Retirement Plans.....	49
Note 10 - Other Retirement Plan.....	56
Note 11 - Health Insurance Premium Assistance Program.....	56
Note 12 - District Other Postemployment Benefits Plan	63
Note 13 - Joint Venture.....	69
Note 14 - Risk Management	70
Note 15 - Contingent Liabilities and Commitments.....	70
Note 16 - Restatement of Beginning Net Position.....	71
Note 17 - Fund Balance.....	72
Note 18 - New Accounting Pronouncements	72

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule for the General Fund	73
Note to Required Supplementary Information	74
Schedule of the District’s Proportionate Share of the Net Pension	
Liability and Related Ratios - Pension Plan	75
Schedule of District Contributions - Pension Plan	76
Schedule of the District’s Proportionate Share of the Net OPEB	
Obligation and Related Ratios - Health Insurance Premium Assistance Program	77
Schedule of District Contributions - Health Insurance Premium Assistance Program	78
Schedule of Changes of Total OPEB Obligation and Related Ratios -	
District OPEB Plan.....	79

SUPPLEMENTARY INFORMATION

Single Audit

Schedule of Expenditures of Federal Awards	80
Notes to Schedule of Expenditures of Federal Awards	81

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

82 - 83

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

84 - 85

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

86 - 87

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

88



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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Antietam School District
Reading, 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 Antietam School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 16 to the financial statements, effective July 1, 2017, the Antietam School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 75 through 79, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprised the Antietam School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 19, 2018**



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Management's Discussion and Analysis (MD&A)

June 30, 2018

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

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

The District and Its Facilities

The Antietam School District serves an area of approximately 5.3 square miles. It is located in Berks County and consists of Lower Alsace Township and Mount Penn Borough. The population of this area is approximately 7,500.

The School District is comprised of three buildings. The Mount Penn Primary Center, opened in August 2005, houses grades K and 1. The Mount Penn Elementary Center houses grades 2 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2017-2018 school year was 1,101 students, which was higher than the 1,052 enrolled for the 2016-2017 school year. Potential growth has been partially addressed with the 2005 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School. The Primary Center has unused space and can accommodate more students, but additional renovations are required before the space would be usable. The Administration and School Board have worked with AEM Architects to develop a plan for renovations and will proceed in the near future.

FINANCIAL HIGHLIGHTS

In the last few years, GASB 68 and 71 were implemented resulting in a deficit net position for Governmental activities and Business-Type activities. Effective July 1, 2017 GASB 75 was implemented as well. The implementation of GASB 75 resulted in a restatement of the beginning of year deficit net position to (\$20,772,144) and (\$440,444), respectively. In the current year, the change in net position was a change of (\$1,461,641) and \$73,294.

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 57% of the District's total revenues, and program specific revenue in the form of grants, entitlements and investment earnings accounted for 43% of total revenues.

General fund expenditures totaled \$19.05 million, of which \$11.2 million was spent on instructional services, \$5.8 million was spent on support services, \$.40 million was spent on non-instructional services, and \$1.65 million was spent on debt service.

FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Antietam School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Antietam School District's budget for the year.

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

Figure A-2
 Major Features of Antietam School District's
 Government-wide and Fund Financial Statements
 Fund Statements

	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services.	Activities the District operates similar to private business – Food Services.	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and student activities monies.
Required financial statements.	Statement of net position Statement of activities.	Balance Sheet Statement of revenues, expenditures, and changes in fund balance.	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows.	Statement of fiduciary net position Statement of changes in fiduciary net position.
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows, liabilities and deferred inflows, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional factors, such as changes in the projected enrollment of the students.

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

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

Fund Financial Statements

The District's financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- 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 School 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 (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District's 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. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The District's total net assets were (\$22,600,935) at June 30, 2018.

Table A-1
 Fiscal Years ended June 30, 2017 and June 30, 2018
 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current and other assets	\$ 8,898,678	\$11,110,513	\$55,185	\$113,393	\$ 8,953,863	\$11,223,906
Capital assets	<u>15,032,658</u>	<u>14,629,633</u>	<u>4,395</u>	<u>3,021</u>	<u>15,037,053</u>	<u>14,632,654</u>
Total Assets	\$23,931,336	\$25,740,146	\$59,580	\$116,414	\$23,990,916	\$25,856,560
Deferred Outflows	6,364,956	5,615,851	105,005	91,702	6,469,961	5,707,553
Current liabilities	\$ 2,554,504	\$ 3,597,522	\$ 9,630	\$ 15,613	\$ 2,564,134	\$ 3,613,135
Long-term liabilities	<u>46,452,181</u>	<u>49,709,983</u>	<u>511,271</u>	<u>452,442</u>	<u>46,963,452</u>	<u>50,162,425</u>
Total Liabilities	\$49,006,685	\$53,307,505	\$520,901	\$468,055	\$49,527,586	\$53,775,560
Deferred Inflows	230,390	282,277	84,128	107,211	314,518	389,488
Net Assets						
Invested in capital assets, net of related debt	(\$1,961,763)	(\$1,983,044)	\$4,395	\$3,021	(\$1,957,368)	(\$1,980,023)
Restricted for capital projects	475,621	65,448	0	0	475,621	65,448
Restricted other	115,699	79,499	0	0	115,699	79,499
Unrestricted	<u>(17,570,340)</u>	<u>(20,395,688)</u>	<u>(444,839)</u>	<u>(370,171)</u>	<u>(17,993,234)</u>	<u>(20,765,859)</u>
Total Net Assets	<u>(\$18,940,783)</u>	<u>(\$22,233,785)</u>	<u>(\$440,444)</u>	<u>(\$367,150)</u>	<u>(\$19,381,227)</u>	<u>(\$22,600,935)</u>

A portion of the District's net position is invested in or restricted for capital assets (buildings, land, and equipment). The unrestricted portion of the District's net assets at June 30, 2018 is (\$20,765,859.)

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is taxes.

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

Table A-2
 Fiscal Years ended June 30, 2017 and June 30, 2018
 Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues						
Program Revenue						
Charges for services	\$ 64,972	\$ 80,898	\$157,909	\$152,202	\$ 222,881	\$ 233,100
Operating grants & contributions	3,216,350	3,614,963	361,523	393,258	3,577,873	4,008,221
Capital grants and contributions	80,911	106,283	0	0	80,911	106,283
General revenues	14,204,200	14,769,711	99	639	14,204,299	14,770,350
Total Revenues	\$17,566,433	\$18,571,855	\$519,531	\$546,099	\$18,085,964	\$19,117,954
Expenses						
Regular Instruction	\$8,292,240	\$8,548,375	\$ 0	\$ 0	\$8,292,240	\$8,548,375
Special Instruction	3,508,393	3,314,294	0	0	3,508,393	3,314,294
Vocational Instruction	412,454	438,659	0	0	412,454	438,659
Other Instructional Programs	9,671	18,255	0	0	9,671	18,255
Non-Public Instruction	9,477	21,822	0	0	9,477	21,822
Pupil Personnel	728,088	700,251	0	0	728,088	700,251
Instructional Staff	872,088	923,313	0	0	872,088	923,313
Administration	1,798,448	1,818,341	0	0	1,798,448	1,818,341
Pupil Health	199,616	208,181	0	0	199,616	208,181
Business Services	348,632	357,789	0	0	348,632	357,789
Operation & Maintenance of Plant	1,933,544	1,969,370	0	0	1,933,544	1,969,370
Student Transportation Services	228,664	302,507	0	0	228,664	302,507
Central Services	515,519	461,330	0	0	515,519	461,330
Other Support Services	12,245	14,062	0	0	12,245	14,062
Student Activities	401,628	397,558	0	0	401,628	397,558
Community Services	11,546	20,808	0	0	11,546	20,808
Interest on Long-Term Debt	524,669	518,581	0	0	524,669	518,581
Refund of Prior Year Revenue	0	0	0	0	0	0
Food Services	0	0	492,326	472,805	492,326	472,805
Total Expenses	19,806,922	20,033,496	492,326	472,805	20,299,248	20,506,301
Increase(Decrease) in Net Assets	(2,240,489)	(1,461,641)	27,205	73,294	(2,213,284)	(1,388,347)
Net position beginning of year	(16,700,294)	(20,772,144) *	(467,679)	(440,444) *	(17,167,943)	(21,212,588) *
Net Position End of Year	(\$18,940,783)	(\$22,233,785)	(\$440,474)	(\$367,150)	(\$19,381,227)	(\$22,600,395)

* Net position was restated at July 1, 2017, for the implementation of GASB Statement No. 75.

See Note 16 for details of the restatement.

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's total cost of services and net cost (total cost less revenues generated by the activities) for each function. 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 revenue and other miscellaneous revenues.

Table A-3
 Fiscal Years ended June 30, 2017 and June 30, 2018
 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017-18</u>	<u>2017</u>	<u>2018</u>	<u>2017-18</u>
Regular Instruction	\$8,292,240	\$8,548,375	3.09%	\$6,842,988	\$7,006,191	2.38%
Special Instruction	3,508,393	3,314,294	-5.53%	2,545,050	2,243,166	-11.86%
Vocational Instruction	412,454	438,659	6.35%	412,454	438,659	6.35%
Other Instructional Programs	9,671	18,255	88.76%	8,349	10,870	30.20%
Non-Public Instruction	9,477	21,822	130.26%	9,477	0	-100.00%
Pupil Personnel	728,088	700,251	-3.82%	563,190	535,287	-4.95%
Instructional Staff	872,088	923,313	5.87%	776,487	780,995	0.58%
Administration	1,798,448	1,818,341	1.11%	1,634,880	1,612,128	-1.39%
Pupil Health	199,616	208,181	4.29%	151,451	158,538	4.68%
Business Services	348,632	357,789	2.63%	306,921	311,153	1.38%
Operation & Maintenance of Plant	1,933,544	1,969,370	1.85%	1,800,584	1,854,541	3.00%
Student Transportation Services	228,664	302,507	32.29%	80,253	147,123	83.32%
Central Services	515,519	461,330	-10.51%	493,646	337,979	-31.53%
Other Support Services	12,245	14,062	14.84%	10,818	14,062	29.99%
Student Activities	401,628	397,558	-1.01%	352,837	349,115	-1.05%
Community Services	11,546	20,808	80.22%	11,546	19,247	66.70%
Interest on Long-Term Debt	524,669	518,581	-1.16%	443,758	412,298	-7.09%
Refund of Prior Year Revenue	0	0	0.00%	0	0	0.00%
	<u>\$19,806,922</u>	<u>\$20,033,496</u>	<u>1.14%</u>	<u>\$16,444,689</u>	<u>\$16,231,352</u>	<u>-1.30%</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
 Fiscal Years ended June 30, 2017 and June 30, 2018
 Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017-18</u>	<u>2017</u>	<u>2018</u>	<u>2017-18</u>
Food Services	<u>\$492,326</u>	<u>\$472,805</u>	<u>-3.97%</u>	<u>-27,205</u>	<u>-72,655</u>	<u>169.41%</u>

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will further detail the actual results of operations.

Fund Balances

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$8,560,233, which is an increase of \$2,415,394 from June 30, 2017. This overall increase was due to the bond issue that occurred during the school year for capital projects. The General fund balance decreased due to budgeted fund balance usage to balance the 2017-18 budget. We were fortunate to not need to use the full amount budgeted, which is due to revenue variances. The District received an increase in Earned Income Tax, delinquent real estate taxes, earnings on investments, state subsidies and federal program funding.

General Fund:

The unassigned fund balance of \$1,508,280 is 7.7% of the general fund expenditures. The committed fund balance of \$2,099,263 will be used primarily for future retirement costs, which are projected to increase from 33.43% of salaries in 2018-2019 to 35.26% of salaries in 2020-2021.

Capital Projects Fund:

The restricted fund balance of \$3,926,706 will be used to renovate additional classroom space at the Mount Penn Primary Center, as well as the repair, maintenance, and replacement of the District's capital assets on a prioritized basis, as approved by the Board of School Directors.

General Fund Budget

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

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for unplanned expenditures. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$14,629,633 in governmental activities and \$3,021 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5
 Governmental and Business-Type Activities
 Fiscal years ended June 30, 2017 and June 30, 2018
 Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	115,840	106,684	0	0	115,840	106,684
Buildings and Building Improvements	12,880,543	13,289,923	0	0	12,880,543	13,289,923
Fixtures and Equipment	941,294	819,971	4,395	3,021	945,689	822,992
Construction in Progress	784,925	102,999	0	0	784,925	102,999
	<u>\$ 15,032,658</u>	<u>\$ 14,629,633</u>	<u>\$4,395</u>	<u>\$3,021</u>	<u>\$15,037,053</u>	<u>\$14,632,654</u>

Debt Administration

Bond Obligations – As of June 30, 2017 and June 30, 2018 the Antietam School District had outstanding bond obligations of \$17,875,000 and \$20,384,000, respectively.

Leases – The District has entered into two capital leases for technology equipment and four operating leases for copiers.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

FACTORS BEARING ON ANTIETAM SCHOOL DISTRICT'S FUTURE

Factors that will affect the future finances of the District are employee health benefits, PSERS retirement rates (2018-2019 actual: 33.43%; 2019-2020 projected: 34.79%; and 2020-2021 projected: 35.26%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Antietam School District, 100 Antietam Road, Reading, PA 19606.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 9,473,273	\$ 47,008	\$ 9,520,281
Restricted Cash	79,499	-	79,499
Taxes Receivable, Net	544,570	-	544,570
Internal Balances	(2,827)	2,827	-
Intergovernmental Receivables	985,427	51,287	1,036,714
Other Receivables	28,918	15	28,933
Inventories	-	12,256	12,256
Prepaid Expenses	1,653	-	1,653
Capital Assets Not Being Depreciated	413,055	-	413,055
Capital Assets, Net of Accumulated Depreciation	14,216,578	3,021	14,219,599
	<u>25,740,146</u>	<u>116,414</u>	<u>25,856,560</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	389,133	-	389,133
Deferred Outflows of Resources for Pension	5,087,237	91,702	5,178,939
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	66,043	-	66,043
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	73,438	-	73,438
	<u>5,615,851</u>	<u>91,702</u>	<u>5,707,553</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable	295,613	5,601	301,214
Intergovernmental Payables	171,026	-	171,026
Accrued Interest	140,476	-	140,476
Accrued Salaries and Benefits	1,692,686	1,176	1,693,862
Unearned Revenues	-	8,836	8,836
Other Current Liabilities	86,360	-	86,360
Noncurrent Liabilities, Due Within One Year	1,211,361	-	1,211,361
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	19,594,949	-	19,594,949
Capital Leases Payable	141,372	-	141,372
Long-Term Portion of Compensated Absences	155,516	-	155,516
Net Pension Liability	27,649,558	452,442	28,102,000
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	1,159,000	-	1,159,000
Total Other Postemployment Benefit Obligation - District Plan	1,009,588	-	1,009,588
	<u>53,307,505</u>	<u>468,055</u>	<u>53,775,560</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Pension	202,745	107,211	309,956
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	56,000	-	56,000
Deferred Inflows of Resources for Other Postemployment Benefits - District Plan	23,532	-	23,532
	<u>282,277</u>	<u>107,211</u>	<u>389,488</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
NET POSITION			
Net Investment in Capital Assets	(1,983,044)	3,021	(1,980,023)
Restricted for Capital Projects	65,448	-	65,448
Restricted other	79,499	-	79,499
Unrestricted	(20,395,688)	(370,171)	(20,765,859)
	<u>(1,983,044)</u>	<u>3,021</u>	<u>(1,980,023)</u>
TOTAL NET POSITION	<u>\$ (22,233,785)</u>	<u>\$ (367,150)</u>	<u>\$ (22,600,935)</u>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional Services:							
Regular Programs - Elementary/Secondary	\$ 8,548,375	\$ 51,067	\$ 1,491,117	\$ -	\$ (7,006,191)	\$ -	\$ (7,006,191)
Special Programs - Elementary/Secondary	3,314,294	19,700	1,051,428	-	(2,243,166)	-	(2,243,166)
Vocational Education	438,659	-	-	-	(438,659)	-	(438,659)
Other Instructional Programs - Elementary/Secondary	18,255	-	7,385	-	(10,870)	-	(10,870)
Nonpublic School Programs	21,822	-	21,822	-	-	-	-
Total Instructional Services	12,341,405	70,767	2,571,752	-	(9,698,886)	-	(9,698,886)
Support Services:							
Students	700,251	-	164,964	-	(535,287)	-	(535,287)
Instructional Staff	923,313	-	142,318	-	(780,995)	-	(780,995)
Administration	1,818,341	-	206,213	-	(1,612,128)	-	(1,612,128)
Pupil Health Services	208,181	-	49,643	-	(158,538)	-	(158,538)
Business Services	357,789	-	46,636	-	(311,153)	-	(311,153)
Operation and Maintenance of Plant	1,969,370	760	114,069	-	(1,854,541)	-	(1,854,541)
Pupil Transportation	302,507	-	155,384	-	(147,123)	-	(147,123)
Central	461,330	-	123,351	-	(337,979)	-	(337,979)
Other Support Services	14,062	-	-	-	(14,062)	-	(14,062)
Total Support Services	6,755,144	760	1,002,578	-	(5,751,806)	-	(5,751,806)
Noninstructional Services:							
Student Activities	397,558	9,371	39,072	-	(349,115)	-	(349,115)
Community Services	20,808	-	1,561	-	(19,247)	-	(19,247)
Interest on Long-Term Debt	518,581	-	-	106,283	(412,298)	-	(412,298)
Total Noninstructional Services	936,947	9,371	40,633	106,283	(780,660)	-	(780,660)
Total Governmental Activities	20,033,496	80,898	3,614,963	106,283	(16,231,352)	-	(16,231,352)
Business-Type Activities:							
Food Services	472,805	152,202	393,258	-	-	72,655	72,655
Total Primary Government	\$ 20,506,301	\$ 233,100	\$ 4,008,221	\$ 106,283	(16,231,352)	72,655	(16,158,697)
General Revenues:							
Taxes:							
Property Taxes					10,008,597	-	10,008,597
Public Utility Realty, Earned Income and Mercantile Taxes					1,044,537	-	1,044,537
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					3,558,285	-	3,558,285
Investment Earnings					111,641	639	112,280
Miscellaneous Revenue					46,651	-	46,651
Total General Revenues					14,769,711	639	14,770,350
Change in Net Position					(1,461,641)	73,294	(1,388,347)
Net Position (Deficit) - Beginning of Year - Restated					(20,772,144)	(440,444)	(21,212,588)
Net Position (Deficit) - End of Year					\$ (22,233,785)	\$ (367,150)	\$ (22,600,935)

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 5,379,994	\$ 4,093,279	\$ 9,473,273
Restricted Cash	79,499	-	79,499
Taxes Receivable	552,409	-	552,409
Interfund Receivable	103,206	13,796	117,002
Intergovernmental Receivables	985,427	-	985,427
Other Receivables	28,918	-	28,918
Prepaid Expenditures	1,653	-	1,653
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 7,131,106</u></u>	<u><u>\$ 4,107,075</u></u>	<u><u>\$ 11,238,181</u></u>
 LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Interfund Payable	\$ 3,034	\$ 116,795	\$ 119,829
Accounts Payable	232,039	63,574	295,613
Intergovernmental Payables	171,026	-	171,026
Accrued Salaries and Benefits	1,692,686	-	1,692,686
Other Liabilities	6,861	-	6,861
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	2,105,646	180,369	2,286,015
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	391,933	-	391,933
 FUND BALANCES			
Nonspendable	1,653	-	1,653
Restricted	79,499	3,926,706	4,006,205
Committed	2,099,263	-	2,099,263
Assigned	944,832	-	944,832
Unassigned	1,508,280	-	1,508,280
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u><u>4,633,527</u></u>	<u><u>3,926,706</u></u>	<u><u>8,560,233</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 7,131,106</u></u>	<u><u>\$ 4,107,075</u></u>	<u><u>\$ 11,238,181</u></u>

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local Sources	\$ 11,160,363	\$ 10,866	\$ 11,171,229
State Sources	7,045,744	-	7,045,744
Federal Sources	375,577	-	375,577
TOTAL REVENUES	18,581,684	10,866	18,592,550
EXPENDITURES			
Current:			
Instructional Services	11,183,363	-	11,183,363
Support Services	5,807,168	108,199	5,915,367
Operation of Noninstructional Services	404,343	-	404,343
Capital Outlay	-	873,555	873,555
Debt Service:			
Principal	1,170,367	-	1,170,367
Interest	485,892	-	485,892
Refund of Prior Year Revenue	16	-	16
TOTAL EXPENDITURES	19,051,149	981,754	20,032,903
DEFICIENCY OF REVENUES OVER EXPENDITURES	(469,465)	(970,888)	(1,440,353)
OTHER FINANCING SOURCES			
Issuance of Bonds	-	3,490,000	3,490,000
Bond Premium	-	119,793	119,793
Proceeds from Capital Lease	206,893	-	206,893
Sale of Capital Assets	4,688	-	4,688
Insurance Recoveries	34,373	-	34,373
TOTAL OTHER FINANCING SOURCES	245,954	3,609,793	3,855,747
NET CHANGE IN FUND BALANCES	(223,511)	2,638,905	2,415,394
FUND BALANCES - BEGINNING OF YEAR	4,857,038	1,287,801	6,144,839
FUND BALANCES - END OF YEAR	\$ 4,633,527	\$ 3,926,706	\$ 8,560,233

ANTIETAM SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,415,394

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 1,109,255	
Less: Loss on Disposal of Capital Assets	(21,412)	
Less: Depreciation Expense	<u>(1,490,868)</u>	(403,025)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (59,740)

Decrease in long- term settlement claims expense in other liabilities. 36,200

Issuance of long-term debt (e.g., bonds) 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.

Issuance of Bonds	(3,490,000)	
Repayment of Bond and Note Principal	981,000	
Bond Premium Incurred	(119,793)	
Amortization of Bond Premium	12,841	
Amortization of Deferred Charge on Bond Refunding	(33,854)	
Capital Lease Obligations Incurred	(206,893)	
Payments on Capital Lease Obligations	<u>189,367</u>	(2,667,332)

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. (11,676)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. 12,787

The change in net pension liability and related deferred outflows and inflows of resources for pension are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (740,916)

The change in other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (43,333)

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (1,461,641)

ANTIETAM SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2018

	<u>Enterprise Fund Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 47,008
Interfund Receivable	3,034
Intergovernmental Receivables	51,287
Other Receivables	15
Inventories	<u>12,256</u>
TOTAL CURRENT ASSETS	113,600
NONCURRENT ASSETS	
Machinery and Equipment, Net	<u>3,021</u>
TOTAL ASSETS	<u>116,621</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources for Pension	<u>91,702</u>
LIABILITIES	
CURRENT LIABILITIES	
Interfund Payable	207
Accounts Payable	5,601
Accrued Salaries and Benefits	1,176
Unearned Revenues	<u>8,836</u>
TOTAL CURRENT LIABILITIES	<u>15,820</u>
NONCURRENT LIABILITIES	
Net Pension Liability	<u>452,442</u>
TOTAL LIABILITIES	<u>468,262</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources for Pension	<u>107,211</u>
NET POSITION	
Investment in Capital Assets	3,021
Unrestricted (Deficit)	<u>(370,171)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (367,150)</u></u>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ 152,202
TOTAL OPERATING REVENUES	<u>152,202</u>
OPERATING EXPENSES	
Salaries	143,883
Employee Benefits	55,441
GASB Statement Nos. 68 and 71 Pension Expense	(22,443)
Purchased Professional and Technical Services	39,600
Purchased Property Services	20,011
Supplies	234,939
Depreciation	1,374
TOTAL OPERATING EXPENSES	<u>472,805</u>
OPERATING LOSS	(320,603)
NONOPERATING REVENUES	
Earnings on Investments	639
State Sources	55,852
Federal Sources	337,406
TOTAL NONOPERATING REVENUES	<u>393,897</u>
CHANGE IN NET POSITION	73,294
NET POSITION (DEFICIT) - BEGINNING OF YEAR	<u>(440,444)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (367,150)</u></u>

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Users	\$ 149,512
Payments to Employees for Services	(198,148)
Payments to Suppliers for Goods and Services	<u>(276,317)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(324,953)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	59,238
Federal Sources	<u>306,474</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	365,712
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>639</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,398
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,610</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 47,008</u></u>

ANTIETAM SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND**

For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	\$ (320,603)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,374
Donated Commodities Used	22,659
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Interfund Receivable	(2,407)
Inventories	(1,018)
Deferred Outflows of Resources for Pension	13,303
Interfund Payable	(8,886)
Accounts Payable	5,478
Accrued Salaries and Benefits	1,176
Unearned Revenues	(283)
Net Pension Liability	(58,829)
Deferred Inflows of Resources for Pension	<u>23,083</u>
Total Adjustments	<u>(4,350)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (324,953)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$22,659 of commodities from the U.S. Department of Agriculture.

ANTIETAM SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2018

	Private Purpose Trust Fund	Agency Funds (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 3,744	\$ 73,856
TOTAL ASSETS	3,744	\$ 73,856
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	-	\$ 73,856
TOTAL LIABILITIES	-	\$ 73,856
NET POSITION HELD IN TRUST	\$ 3,744	

ANTIETAM SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Earnings on Investments	\$ 19
DEDUCTIONS	
Scholarships	<u>300</u>
CHANGE IN NET POSITION	(281)
NET POSITION - BEGINNING OF YEAR	<u>4,025</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,744</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Antietam School District (the "District") is located in Berks County, Pennsylvania. The District's tax base consists of Lower Alsace Township and the Borough of Mount Penn. The Antietam School District is governed by a board of nine school directors who are residents of the 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 school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note 13 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU 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 BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The District's Capital Projects Fund consists of:

Capital Reserve Fund - This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

Construction Fund - The District established the construction fund with the series 2017 GOB bond issues, which provided resources to fund various capital projects of the District.

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If the eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the accrual basis of accounting. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. 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 110 days before the primary election, 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 adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the primary election. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option - continued

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education (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.

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 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. 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.

2. Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The 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 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 significant unobservable inputs.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

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.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. As of June 30, 2018, the cost of these inventories was \$12,256.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization

The District's property, plant, and equipment, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The District generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building improvements	7 - 30
Land improvements	15 - 20
Furniture and equipment	3 - 15

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (expenses) until then. The District has three items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit obligation in the following year.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net 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 District has three types of items that qualify for reporting in this category.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pensions relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the 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, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The 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.

9. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The superintendent and business manager may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Fund Balance Policies and Flow Assumptions- continued

The District will strive to maintain an unassigned general fund balance of not less than 6% and not more than 8% of the budgeted expenditures for that fiscal year set by board resolution.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy does not dictate whether restricted or unrestricted 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. The District's policy also places no restrictions on the order of the unrestricted fund balances used. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts.

G. Revenues and Expenditures/Expense

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Sick Pay

Under the District's various bargaining agreements and plans, professional employees and administrators accumulate unused sick days. These unused sick days may be accumulated for future illnesses and are not vested. Upon retirement, employees are paid for unused sick days at varying rates based on position.

Vacation Leave

Unused vacation can be accumulated by administrators and support staff within certain limits. Upon retirement or termination, unused vacation days are paid out at the employee's current rate of pay. The District maintains records of all employees' accumulated vacation and personal days.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund

For the year ended June 30, 2018, accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$367,150. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by PSERS.

C. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2018, the General Fund had excess expenditures over appropriations of \$195,073. This was covered with excess revenues received.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2018. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2018, is as follows:

Petty cash	\$ 450
Demand deposit accounts	6,200
Pooled cash and investments	<u>9,670,730</u>
	<u><u>\$ 9,677,380</u></u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. As of June 30, 2018, the carrying amount of the District's deposits was \$6,200 and the bank balance was \$6,200. Of the bank balance, \$6,200 was covered by federal depository insurance.

Investments

As of June 30, 2018, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 5,600,000	\$ 5,600,000
Certificates of Deposit	< 1 year	2,000,000	2,000,000
MAX Account Balance		930,347	930,347
PA Local Government Investment Trust (PLGIT):			
PLGIT - Class		771,859	771,859
PLGIT/1 - Class		<u>613,453</u>	<u>613,453</u>
	Total		9,915,659
Less: Reconciling Items			<u>(244,929)</u>
	Total Investments		<u><u>\$ 9,670,730</u></u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$9,915,659 (PLGIT and PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust and the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, is a fixed-term investment collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT - Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PLGIT/1 - Class Shares are an option in which the shares are invested and redeemed by the investor only through PLGIT's Easy Online Network ("EON"), the Trust's online account access system. This option requires a minimum initial investment of \$50,000 and limits redemptions and exchanges to two per calendar month. However, there is no minimum investment period.

As of June 30, 2018, the entire PLGIT and PSDLAF book balance of \$9,670,730 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District has an investment policy that would limit its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. District investments in authorized instruments not backed by the federal or state government shall be limited to the two highest applicable credit ratings. All other investments require board notification.

Custodial Credit Risk

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

Restricted Cash

Included in pooled cash and investments is \$79,499 of restricted cash set aside to meet the terms of a special education settlement agreement (see Note 15).

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$256,403,200. In accordance with Act 1 of 2006, the District received \$456,714 in property tax reduction funds for the 2017/2018 fiscal year. The District's tax rate for the year ended June 30, 2018, was \$39.15 per \$1,000 of assessed valuation. The schedule for real estate taxes levied for each fiscal year is as follows:

- | | |
|--------------------------|---|
| July 1 | - Full year tax assessed for current year. |
| July 1 - August 31 | - Discount period during which a 2% discount is allowed. |
| September 1 - October 31 | - Face amount of tax is due. |
| November 1 - January 14 | - A 10% penalty is added to all payments. |
| January 15 | - All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection. |

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

Installment payments of the face amount of the property tax can be made by the following dates - July 31, September 15, October 31, and December 15.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by 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 unavailable in the fund financial statements.

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

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real estate	\$ 480,575	\$ 7,839	\$ 472,736	\$ 88,642	\$ 391,933
Transfer tax	18,521	-	18,521	18,521	-
Earned income tax	53,313	-	53,313	53,313	-
	<u>\$ 552,409</u>	<u>\$ 7,839</u>	<u>\$ 544,570</u>	<u>\$ 160,476</u>	<u>\$ 391,933</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule represents the interfund receivables and payables at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 103,206	\$ 3,034
Capital Project Fund	13,796	116,795
Enterprise Fund - Food Service	3,034	207
	<u>\$ 120,036</u>	<u>\$ 120,036</u>

Interfund receivables and payables resulted from the time lag between dates that interfund goods and services were provided and when payments between funds are made. All will be paid within one year.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The following schedules represents intergovernmental receivables and payables at June 30, 2018:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Fund Food Service</u>
Receivables		
Commonwealth of Pennsylvania:		
Retirement	\$ 434,720	\$ -
Social Security	105,665	-
Transportation Subsidy	15,211	-
Rental Subsidy	106,193	-
School Lunch Program	-	2,391
Berks County Intermediate Unit - Special Education	222,386	-
Other Local Education Agencies	73,249	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	21,727	-
Supporting Effective Instruction State Grant	3,376	-
English Language Acquisition State Grants	2,900	-
School Lunch Program	-	48,896
Total Intergovernmental Receivables	<u>\$ 985,427</u>	<u>\$ 51,287</u>
Payables		
Berks County Intermediate Unit	\$ 19,084	\$ -
Mount Penn Borough Municipal Authority	6,199	-
Other Local Education Agencies	145,743	-
Total Intergovernmental Payables	<u>\$ 171,026</u>	<u>\$ -</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Reclass/ Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Construction in progress	<u>784,925</u>	<u>102,999</u>	<u>(784,925)</u>	<u>102,999</u>
Totals not being depreciated	1,094,981	102,999	(784,925)	413,055
Capital assets being depreciated:				
Buildings and building improvements	31,059,457	756,011	784,925	32,600,393
Land improvements	183,115	-	-	183,115
Furniture and equipment	<u>4,167,111</u>	<u>250,245</u>	<u>(41,554)</u>	<u>4,375,802</u>
Totals being depreciated	35,409,683	1,006,256	743,371	37,159,310
Less accumulated depreciation for:				
Buildings and building improvements	18,178,914	1,131,556	-	19,310,470
Land improvements	67,275	9,156	-	76,431
Furniture and equipment	<u>3,225,817</u>	<u>350,156</u>	<u>(20,142)</u>	<u>3,555,831</u>
Total accumulated depreciation	<u>21,472,006</u>	<u>1,490,868</u>	<u>(20,142)</u>	<u>22,942,732</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>13,937,677</u>	<u>(484,612)</u>	<u>763,513</u>	<u>14,216,578</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 15,032,658</u>	<u>\$ (381,613)</u>	<u>\$ (21,412)</u>	<u>\$ 14,629,633</u>
Business-Type Activities				
Capital assets being depreciated:				
Machinery and equipment	\$ 305,735	\$ -	\$ -	\$ 305,735
Less accumulated depreciation for:				
Machinery and equipment	<u>301,340</u>	<u>1,374</u>	<u>-</u>	<u>302,714</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,395</u>	<u>\$ (1,374)</u>	<u>\$ -</u>	<u>\$ 3,021</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instructional Services:	
Regular Programs - Elementary/Secondary	\$ 854,217
Special Programs - Elementary/Secondary	4,497
	<hr/>
	858,714
Support Services:	
Students	1,638
Instructional Staff	36,302
Administration	6,205
Pupil Health Services	1,515
Business Services	3,329
Operation and Maintenance of Plant	493,903
Student Transportation	22,641
Central	62,631
Other Support Services	1,457
	<hr/>
	629,621
Noninstructional Services - Student Activities	<hr/>
	2,533
	<hr/>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 1,490,868
	<hr/>
	<hr/>

NOTE 8 - LONG-TERM LIABILITIES

Bonds and notes payable at June 30 are as follows:

General Obligation Bonds, Series A of 2012

The General Obligation Bonds, Series A of 2012, aggregate principal of \$2,565,000, were issued May 18, 2012, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2007, and (2) pay bond issuance costs. The bonds mature from August 2012 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.350% to 3.000%. The economic gain or loss on refunding was immaterial.

\$ 1,145,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds, Series 2015

The General Obligation Bonds, Series of 2015, aggregate principal of \$8,055,000, were issued September 15, 2015, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2014B and advance refund a portion of the outstanding General Obligation Bonds, Series 2011, and (2) pay bond issuance costs. The bonds mature from April 2016 to April 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1% to 3%. The District realized a savings of \$176,115 as a result of the refunding.

6,670,000

General Obligation Note, Series 2016

The General Obligation Note, Series of 2016, aggregate principal of \$1,890,000, was issued June 9, 2016, for the purpose of providing funds to: (1) currently refund a portion of the outstanding General Obligation Bonds, Series of 2011, and (2) pay bond issuance costs. The bonds mature from June 2016 to September 2024. Interest is payable semi-annually in March and September. Interest is 2.19%. The economic gain or loss on refunding was immaterial.

1,889,000

General Obligation Bonds, Series of 2017

The General Obligation Bonds, Series of 2017, aggregate principal of \$7,700,000, were issued February 1, 2017, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2012, (2) fund various capital projects, and (3) pay bond issuance costs. The bonds mature from April 2017 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.92% to 4.00%. The District realized a net present value savings of \$112,265 as a result of the refunding.

7,190,000

General Obligation Bonds, Series of 2018

The General Obligation Bonds, Series of 2018, aggregate principal of \$3,490,000, were issued May 15, 2018, for the purpose of providing funds to: (1) fund various capital projects and (2) pay bond issuance costs. The bonds mature from April 2019 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.95% to 4.00%.

3,490,000

Total Bonds and Notes Payable \$ 20,384,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all outstanding bonds are as follows:

	General Obligation Bonds Series A of 2012	General Obligation Bonds Series 2015	General Obligation Note Series 2016	General Obligation Bonds Series 2017
2019	\$ 280,000	\$ 510,000	\$ 1,000	\$ 200,000
2020	280,000	525,000	31,000	200,000
2021	290,000	530,000	33,000	200,000
2022	295,000	545,000	32,000	205,000
2023	-	650,000	237,000	210,000
2024 - 2028	-	3,150,000	1,555,000	1,185,000
2029 - 2033	-	760,000	-	3,855,000
2034 - 2035	-	-	-	1,135,000
	<u>\$ 1,145,000</u>	<u>\$ 6,670,000</u>	<u>\$ 1,889,000</u>	<u>\$ 7,190,000</u>
	General Obligation Bonds Series 2018	Total Bonds Payable	Total Interest	
2019	\$ 20,000	\$ 1,011,000	\$ 581,169	
2020	5,000	1,041,000	575,915	
2021	5,000	1,058,000	554,552	
2022	5,000	1,082,000	532,325	
2023	5,000	1,102,000	509,152	
2024 - 2028	25,000	5,915,000	2,141,355	
2029 - 2033	1,775,000	6,390,000	1,249,178	
2034 - 2035	1,650,000	2,785,000	166,813	
	<u>\$ 3,490,000</u>	<u>\$ 20,384,000</u>	<u>\$ 6,310,459</u>	

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Capital Lease Obligations

The District is obligated under capital leases for certain computer equipment. The gross amount of such equipment and related accumulated amortization under these capital leases was as follows as of June 30, 2018:

Cost	\$ 1,694,536
Accumulated Depreciation	1,276,928
Net Book Value	<u>\$ 417,608</u>

Depreciation expense on assets held under capital leases was \$243,269 for the year ended June 30, 2018.

Future minimum lease payments under capital lease obligations are as follows:

2019	\$ 117,521
2020	117,521
2021	<u>26,673</u>
Total minimum lease payments	261,715
Less imputed interest	<u>(4,596)</u>
	257,119
Less current installments of obligations under capital leases	<u>(115,747)</u>
Obligations under capital leases, excluding current installments	<u>\$ 141,372</u>

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable	\$ 17,875,000	\$ 3,490,000	\$ 981,000	\$ 20,384,000	\$ 1,011,000
Premiums	114,997	119,793	12,841	221,949	-
Total Payable	<u>17,989,997</u>	<u>3,609,793</u>	<u>993,841</u>	<u>20,605,949</u>	<u>1,011,000</u>
Capital Leases	239,593	206,893	189,367	257,119	115,747
Compensated Absences	<u>252,917</u>	<u>146,125</u>	<u>158,912</u>	<u>240,130</u>	<u>84,614</u>
Total Governmental Long-Term Liabilities	<u>\$ 18,482,507</u>	<u>\$ 3,962,811</u>	<u>\$ 1,342,120</u>	<u>\$ 21,103,198</u>	<u>\$ 1,211,361</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Payments on bonds and note payable and capital leases are made by the general fund. The compensated absences will also be paid from the general fund. Total interest paid during the year ended June 30, 2018, was \$485,892.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Member Contributions - continued:

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018, was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$2,530,086 for the year ended June 30, 2018.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$1,659,801.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

At June 30, 2018, the District reported a liability of \$28,102,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016, to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.0569%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the general and food service funds.

For the year ended June 30, 2018, the District recognized pension expense of \$3,248,559. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual investment earnings	\$ 652,000	\$ -
Difference between expected and actual experience	293,000	170,000
Changes in proportions - plan level	763,000	36,000
Changes in assumptions	763,000	-
Changes in proportions - internal	103,956	103,956
Difference between employer contributions and proportionate share of total contributions	73,897	-
Contributions made subsequent to the measurement date	2,530,086	-
	<u> </u>	<u> </u>
	<u>\$ 5,178,939</u>	<u>\$ 309,956</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$2,530,086 deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2019	\$ 714,566
2020	1,062,712
2021	652,445
2022	<u>(90,826)</u>
	<u>\$ 2,338,897</u>

Actuarial Assumptions

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

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

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

Discount Rate

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	<u>1% Decrease</u> 6.25%	<u>Discount Rate</u> 7.25%	<u>1% Increase</u> 8.25%
District's proportionate share of the net pension liability	\$ 34,591,000	\$ 28,102,000	\$ 22,623,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$882,078. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - OTHER RETIREMENT PLAN

The District maintains a Special Pay Deferral Plan for retiring teachers under section 401(a) of the IRS Code. This Plan is designed to handle payments to employees at retirement in a tax-advantaged manner. Payments are based on accumulated sick leave, unused vacation, and a \$5,000 retirement incentive for professional and administrative staff if employed by the District for at least seventeen years. For the year ended June 30, 2018, the District contributed \$12,517 on behalf of its retirees.

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Employee Defined Benefit Other Postemployment Benefits Plan

The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered through PSERS.

Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information About the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2018, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$65,043 for the year ended June 30, 2018.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net HIPAP obligation and related expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018 for pension and OPEB benefits was \$1,659,801.

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported an obligation of \$1,159,000 for its proportionate share of the net OPEB obligation. The net OPEB obligation was measured as of June 30, 2017, and the total OPEB obligation used to calculate the net OPEB obligation was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB obligation was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.0569%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general fund.

For the year ended June 30, 2018, the District recognized OPEB expense of \$48,138. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 54,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportion	-	2,000
Contributions made subsequent to the measurement date	<u>65,043</u>	<u>-</u>
	<u>\$ 66,043</u>	<u>\$ 56,000</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$65,043 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$	(9,000)
2020		(9,000)
2021		(9,000)
2022		(9,000)
2023		(9,000)
Thereafter		<u>(10,000)</u>
	\$	<u>(55,000)</u>

Actuarial Assumptions

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Actuarial Assumptions- continued

The following assumptions were used to determine the contribution rate:

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

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

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

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

Discount Rate

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

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

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

The following presents the District's proportionate share of the net OPEB obligation for the June 30, 2017 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB obligation would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease (Between 4% to 7%)</u>	<u>Current Trend Rate (Between 5% to 8%)</u>	<u>1% Increase (Between 6% to 9%)</u>
District's proportionate share of the net OPEB obligation	\$ 1,159,000	\$ 1,159,000	\$ 1,160,000

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

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB obligation	\$ 1,318,000	\$ 1,159,000	\$ 1,028,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS of \$882,078, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

Antietam School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, and dental insurance for eligible retirees through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Government Accounting Standards Board Statement No. 75 to pay related benefits.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided

The District classifies employees in the following categories: Employees Retired in 2007 and Employees Retired after 2007. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

Employees Retired in 2007:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
N/A - Already retired	<p>Medical and Prescription Drug Coverage for Retiree and Spouse paid by the District until the earlier of July 1, 2012, or Retiree Medicare eligibility. Retiree and Spouse may continue coverage until Medicare eligibility by paying the full premium</p> <p>Retiree and Spouse may continue Dental and Vision coverage by paying the full premium</p>	<p>Coverage under the District's subsidized benefit is provided until July 1, 2012 or Retiree Medicare eligibility, whichever is earlier. Coverage may continue until Retiree Medicare eligibility, given that the Retiree pays the full premium. Spouse coverage ends at Spouse Medicare eligibility if earlier than above.</p> <p>If the Retiree dies while receiving District paid benefits, spouse coverage may continue until July 1, 2012, spouse Medicare eligibility or until retiree would have been eligible for Medicare, whichever is earliest.</p> <p>Dental and vision coverage are provided until retiree is eligible for Medicare or until retiree death, whichever is earlier. Spouse coverage ends at spouse Medicare eligibility if earlier than above.</p>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

Employees Retired after 2007:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 Requirements	Act 110/43 Grandfathered Retiree: The former Superintendent has a special contract and pays 50% of the premium for coverage	Coverage provided until the earlier of Retiree Medicare eligibility or Retiree death. Spouse coverage ends at Spouse Medicare eligibility if earlier than above.

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

PSERS Superannuation Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 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 superannuation retirement upon reaching age 65 with 3 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.

Employees Covered by Benefit Terms

At July 1, 2017, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	134
Retired participants	<u>7</u>
Total	<u><u>141</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB obligation as of July 1, 2017, was determined by rolling forward the District's total OPEB obligation as of July 1, 2016 to July 1, 2017, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
- Discount rate - 3.13% - based on the Standards & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/17
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 75% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Obligation</u>
Balance at July 1, 2017	\$ 964,019
Changes for the year:	
Service cost	78,871
Interest	25,097
Differences between expected and actual experience	(25,213)
Changes of assumptions or other inputs	31,389
Benefit payments	<u>(64,575)</u>
Net changes	<u>45,569</u>
Balance at June 30, 2018	<u><u>\$ 1,009,588</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.49% to 3.13%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
OPEB Plan - Total OPEB Obligation	\$ 1,098,042	\$ 1,009,588	\$ 926,878

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Liability - continued

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

The following presents total OPEB obligation of the District, as well as what the District's total OPEB obligation would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Obligation	\$ 876,039	\$ 1,009,588	\$ 1,172,426

At June 30, 2018, the District reported an OPEB obligation of \$1,009,588 related to the OPEB Plan. The net OPEB obligation was measured as of July 1, 2017, and was determined by rolling forward an actuarial valuation performed as of July 1, 2017 to July 1, 2018. The liability will be liquidated through future payments from the general fund.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$104,380. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 29,296	\$ -
Differences Between Expected and Actual Experience	-	23,532
Benefit payments made subsequent to the measurement date	44,142	-
	<u>\$ 73,438</u>	<u>\$ 23,532</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

Employee Defined Benefit Other Postemployment Benefits Plan - continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$44,142 reported as deferred outflows of resources related to OPEB obligations resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$	412
2020		412
2021		412
2022		412
2023		412
Thereafter		<u>3,704</u>
Total	\$	<u><u>5,764</u></u>

NOTE 13 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of the Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2017/2018 year was \$404,420.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of taxable real estate of all participating school districts. The District's share for the 2017/2018 year was \$34,239.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 13 - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2017 (the most recent information available), is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 33,405,464
Total Liabilities and Deferred Inflows of Resources	<u>32,156,625</u>
Total Net Position	<u>\$ 1,248,839</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2017/2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years.

NOTE 15 - CONTINGENT LIABILITIES AND COMMITMENTS

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

The District entered into a special education settlement agreement in which the District agrees to pay tuition directly to a third-party source. Pursuant to this agreement, the District will pay tuition through the 2021 school year plus five percent and necessary tutoring. These funds, totaling \$79,499, will be held in set aside to meet the terms of this settlement agreement and included as restricted cash.

At June 30, 2018 the District entered into a contract related to a boiler replacement. The contract amount is \$628,900 and the remaining commitment is \$597,455 as of June 30, 2018. The District intends to use capital projects funds to satisfy the remaining commitment.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 16 - RESTATEMENT OF BEGINNING NET POSITION

Restatement of Beginning Net Position

Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles.

Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. The statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. The statement also enhances note disclosure and required supplementary information for these plans.

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2017, as follows:

	<u>Governmental Activities</u>
Net Position (Deficit) at June 30, 2017	\$ (18,940,783)
Restatement for:	
Deferred Outflow - HIPAP contributions made subsequent to the measurement date	62,138
Other postemployment benefit obligation - HIPAP	(1,228,000)
Deferred Outflow - benefit payments made subsequent to the measurement date	64,575
Other postemployment benefit obligation - District Plan	<u>(730,074)</u>
Net Position (Deficit) at July 1, 2017 - restated	<u>\$ (20,772,144)</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 17 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2018, are as follows:

General Fund

The general fund has a nonspendable fund balance of \$1,653 related to prepaid expenditures, restricted fund balance of \$79,499 for a special education settlement, committed fund balance of \$2,099,263 for retirement rate increases, assigned fund balance of \$944,832 to balance the 2018/2019 school budget, and unassigned fund balance of \$1,508,280. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of \$3,926,706 consisting of \$3,400,342 of unspent bond funds and \$526,364 comprised of surplus money transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 88 is effective for the District's fiscal year ending June 30, 2019.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

ANTIETAM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2018

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Sources	\$ 10,738,831	\$ 10,738,831	\$ 11,160,363	\$ 421,532
State Sources	6,877,568	6,877,568	7,045,744	168,176
Federal Sources	318,140	318,140	375,577	57,437
TOTAL REVENUES	17,934,539	17,934,539	18,581,684	647,145
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular Programs - Elementary/Secondary	7,672,687	7,491,645	7,442,762	48,883
Special Programs - Elementary/Secondary	2,883,976	2,883,976	3,263,081	(379,105)
Vocational Education	427,750	438,750	438,659	91
Other Instructional Programs - Elementary/Secondary	23,670	18,670	17,039	1,631
Nonpublic School Programs	-	20,200	21,822	(1,622)
TOTAL INSTRUCTIONAL SERVICES	11,008,083	10,853,241	11,183,363	(330,122)
SUPPORT SERVICES:				
Students	601,406	651,958	646,073	5,885
Instructional Staff	809,880	855,880	844,551	11,329
Administration	1,615,833	1,621,782	1,617,541	4,241
Pupil Health Services	199,411	199,411	195,198	4,213
Business Services	366,299	356,799	324,509	32,290
Operation and Maintenance of Plant	1,437,442	1,437,442	1,429,046	8,396
Pupil Transportation	234,900	284,361	288,076	(3,715)
Central	474,570	474,570	451,100	23,470
Other Support Services	9,100	9,100	11,074	(1,974)
TOTAL SUPPORT SERVICES	5,748,841	5,891,303	5,807,168	84,135
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Food Services	-	7,880	7,880	-
Student Activities	428,861	428,861	375,655	53,206
Community Services	18,000	18,000	20,808	(2,808)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	446,861	454,741	404,343	50,398
DEBT SERVICE PAYMENTS	1,652,291	1,656,791	1,656,259	532
REFUND OF PRIOR YEAR REVENUE	-	-	16	(16)
TOTAL EXPENDITURES	18,856,076	18,856,076	19,051,149	(195,073)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(921,537)	(921,537)	(469,465)	452,072
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	225,000	225,000	206,893	(18,107)
Sale of Capital Assets	-	-	4,688	4,688
Insurance Recoveries	-	-	34,373	34,373
Budgetary Reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	125,000	125,000	245,954	120,954
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USE!	\$ (796,537)	\$ (796,537)	(223,511)	\$ 573,026
FUND BALANCE - BEGINNING OF YEAR			4,857,038	
FUND BALANCE - END OF YEAR			\$ 4,633,527	

See note to required supplementary information.

ANTIETAM SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

ANTIETAM SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.0569%	0.0570%	0.0553%	0.0538%	0.0531%
District's proportionate share of the collective net pension liability	\$ 28,102,000	\$ 28,247,000	\$ 23,953,000	\$ 21,295,000	\$ 21,737,000
District's covered employee payroll	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.99%	382.63%	336.50%	310.10%	319.06%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015, 2014, and 2013).

NOTES TO SCHEDULE

Changes of Benefit Terms

With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions

None.

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

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 2,530,086	\$ 2,221,866	\$ 1,829,368	\$ 1,479,329	\$ 1,106,236	\$ 794,896	\$ 553,623	\$ 361,231	\$ 286,013	\$ 275,315
Contributions in relation to the contractually required contribution	<u>2,530,086</u>	<u>2,221,866</u>	<u>1,829,368</u>	<u>1,479,329</u>	<u>1,106,236</u>	<u>794,896</u>	<u>553,623</u>	<u>361,231</u>	<u>286,013</u>	<u>275,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 7,884,495	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734				
Contributions as a percentage of covered employee payroll	32.09%	29.33%	24.78%	20.78%	16.11%	11.67%				

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB OBLIGATION AND RELATED RATIOS -
HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (HIPAP)

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the collective HIPAP obligation	0.0569%	0.0570%
District's proportionate share of the collective net HIPAP obligation	\$ 1,159,000	\$ 1,228,000
District's covered employee payroll	\$ 7,574,938	\$ 7,382,318
District's proportionate share of the net HIPAP obligation as a percentage of its covered employee payroll	15.30%	16.63%
Plan fiduciary net position as a percentage of the total HIPAP obligation	5.73%	5.47%

The District's covered employee payroll noted above is as of the measurement date of the net HIPAP obligation (June 30, 2017 and 2016).

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2017 measurement date are as follows:

- The discount rate changed from 2.71% to 3.13%.

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

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 65,043	\$ 62,138	\$ 62,126	\$ 64,946	\$ 64,300	\$ 59,444	\$ 44,982	\$ 46,238	\$ 55,773	\$ 52,310
Contributions in relation to the contractually required contribution	<u>65,043</u>	<u>62,138</u>	<u>62,126</u>	<u>64,946</u>	<u>64,300</u>	<u>59,444</u>	<u>44,982</u>	<u>46,238</u>	<u>55,773</u>	<u>52,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 7,884,495	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734				
Contributions as a percentage of covered employee payroll	0.82%	0.82%	0.84%	0.91%	0.94%	0.87%				

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

ANTIETAM SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB OBLIGATION AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>
Total OPEB Obligation	
Service cost	\$ 78,871
Interest	25,097
Differences between Expected and Actual Experience	(25,213)
Changes in Assumptions	31,389
Benefit Payments	<u>(64,575)</u>
Net change in total OPEB obligation	45,569
Total OPEB obligation, beginning	<u>964,019</u>
Total OPEB obligation, ending	<u>\$ 1,009,588</u>
Covered Employee Payroll	<u>\$ 7,030,763</u>
Total OPEB Obligation as a Percentage of Covered Employee Payroll	14.36%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2017 measurement date are as follows:

- The discount rate changed from 2.49% to 3.13%.
- The trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

SUPPLEMENTARY INFORMATION

ANTIETAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2017	Revenue/Expenditures	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Education									
Passed through State Department of Education:									
Title I: Grants to Local Educational Agencies	I	84.010	013-170011	08/24/17-09/30/18	\$ 304,177	\$ 282,450	\$ -	\$ 304,177	\$ 21,727
Title I: Grants to Local Educational Agencies	I	84.010	013-180011	08/26/16-09/30/17	333,513	25,845	23,135	2,710	-
Subtotal						308,295	23,135	306,887	21,727
Supporting Effective Instruction State Grant	I	84.367	020-170011	08/24/17-09/30/18	47,957	44,581	-	47,957	3,376
Supporting Effective Instruction State Grant	I	84.367	020-180011	08/26/16-09/30/17	17,891	1,171	1,171	-	-
English Language Acquisition State Grants	I	84.365	010-180011	08/24/17-09/30/18	10,967	7,834	-	10,734	2,900
Student Support and Academic Enrichment Grants	I	84.424	144-180011	08/24/17-09/30/18	10,000	10,000	-	10,000	-
Passed through the Fleetwood Area School District:									
English Language Acquisition State Grants	I	84.365	010-170147	07/01/16-09/30/17	7,040	7,040	3,795	3,245	-
Passed through Berks County Intermediate Unit:									
Special Education Cluster (IDEA):									
Special Education - Grants to States	I	84.027	62-180014	07/01/17-09/30/18	218,886	-	-	218,886	218,886
Special Education - Grants to States	I	84.027	62-170014	07/01/16-09/30/17	196,955	123,272	123,272	-	-
Special Education - Preschool Grants	I	84.173	62-180014	07/01/17-09/30/18	3,500	-	-	3,500	3,500
Special Education - Preschool Grants	I	84.173	62-170014	07/01/16-09/30/17	818	818	818	-	-
Total Special Education Cluster (IDEA)						124,090	124,090	222,386	222,386
TOTAL U.S. DEPARTMENT OF EDUCATION						503,011	152,191	601,209	250,389
U.S. Department of Agriculture									
Child Nutrition Cluster									
Passed through State Department of Education:									
School Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	34,864	-	41,613	6,749
School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	5,764	5,764	-	-
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	230,987	-	273,134	42,147
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	34,859	34,859	-	-
Subtotal						306,474	40,623	314,747	48,896
Passed through State Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	22,659	-	22,659	-
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						329,133	40,623	337,406	48,896
TOTAL FEDERAL AWARDS						<u>\$ 832,144</u>	<u>\$ 192,814</u>	<u>\$ 938,615</u>	<u>\$ 299,285</u>

I = Indirect Source of Funding

Note: No funds were passed through to subrecipients in the year ended June 30, 2018.

See notes to schedule of expenditures of federal awards.

ANTIETAM SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Antietam School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Antietam School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Antietam School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimis rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

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

**To the Board of School Directors
Antietam School District
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Antietam School District's basic financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Antietam 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 Antietam School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Antietam School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Antietam 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
November 19, 2018



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

**To the Board of School Directors
Antietam School District
Reading, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Antietam School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Antietam School District's major federal programs for the year ended June 30, 2018. Antietam School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Antietam 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 Antietam School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Antietam 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Herbein + Company, Inc.

**Reading, Pennsylvania
November 19, 2018**

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified
Internal Control Over Financial Reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control Over Major Programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? _____ yes X none reported
Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of Major Program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Child Nutrition Cluster</u>	
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.



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STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2017.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs for the year ended June 30, 2017.