

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

SCHOOL DISTRICT OF LANCASTER Lancaster, Pennsylvania



**School District
of Lancaster**

Together We Can!

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**SCHOOL DISTRICT OF LANCASTER
LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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SCHOOL DISTRICT OF LANCASTER

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SCHOOL DISTRICT OF LANCASTER
**INTRODUCTORY
SECTION**



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Letter of Transmittal

December 12, 2017



In order to be awarded a Certificate of Excellence and/or a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to each of the programs' standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. Both the Certificate of Excellence and the Certificate of Achievement are valid for a period of one year only. We believe our current report continues to conform to both programs' requirements, and we are submitting it to ASBO and GFOA to determine its eligibility for another Certificate for the year ended June 30, 2017.

This CAFR includes all funds of the District, consistent with the guidance contained in GASB 14, *The Financial Reporting Entity*, GASB 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The criteria used by the School District to evaluate whether additional entities should be included as component units include whether the School District can impose its will on these entities and whether these entities bring the School District financial benefit or burden.

Profile of the School District

The School District of Lancaster ("**the District**" or "**SDoL**") is located in the center of Lancaster County in the southeastern corner of Pennsylvania. According to the United States Census Bureau, Lancaster County is the sixth most populous county in Pennsylvania, and the City of Lancaster is the eighth most populous of Pennsylvania's cities. The District encompasses the City of Lancaster and Lancaster Township. Established in 1836, it is the second oldest school district in Pennsylvania. The District employs about

1,600 Administrative Staff, Professional Staff, and Support Staff. Our student population averages 11,336 students of whom 60% are Hispanic, 17% are African American, 13% are Caucasian and nearly 10% are Asian and other ethnicities.

Our student population includes more than 1,800 English Language Learners who speak thirty-eight different languages peppered with a variety of dialects. About five hundred of these students are refugees from countries such as Democratic Republic of the Congo, Syria, Poland, Ukraine, Burma, Cuba, India, Kenya, Iran, Iraq, and many others. Additionally, about 1,850 students receive Special Education services and supports. Afterschool and summer programs, school-based health care clinics, on-site therapy, and counseling services were implemented to provide extra supports for these and other students as necessary.

The District is governed by a nine member Board of School Directors ("**Board**"), elected for four-year terms. The Superintendent is the Chief Administrative Officer of the District and has responsibility for all aspects of operations, including education and finance. The Chief Financial and Operations Officer is responsible for budgets, financials, and the operation of the District's facilities. Both officials are selected by the Board in accordance with Pennsylvania School Law and relevant legislation. A Cabinet level of administrators that includes the Assistant Superintendent for Curriculum and Instruction, Directors of Schools, Director of Student Services, among others, provides oversight of various departments in the District.

The District is located in an area rich in American history. Lancaster is one of the oldest inland cities in the United States. German immigrants known as Pennsylvania Dutch (from "Deutsch" meaning German) were

the first to settle in the area in 1709. Lancaster was originally called Hickory Town until it was renamed after the English city of Lancaster by native citizen John Wright. In 1742, it became a borough, then a chartered city in 1818. It surrendered its ancient city charter and became a Third Class City under the laws of the Commonwealth of Pennsylvania in 1924.

Lancaster was an important munitions center during the Revolutionary War. It was the National Capital of the American colonies for one day on September 27, 1777, when the Continental Congress was fleeing British forces who had captured Philadelphia. From 1799 to 1812, Lancaster was the capital of Pennsylvania. After the American Revolution Lancaster became an iron-foundry center that manufactured the Conestoga wagon and the Pennsylvania long rifle, two prominent products used by the pioneers in settling the West.

Lancaster was the home of the 15th president, James Buchanan, who holds the dubious distinction of consistently being included on many historians' "Worst Presidents" lists. His homestead, Wheatland, still stands today and is a popular tourist attraction. The first paved road in the United States was the former Philadelphia and Lancaster Turnpike, now part of U.S. Route 30, which opened in 1795. In 1879 Franklin Winfield Woolworth opened his first "five and dime" store in Lancaster, the F. W. Woolworth Company. Constructed in 1889, Lancaster's Central Market is the oldest continuously operated farmers market in the nation. The Fulton Opera House, named after Lancaster native Robert Fulton (engineer, inventor, and creator of the commercial steamboat Clermont), is the oldest continuously running theater in the United States. Other prominent Lancaster residents include Thaddeus Stevens (staunch abolitionist and U.S. Congressman from Pennsylvania), Milton Hershey (founder of the Hershey Chocolate Company and the town of Hershey, PA), and more recently Jim Furyk (professional golfer) and Jonathan Groff (Broadway actor and singer).

Lancaster is also host to a vibrant arts scene, with a section of the downtown dubbed Gallery Row in recognition of the art galleries, antique shops, and museums located in the vicinity. Murals, statues, fountains, and sculptures beautify the city, and a symphony orchestra, opera company, professional theater, and concert venues provide myriad avenues for entertainment. The School District of Lancaster takes full advantage of the art availability and incorporates it into the curriculum whenever possible. Every grade level at every school building was represented at both the fall and spring Lancaster ArtWalks, a city-wide celebration of the visual arts through special exhibitions, meet-the-artist events, and live demonstrations. Nearly 1,000 students performed in school bands, orchestras, and choruses, and because of these efforts, SDoL has been named one of the Best Communities for Music Education for the past seven years.



District Facilities

The Mission Statement of the School District of Lancaster ("**SDoL**") is "Together We Can work as partners in a diverse community to ensure

all students graduate prepared to meet high expectations and serve as responsible citizens in a global society." SDoL provides a comprehensive educational program for students in grades pre-kindergarten through twelve.

There are twenty-two educational facilities in the District. An early childhood center located in the District's K-8 school teaches three- and four-year-old children, and other pre-school classrooms are in place throughout many of the District's twelve elementary schools. The elementary schools provide full day pre-kindergarten and kindergarten programs and educate students through fifth grade. Four middle schools serve students in sixth through eighth grades. The J.P. McCaskey High School Campus is comprised of two buildings – J.P. McCaskey and McCaskey East – and serves ninth through twelfth grade students. Two alternative programs offered at Buerhle Alternative School and Phoenix Academy offer different options for students who are in need of credit recovery, are overage for the grade, or have behavioral concerns. These alternative facilities primarily serve our high school students, but they also house several programs for students in grades 5 through 8 as well.

The District has one K-8 school that opened in April 2014. The first K-8 school in Lancaster County, Elizabeth R. Martin School ("**Martin School**") was built to serve growing numbers of students in a larger facility due to a boom in housing developments in the area. Many factors influenced the decision to build a K-8 school, and chief among them was the ability to better assist students in moving from elementary school into middle school. The transition between fifth and sixth grade is a critical time for students socially, emotionally, and academically, and the K-8 school offers a more seamless transition.

The changes at Martin School began with the addition of two sixth grade classes to the K-5 school during its first year, two seventh grade classes in the fall of 2014, and two eighth grade classes in 2015. In 2016, pre-kindergarten classrooms were added. The modern building has wireless internet, a

spacious 8,000 square foot gymnasium/auditorium, upgraded cafeteria and media center, and air conditioning throughout.



The School District of Lancaster has several joint ventures with organizations located within Lancaster County. The Lancaster County Career and Technology Center of Lancaster-Lebanon County ("**CTC**") is one such venture with a joint board consisting of school directors from each member district. This board provides governance of the CTC. Each member district pays a share of the operating costs and debt service, and approves the CTC's budget.

As part of the participation in the CTC, the District serves as a member of the Lancaster County Career and Technology Center Authority ("**Authority**"). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of the Career and Technology Center. In 2016-17 about seventy-four SDoL students were enrolled at the CTC.

The District is also a member of the Lancaster-Lebanon Joint Authority ("**Joint Authority**"). The Joint Authority conducts bids and Requests for Proposals to procure materials and services related to the operations, maintenance and improvement of the facilities that it owns or leases for the use of the Lancaster-Lebanon Intermediate Unit No. 13 ("**IU 13**") and the twenty-two school districts located in Lancaster and Lebanon counties.

The school districts established the Joint Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of IU 13.

SDoL participates with the sixteen other Lancaster County school districts and 51 municipalities for the collection of earned income taxes through the Lancaster County Tax Collection Bureau ("**Bureau**"). Each public school district and municipality appoints one member to serve on the joint operating committee.

Charter Schools/Cyber Charter Schools

The Lancaster Cyber School Program is a full-time cyber school with single course options wherein students can learn on-site or by remote classes. Now in its seventh year, the program seeks to change the life altering consequences for students who drop out of school. Mr. Larry Mays, Lancaster Cyber School Principal, has designed an abundance of options which meet the required state and district standards for cyber schools. The Cyber School offers unique Science, Technology, Engineering, and Math ("**STEM**") classes, foreign language courses, credit recovery, summer school, distance learning, advanced placement courses, and half-day vocational or technical school inclusion. The Lancaster Cyber School meets the instructional needs of students with serious health issues by providing the flexibility they need for doctor appointments and medical treatments. Some struggling students with disabilities have excelled in their studies due to the online environment. Because of these possibilities, enrollment in the program increases every year.

The Lancaster Cyber School Program has achieved its goal of decreasing the student drop-out rate and increasing the District's graduation rate and for these accomplishments was named a Model Program by the Pennsylvania Excellence in eLearning Forum. This recognition was given to six of the ninety-two members in the state-wide program. It

was chosen for demonstrating the belief that excellence in eLearning provides unique learning opportunities and continually adjusts to meet the changing needs of students; for committing to vision and mission-driven work; for modeling and sharing our program and serving as a guide for all schools pursuing excellence; and for collecting and analyzing data to make decisions, design systems, initiate change and share value in an effort to ensure quality programming.



The School District of Lancaster is a partner with La Academia Partnership Charter School located within the District's boundaries. La Academia is the only "brick and mortar" public charter school in Lancaster and Lebanon counties. It was founded in 1998 with support from local organizations such as the Spanish American Civic Association, Crispus Attucks, the Urban League, Neighborhood Services, and Community Action Programs. A five-year extension of the partnership charter was approved by the School Board of Directors at their April 2013 meeting. La Academia is comprised of sixth through twelfth grades and served more than two hundred students last year, with twenty-six seniors graduating and many going on to post-secondary education at Elizabethtown College, Kutztown University, Millersville University, Shippensburg University, and Thaddeus Stevens College of Technology.

The school also offers a credit recovery program for adults seeking to earn a high school diploma.

Local Economy

The School District of Lancaster is located in Lancaster County, Pennsylvania and encompasses an area of 13.5 square miles covering the City of Lancaster and Lancaster Township. The School District's boundaries are coterminous with Lancaster Township and the City of Lancaster. The City of Lancaster, located in the center of the School District is the county seat of Lancaster County, and is located approximately forty-five miles south of Pennsylvania's Capital City of Harrisburg and seventy miles west of Philadelphia.

Led by Mayor J. Richard Gray, the City of Lancaster is in the second year of a two-year strategic plan to "(provide) the ideal urban experience for our residents and visitors." Their focus is on the elements that make a City ideal: community, livability, stability, and vitality. While much has been accomplished, challenges still exist for residents and businesses. Property taxes continue to be the primary funding vehicle for the City; this can present a challenge for many businesses to locate in Lancaster.

In 2013, state law created the City Revitalization Improvement Zone ("**CRIZ**"), which aims to revitalize the development of vacant and underutilized buildings within a designated zone in a city by returning certain state and local taxes paid by businesses located in that zone to a local authority. The authority can use the money to fund new projects or return to the businesses a portion for eligible purposes. The designated zone in Lancaster encompasses 130 acres. CRIZ is expected to grow the business community in Lancaster City. Currently there are 646 businesses located in Lancaster's CRIZ.

A number of exciting economic development projects are in process throughout the city. Aspire Ventures plans to build a medical facility in a vacant area that was home to Lancaster Stockyards, once the largest stockyards east of Chicago. The Marriott Hotel at Penn

Square, the heart of the city, is expanding and adding one hundred additional rooms. A building located at a prominent corner of downtown and vacant since 2009 has finally been sold. The planners call for retail space on the ground level with offices and residential space on the higher floors.

The City has committed to a national smart growth program called Complete Streets. City streets are being improved for safer, convenient travel with better access for pedestrians, bikers, and users of all ages and abilities while adding green features for sustainability and aesthetic purposes. Complete Streets is a means to attract new commercial and retail establishments and other types of investments to the city which adds to the tax base of the community. They make a community more vibrant, attracting people to shop, eat at restaurants or simply walk around and enjoy the environment. Plans are underway to construct a bicycle network in various neighborhoods throughout the city and will include bike lanes, bike boulevards, and bike sharing stations.

The Lancaster City Alliance, a community service organization, is dedicated to improving the City's financial stability, public safety, and quality of life. They work with other community groups to identify key initiatives and allocate resources. In their Annual Report for 2016-2017, it was stated that investment is occurring throughout Lancaster at a rapid pace, with more than \$500 million in projects completed, underway, or in the planning stages.





As an incentive to tenants, investors, and property owners, the City started installation for the deployment of secure wi-fi access points that will make free wi-fi internet access available in public spaces throughout the City. All public parks currently have free wi-fi through this project.

More than 1,000 strand miles of fiber optic facilities will be available to two-thirds of residents, businesses, educational facilities and healthcare institutions through the LanCity Connect project. Future phases will deploy the network throughout the remaining one third of the City. The School District of Lancaster and the City of Lancaster are working to determine how the City network can best serve the needs of district households that currently lack internet access. This network model is the first of its kind in Pennsylvania.

Lancaster City is home to several higher education institutions including Franklin & Marshall College, Lancaster Theological Seminary, Pennsylvania College of Art & Design, and Thaddeus Stevens College of Technology. Located outside the City but in close proximity are Central Pennsylvania College, Lancaster Bible College, Millersville University, and Pennsylvania College of Health Sciences.

Five institutes of higher education have created satellite sites in Lancaster to provide additional opportunities for post-secondary learning: Albright College, Eastern Mennonite University, Elizabethtown College, Harrisburg Area Community College, and the Pennsylvania State University. Several institutes of higher education partner with the School District of Lancaster in offering dual enrollment and other opportunities for students and providing continuing education courses for instructional staff.

Major Initiatives

In 1996 the District established the International Baccalaureate Diploma Program for juniors and seniors. To complement this highly successful program, the School District of Lancaster has been developing an International Baccalaureate program for Middle Years ("**IB MYP**") for students in sixth through tenth grades. The International Baccalaureate program, an international educational foundation headquartered in Geneva, Switzerland, is inter-disciplinary by design, and challenges students to excel in their studies and in their personal growth. The basis of the framework is to establish continuity and consistency in our curriculum as a whole and to prepare our students to be informed and articulate citizens of our local community and the world at large.

The IB MYP is a framework of academic challenges that encourages all students to embrace and understand the connections between traditional subjects and the real world, and to become critical and reflective thinkers. This program provides a rigorous climate of high expectations, and academic supports are in place for every learning style to ensure student success. Over the past two years, teachers in all targeted grade levels received training in the IB framework. The IB MYP will be fully implemented by the end of the 2017-2018 school year. SDoL is one of only thirteen public school districts to offer the IB Diploma

Program and one of only four districts to offer the IB Middle Years Program.



The District continues to focus on increasing the numbers of students graduating from high school and being accepted into college or another type of post-secondary educational facility. The entire District has adopted a college-going atmosphere, with emphasis placed on career exploration starting in the earliest grades.

In this endeavor, college accessibility is highlighted and barriers to the pursuit of college are addressed. College banners, pennants, posters, and pictures decorate the halls of every school building, and all staff are encouraged to wear college apparel on the first Friday of each month. College visits, field trips to businesses and industries, career fairs, and work experiences further encourage our students to consider their options for life after high school. Parent workshops are offered throughout the year to inform them of the college application process and the availability of financial assistance. A Coordinator of College and Career Readiness was hired to align programs and curricula within the College and Career Readiness framework to ensure every grade level is addressed. Dual Enrollment partnerships with Thaddeus Stevens College of Technology, Millersville University of Pennsylvania, Pennsylvania College of Art and Design, and Harrisburg Area Community College's Lancaster Campus enable high school students to earn college

credit while taking regular courses on the McCaskey High School Campus.

Resettlement of refugees is a national endeavor that has also affected the School District of Lancaster. More than 1,500 refugees have resettled in Lancaster County since 2013, with many resettling in Lancaster City and Lancaster Township, the boundaries that make up the School District of Lancaster zone. This is about twenty times more refugees per capita than the rest of the United States. The Refugee Center and Community School at Reynolds Middle School, a project completed in collaboration with the Rotary Club of Lancaster and the Lancaster-Lebanon Intermediate Unit No. 13, opened in the fall of 2015 to help refugees resettling in the area.

Approximately 8% of the students at Reynolds are refugees, but the purpose of the Refugee Center is to serve as a central hub to connect all student refugees and their families with essential services, including health screenings, food and clothing banks, social services, and more. Refugee parents come to the center to get school uniforms, backpacks, and school supplies for their children, and to ask for help in learning English or in seeking employment. The Center includes a branch of a local health services facility and provides the full gamut of primary care from immunizations to sick visits.



Instructional Programs

The District partnered with the American Reading Company on a literacy initiative called "Lancaster Reads: Literacy Lasts a Lifetime."

This initiative aims to: enhance teacher abilities to successfully diagnose student reading strengths and difficulties through the use of the Independent Reading Level Assessment; provide expert training and instructional coaching to work with student strengths and address their difficulties; and increase student access to a variety of books of varying skill levels and genres through the provision of classroom libraries. This initiative will encompass Kindergarten through Grade 3, providing over three hundred hours of professional development and in-class coaching for teachers, and more than 23,000 books for students to read.



Equitable access to the Internet and to technology in general is a priority for the District. Our students must be able to successfully compete in the classroom with their peers in other District schools, and this begins with instructional tools and technology that are common to all buildings and, eventually, a device in the hands of each student. To start this process, all SDoL schools were made wireless accessible. The next step was to begin mobilizing technology in the classroom in one grade level across all pertinent school buildings to test our implementation plan. This pilot program was developed around a 1:1 iPad deployment for students in the sixth grade for use in math and science classes. Sixth grade teachers received in-depth training from Apple specialists in instructional technology. By the end of the

school year, all sixth grade teachers reported that their students increased their technology knowledge and acquired integration skills. The iPad program will continue with iPad/Apple training provided to the 7th grade teachers and the deployment of additional iPads into 7th grade math and science classrooms.



The District has long believed that in order for students to be successful in school they must have their medical, behavioral, and social/emotional needs met. The Student Assistance Program ("**SAP**"), run by the District's SAP Coordinator, provides a means for early identification, intervention, and referrals for students who are considered "at risk". SAP gives students the confidential help and support they need to safely and effectively deal with difficult situations that may be causing them to struggle in school. SAP teams comprised of teachers, counselors, nurses, administrators and outside counseling agencies are in place in every school building. The teams are dedicated to helping students recognize potential risks and dangers and to providing options for change and/or recovery. Additionally, the District hired eighteen School Family Resource Specialists to identify and assist students and their families in accessing necessary intervention services and supports.

SDoL participates in two food programs which are offered each day school is in session at no cost to all district students regardless of their family's income. Both programs are offered under the Community Eligibility Program. The

School Breakfast Program and the National School Lunch Program operate in a similar manner. Serving breakfasts and lunches that meet Federal requirements allows SDoL to receive cash subsidies from the United States Department of Agriculture for each meal served. We strive to provide our students with nutritional meals to nourish their bodies and minds so they enjoy good health and come to school ready to learn.

The mission of the District's Families in Transition Program (formerly the Homeless Student Project) is to break the generational cycle of poverty and homelessness by providing homeless students the support they need to stay in school and persist to graduation. The District serves approximately 1,000 homeless students each year. The Families in Transition program assists these students with enrollment, transportation to and from school, clothing that meets the district's uniform dress code, school supplies, and the basic necessities for daily living such as health care items and hygiene supplies. Lancaster is a generous community and many volunteers donate time and resources to help these neediest of students.



The School District's instructional program consists of: twelve elementary schools serving grades PreK-5; one K-8 school; four middle schools serving grades 6-8; and four school buildings serving grades 9-12. Two of these schools are alternative program sites. Responsibility for administration and instructional leadership of the individual

schools in the District were entrusted to the following principals during the 2016-2017 school year:

Buchanan Elementary School
Ms. Stacy Kain

Burrowes Elementary School
Mr. Gary Hess

Carter & MacRae Elementary School
Ms. Rachel Esh

Fulton Elementary School
Mr. Steven Sohonyay

Hamilton Elementary School
Mr. Philip Ludwig

King Elementary School
Ms. Melinda Wells

Lafayette Elementary School
Mrs. Wanda Suarez

Martin K-8 School
Dr. Barbara Andrews

Price Elementary School
Mrs. Sue Saupp

Ross Elementary School
Mrs. Camille Hopkins

Washington Elementary School
Ms. Kathleen Wiercinski

Wharton Elementary School
Mrs. Melanie Martinez

Wickersham Elementary School
Ms. Ashley Mercado

Hand Middle School
Mr. Mark Simms

Lincoln Middle School
Dr. Josiah Keene

Reynolds Middle School
Mr. Aaron Swinton

Wheatland Middle School
Mr. Don Trost

J.P. McCaskey High School Campus
Dr. Bill Jimenez

Buehrle & Phoenix Academy
Mr. Angel Cocon



The instructional program subject areas are:

- Art
- Business Education
- Communications-Reading & Language Arts
- Computer Applications
- Family/Consumer Science
- Health, Physical Education & Wellness
- Language Arts/English
- Library
- Mathematics
- Music
- Science
- Social Studies
- Technology Education
- World Languages

All curricula indicate what the District expects students to know and to demonstrate as skills. Curricula have been adopted based on State Academic Standards and have been implemented in Mathematics, Reading, Science, Fine Arts, Communication / Language Arts, and Health, Physical Education and Wellness. All curricula were developed and written by teams of staff members to meet the needs of today's learners.



Instruction is grounded in curriculum and instruction guides. Content specific tools align standards with curricular resources and provide examples of differentiation for both enrichment and remediation. The Response to Instruction and Intervention model was implemented to provide Multi-tiered Systems of Support for our students. All students are provided basic or Tier I level supports, such as school-wide bullying prevention programs. The Tier II and III levels increase in intensity and frequency for students requiring more assistance than is received in the traditional classroom. Push-in and pull-out options, family counseling, and individualized therapies are available and are determined based upon each learner's specific needs. School-based behavioral support services are provided in every school building to decrease the wait time in providing students the assistance they need.

Remediation Program

Prevention, intervention, transition, and follow-up support services provide comprehensive

assistance to students and families in need. School-based student support professionals provide direct services for all children and youth, especially those who are experiencing barriers to learning. Direct services are provided through counseling, consultation, therapy, and individual assessments. In addition, student support services personnel provide in-service training, parent education, and communication collaboration, and carry out student service program oversight. The overarching goal for Student Services is that all learners come to school happy and healthy, stay in school, engage in learning, persist to graduation, and increase their chances for success in school and later in life.

District Technology Program

The District unveiled an updated website and uses Facebook and Twitter to inform parents and students of news and events happening in the schools in real time. Improvements were also made with infrastructure, and every building now has wireless access and the ability to maintain connectivity in the event of a local disaster. Servers and the phone system were also upgraded, and nearly five hundred additional access points were installed across the district. Since many professional development sessions are held in conference rooms at our Administrative Offices location, these rooms received technology upgrades of Apple TV's, larger monitors for easier viewing by large groups, and the ability to access the displays without the use of VGA cables.

Special Education Services

Special education services in the School District of Lancaster assist students with disabilities and offer learning support, emotional support, deaf and hard of hearing support, speech and language support, life skills support, vision support, autistic support, and support for multiple disabilities. A variety of programs and interventions are customized to fit the individual needs of these students through IEPs (Individualized Education Plans)

that are written in collaboration with the students' teachers and parents. Excluding gifted students, special education services are provided to approximately 16% of the total student enrollment.



As for the Gifted Students, the District appreciates the diverse talents of its students and recognizes its responsibility to foster the potential of properly identified gifted and talented students. A Gifted Individualized Education Plan (GIEP) is developed to provide specially designed instruction to meet the advanced learning needs of these students.



Vocational/Technical Support

As part of its educational program, the School District of Lancaster offers Career and Technical Education courses for students in grades ten through twelve. These courses are divided into concentrated programs centered on careers that have been identified as high priority and/or high wage occupations and are considered to be "Hot Jobs" in Lancaster County. A student attains technical skills and certifications in their chosen program that will serve them well in the job market or help them move on to a two-year or four-year post-secondary institution. More than five hundred students participated in McCaskey Career and Technical Education programs last year.

Our current programs of study are:

- Accounting
- Administrative Assisting
- Building Trades and Maintenance
- Computer Aided Drafting & Design (CADD)
- Cosmetology
- Diversified Occupations
- Early Childhood Education
- Electronics
- Engineering
- Health/Medical Assisting

Students also have the option of attending the Lancaster County Career and Technology Center which offers other technical programs in either half-day or full-day programs. Career and Technical Education programs serve 25% of our high school student population.

Co-Curricular

The School District offers a broad range of co-curricular activities for all students in grades kindergarten through grade twelve. Athletics and sports are very popular with the students. These include football, soccer, baseball, softball, basketball, field hockey, soccer, wrestling, tennis, track and field, and more. At the High School, forty-nine teams compete in nineteen different sports, and the Middle Schools support nineteen teams in five different sports. The Future Red Tornado Initiative was developed to increase youth participation in sports. Currently thirteen

community partners are committed to this endeavor. Various after-school clubs provide other options and offer students extra learning opportunities in music, dance, theater, art, computers, gardens, robotics, chess, poetry, debate, Model UN, Mock Trial, Skills USA, and many others.

Vision and Strategies for the Future

The School District of Lancaster aims for a continuous increase in the number of students taking advanced classes such as Dual Enrollment, International Baccalaureate, and Advanced Placement. The District strives to support a college-going culture offering more post-secondary opportunities for all of our students.

To ensure all students realize a minimum of one year's growth as measured by the Pennsylvania Value-Added Assessment System, the District's efforts and resources focused on meeting the following identified challenges: increasing student attendance; reducing the number of suspensions at the middle school level; and building leadership capacity.

Over a seven-year period, the District completed renovations and additions to five elementary school buildings and one middle school, plus built its first kindergarten-to-grade eight school building. Due to overcrowding at a second middle school, three administrative departments relocated and the offices were renovated into classrooms. The District still has more work to do to improve the remaining buildings. The School Board of Directors voted to proceed with renovations, additions, and/or new construction for two middle schools and one elementary school. Community meetings, architectural drawings and floor plans are currently in process.



Accounting System and Budgetary Control

All governmental funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred except for: (1) disbursements for inventory type items, which are expenditures at the time of purchase and (2) principal and interest on general long-term debt which is recognized when due. Financial statements for the proprietary fund are maintained on the accrual basis of accounting, with revenue recognized when earned and expenses recorded when incurred.

In developing and evaluating the School District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from

unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements; and (3) maintaining accountability for assets. The concept of reasonable assurance recognizes the cost and benefits require estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe the School District's internal accounting controls: (1) adequately safeguard assets; (2) provide reasonable assurance of proper recording of financial transactions; and (3) maintain accountability for assets.

An annual 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, although project-length financial plans are adopted for all capital project funds. Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without School Board approval. Appropriations lapse at the end of the fiscal period.

Financial Policies with Significant Impact on This Year's Financial Statements

Several measures were taken to maintain the District's financial health as reductions in state and federal funding continue. While many of the rising costs are beyond our control, we can guarantee budgetary decisions were made in the best interest of our students.

Long Term Financial Planning

The Board of School Directors agreed to undertake a rebuilding or renovation project of four schools (Reynolds, Wickersham, Buchanan, and Lincoln) over the coming years, with costs amounting to approximately \$80,000,000. Bonds are the first piece of the

financing necessary to complete these projects. The District will finance the remainder of the funds needed for the projects over the next three to four years.

The rising cost of pensions and healthcare continue to squeeze annual budgets as many of these costs are either out of the District's control or tied to collective bargaining agreements. These are the greatest issues affecting the District's need to increase millage in the near future. The District evaluates the use of fund balance on a yearly basis to ensure adequate reserves are available to continue improving our buildings, meeting our current debt service expenditures, and ultimately, funding a quality educational program for our community of students.



Independent Audit

The District engages independent certified public accountants to audit the annual financial statements. The auditor's report of our certified public accountants, BBD, LLP, appears in the Financial Section of this CAFR and complies with applicable guidelines.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Business Office. Every staff member has our sincere appreciation for their tireless efforts and valuable contributions that were given in the preparation of this report. Further, without the leadership and support of the School Board of Directors of the School District of Lancaster, preparation of this report would not have been possible.

Matthew Przywara, CPA, PRSBA
Chief Financial & Operations Officer

Dr. Damaris Rau
Superintendent

SCHOOL DISTRICT OF LANCASTER

PRINCIPAL OFFICIALS

Board of School Directors

Harvey Miller	President
Dr. Edith Gallagher	Vice-President
Randolph Carney	Member
Dr. Cheryl Desmond	Member
Linda Troublefield Owens	Member
Candace Roper	Member
Radames Melendez	Member
Adam Schott	Member
Dr. Stacey Marten	Member
Matthew Przywara	Treasurer *
Mary Cunningham	Secretary *

* Non-Member

Cabinet

Dr. Damaris Rau	Superintendent
Dr. Carol Powell	Assistant Superintendent
Matthew Przywara	Chief Financial & Operations Officer
Dr. Arthur Abrom	Director of Schools
Dr. Jay Butterfield	Director of Schools
Christopher Lopez	Director of Student Services
Mark Holman	Director of Human Resources
Kelly Burkholder	Coordinator of Community Relations
Dr. Jennifer Reinhart	Chief Accountability Officer

Solicitor / Bond Counsel

Kegel Kelin Almy & Lord, LLP

Lancaster, Pennsylvania

Financial Advisor

RBC Capital Markets Corporation

Lancaster, Pennsylvania

Auditor

BBD, LLP

Philadelphia, Pennsylvania

School District of Lancaster
Central Office Organizational Chart



Superintendent

Assistant Superintendent for Curriculum & Instruction

- Testing/Research & Data Analysis
- English Language Arts (K3-12)
- Math (K3-12)
- Science (K3-12)
- Social Studies (K3-12)
- Early Childhood (K3-K4)
- English Learners (K-12)
- Art, Music, Humanities & 21st Century Skills (K-12)
- International Baccalaureate
- Professional Learning & Development
- Instructional Technology
- College & Career Readiness
- Federal Entitlement Programs

Director of Schools

- Principals
- Hand Cluster
- Wheatland Cluster
- Martin K8 School
- School Improvement

Director of Schools

- Principals
- McCaskey Campus
- Lincoln Cluster
- Reynolds Cluster
- School Improvement
- Athletics
- Alternative Education
- Career & Technology Education
- Extended Day/Year Programs
- Cyber Program

Director of Student Services (K3-12)

- Special & Gifted Education
- Student Enrollment/Transfers & Continuation
- Student Assistance Program
- Health Services
- School Counseling & Guidance
- Parent Concerns/Judiciary
- Pregnant & Parenting Teens
- Social Emotional Learning/Mental Health
- Community Schools & Partnerships
- Families in Transition
- Parent Involvement & Relations
- Volunteers

Coordinator of Community Relations

- Community & Media Relations
- Marketing & Communications
- Website Content
- Social Media
- District Publications

Chief Financial & Operations Officer

- Human Resources
- Business & Finance
- Information Technology
- Facilities & Building Operations
- Food Services
- Grant Development
- Capital Projects
- Child Accounting

Students & Educators

Social/Emotional Support

Infrastructure and Support



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**School District of Lancaster
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

School District of Lancaster

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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SCHOOL DISTRICT OF LANCASTER FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
School District of Lancaster
Lancaster, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of School District of Lancaster, Lancaster, Pennsylvania as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise School District of Lancaster'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 School District of Lancaster, Lancaster, Pennsylvania as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the School District of Lancaster's 2016 financial statements, and our report dated December 7, 2016, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment healthcare benefits schedule of funding progress and the schedules of the District's proportionate share of the net pension liability and pension plan contributions on pages 21 through 31 and 67 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of School District of Lancaster's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of Lancaster's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
December 12, 2017**

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

As management of the School District of Lancaster (the "*District*"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the School District of Lancaster for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2016-2017 fiscal year of \$173.5 million. During the 2016-2017 fiscal year, the District had a decrease in total net position of \$15 thousand. The net position of governmental activities decreased by \$416 thousand and the net position of the business-type activities increased by \$401 thousand.
- General revenues and transfers related to governmental activities accounted for \$142.8 million, or 68 percent of all governmental activities revenues for fiscal year 2017. Program-specific revenues in the form of charges for services, grants and contributions accounted for \$67.5 million, or the remaining 32 percent of governmental activities.
- Program revenues related to business-type activities accounted for \$8 million, or almost 100 percent of all business-type activity revenues for fiscal year 2017.
- The District had approximately \$211 million in expenses related to governmental activities, of which \$67.5 million is directly funded by program revenues in the form of grants, charges for services and contributions. The remaining expenses related to governmental activities are financed primarily through tax revenues and the State Basic Education Subsidy.
- The General Fund reported an increase in fund balance of \$1 million bringing the cumulative balance to \$29.5 million at the conclusion of the 2016-2017 fiscal year. This represents a cumulative total increase since its deficit at the conclusion of the 2003-2004 fiscal year of \$33 million.
- At June 30, 2017, the General Fund fund balance includes \$4.4 million committed or assigned by the School Board or Management for the following purposes:
 - ◆ \$2.32 million committed to PSERS
 - ◆ \$2 million assigned for repairs and maintenance contingency
 - ◆ \$112 thousand assigned for student activities
- Actual revenues and other financing sources were \$18.2 million more than budgeted amounts and actual expenditures and other financing uses were \$15.6 million more than budgeted amounts resulting in a net positive variance of \$2.6 million. The District's utilized \$1.6 million of fund balance to balance the 2016-2017 budget.

IMPLEMENTATION OF GASB STATEMENT NO. 68 AND GASB STATEMENT NO. 71

In fiscal year 2015, the District implemented Government Accounting Standards Board ("**GASB**") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials), and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("**PSERS**"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District reports its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. Over the last five years, the PSERS employer contribution rate has risen significantly. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 30 percent in future years.

The implementation of GASB Statement No. 68 has had an impact on entity-wide statements. The District is now required to report its proportionate share of the net pension liability. This portion of the unfunded pension liability resulted in a total deficit in net position of \$173.5 million. The majority of the unrestricted deficit in net position of \$207.9 million is a direct result of GASB Statement No. 68. However, a portion of the District's total net position, \$22.9 million, reflects its investment in capital assets, net of related debt, and \$2.9 million is restricted for debt service and \$8.7 million is restricted for capital projects. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis ("**MD&A**") is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- The *Statement of Activities* presents information showing how the District's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

Business-Type Activities

The District charges fees to cover the costs of certain services it provides, such as the food service program.

The government-wide financial statements can be found on pages 32 and 33 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Project Fund which is considered to be a major fund. The Debt Service Fund, which is considered to be a non-major fund, is also presented in the governmental fund financial statements.

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

The basic governmental fund financial statements can be found on pages 34 through 38 of this report.

Proprietary Funds

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

The basic proprietary fund financial statements can be found on pages 39 through 41 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statement can be found on page 42 of this report.

Notes to Financial Statements

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

The notes to financial statements can be found on pages 43 through 66 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of a schedule of the District's progress in funding its obligation to post-employment benefits to its employees and schedules of net pension liability and District pension contributions, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 67 through 72 of this report.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$173.5 million at the close of the most recent fiscal year. The table below summarizes the *Statement of Net Position (Deficit)* of the District at June 30, 2017 and 2016 (expressed in thousands).

Changes in the net position (deficit) of the District are highlighted in the following table (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 104,003	\$ 73,713	\$4,227	\$3,435	\$ 108,230	\$ 77,147
Capital assets	<u>144,028</u>	<u>149,322</u>	<u>455</u>	<u>479</u>	<u>144,484</u>	<u>149,801</u>
Total assets	<u>248,031</u>	<u>223,035</u>	<u>4,683</u>	<u>3,914</u>	<u>252,714</u>	<u>226,949</u>
DEFERRED OUTFLOWS						
Deferred charges proportionate share of PSERS	56,074	22,938	968	407	57,042	23,345
Deferred charges on debt refunding	<u>2,177</u>	<u>609</u>	<u>-</u>	<u>-</u>	<u>2,177</u>	<u>609</u>
	<u>58,251</u>	<u>23,547</u>	<u>968</u>	<u>407</u>	<u>59,219</u>	<u>23,954</u>
LIABILITIES						
Current liabilities	28,760	28,262	305	91	29,064	28,353
Long-term liabilities	<u>447,509</u>	<u>388,393</u>	<u>5,020</u>	<u>4,313</u>	<u>452,529</u>	<u>392,706</u>
Total liabilities	<u>476,268</u>	<u>416,654</u>	<u>5,325</u>	<u>4,404</u>	<u>481,593</u>	<u>421,059</u>
DEFERRED INFLOWS						
Deferred credits proportionate share of PSERS	<u>3,743</u>	<u>3,241</u>	<u>54</u>	<u>46</u>	<u>3,797</u>	<u>3,287</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	22,414	21,653	455	479	22,869	22,132
Restricted	11,580	1,729	-	-	11,580	1,729
Unrestricted (deficit)	<u>(207,723)</u>	<u>(196,695)</u>	<u>(183)</u>	<u>(608)</u>	<u>(207,907)</u>	<u>(197,303)</u>
Total net position (deficit)	<u>\$(173,729)</u>	<u>\$(173,313)</u>	<u>\$ 272</u>	<u>\$ (129)</u>	<u>\$(173,457)</u>	<u>\$(173,442)</u>

Overall, the District's financial position has been improving, but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District is aggressively implementing cost-cutting and revenue-generating strategies to combat these factors. The District's financial position is a product of many factors. In the governmental activities, the District's tax base drives the majority of the revenue generated. The District consists of two municipalities: the City of Lancaster and Lancaster Township. The assessed values of both municipalities have been stretched thin because of the urban setting that the District encompasses. In the business-type activities (food service), the operation continues to be a very efficiently run operation due to the streamlined food production system that utilizes pre-packaged items. These implementations are less labor-intense.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 3,035	\$ 2,618	\$ 606	\$ 705	\$ 3,641	\$ 3,323
Operating grants and contributions	64,489	50,207	7,412	7,090	71,901	57,297
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes and other taxes levied for general purposes	70,438	68,785	-	-	70,438	68,785
Taxes levied for specific purposes	8,695	7,960	-	-	8,695	7,960
Grants, subsidies and contributions not restricted to specific programs	62,191	61,446	-	-	62,191	61,446
Investment earnings	306	277	2	2	308	279
Other	1,188	694	-	-	1,188	694
Total revenues	<u>210,341</u>	<u>191,986</u>	<u>8,020</u>	<u>7,797</u>	<u>218,361</u>	<u>199,785</u>
EXPENSES						
Instruction	137,355	124,744	-	-	137,335	124,744
Instructional student support services	26,138	21,336	-	-	26,138	21,336
Administrative and financial support services	22,368	19,195	-	-	22,368	19,195
Operation and maintenance of plant services	12,618	12,321	-	-	12,618	12,321
Pupil transportation	4,570	4,325	-	-	4,570	4,325
Student activities	2,369	2,083	-	-	2,369	2,083
Community services	566	563	-	-	565	563
Food service	-	-	7,408	7,020	7,408	7,020
Interest on long-term debt	4,984	6,139	-	-	4,984	6,139
Total expenses	<u>210,968</u>	<u>190,706</u>	<u>7,408</u>	<u>7,020</u>	<u>218,376</u>	<u>197,727</u>
Change in net position (deficit) before transfers	(627)	1,280	612	777	(15)	2,057
Transfers	211	182	(211)	(182)	-	-
CHANGE IN NET POSITION (DEFICIT)	(416)	1,462	401	595	(15)	2,057
NET POSITION (DEFICIT)						
Beginning of year	<u>(173,313)</u>	<u>(174,775)</u>	<u>(129)</u>	<u>(724)</u>	<u>(173,442)</u>	<u>(175,500)</u>
End of Year	<u>\$(173,729)</u>	<u>\$(173,313)</u>	<u>\$ 272</u>	<u>\$ (129)</u>	<u>\$(173,457)</u>	<u>\$(173,442)</u>

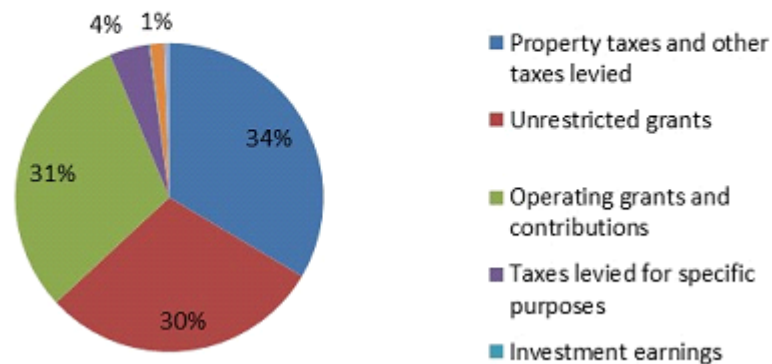
SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

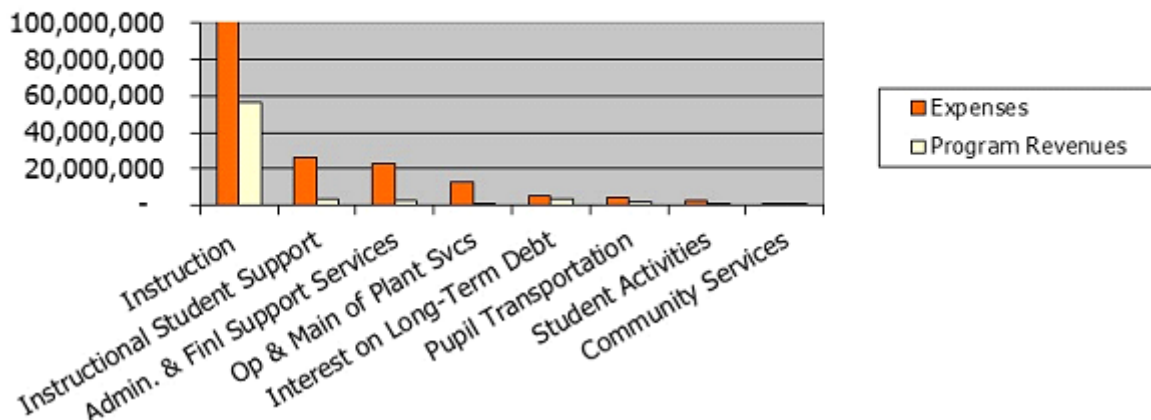
To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues and grants and entitlements not restricted for specific programs to finance its governmental activities.

Revenue by Source Governmental Activities



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

Expenses and Program Revenue Governmental Activities 2017



As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62.9 million. Approximately \$24.7 million, or 39.3 percent of this total, constitutes the general fund unassigned fund balance, which is available for spending at the District's discretion. In addition, approximately \$30.5 million, or 48.5 percent is restricted for capital projects in the Capital Projects Fund. The remainder of fund balance is considered nonspendable, restricted, committed or assigned to indicate that it is not available for use.

The General Fund is the District's primary operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$24.7 million, while the total fund balance increased to \$29.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 12.1 percent of total General Fund expenditures, while total fund balance represents approximately 14.4 percent of that same amount. The Pennsylvania Department of Education has a limit of 8% of fund balance to be designated as unassigned. This limit only applies at the time when a District sets its annual Budget. The District will make the necessary adjustments and long-term planning decisions to allocate the amount that is currently over this limit during the 2017-2018 fiscal year prior to the adoption of the 2018-2019 annual budget.

The fund balance of the District's General Fund increased \$1 million during the current fiscal year. The majority of the increase resulted from the District receiving \$3 million of additional state revenue from Pennsylvania's basic education subsidy and \$1.5 million additional PlanCon reimbursement.

At June 30, 2017, the General Fund fund balance includes \$2.32 million committed for employee retirement contributions.

The Capital Projects Fund has a total fund balance of \$30.5 million, all of which is restricted for capital improvement projects. The Capital Projects Fund receives funding from bond issues that have been restricted to fund various building construction and improvement projects and transfers from the General Fund. The Capital Projects Fund issued debt in fiscal year 2017 to fund various capital projects in the District.

Proprietary Funds

Unrestricted net position of the Food Service Fund amounted to \$272 thousand at June 30, 2017. The total increase in net position for this fund was \$401 thousand.

Unrestricted net position of the self-insurance Internal Service Fund presented a balance of \$10.2 million at June 30, 2017, which is a decrease of \$3.0 million from the prior year. Of the \$3.0 million decrease, \$2.0 million was utilized as a fund transfer to establish the Municipal Code Capital Reserve Fund. Through successful negotiations with our collective bargaining units, the District was able to expand its offering of health plans to more than 60 percent of eligible employees. The District will continue to monitor the net position during the current year in accordance with the cash flow budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

The 2016-2017 General Fund budget included a 12.52 percent increase in total revenues and 7.28 percent increase in expenses to that of the prior year. It is important to note that \$5.8 million of the increase represented fund transfers to establish a Municipal Capital Reserve Fund. For 2016-2017 there were no modifications to the original and final budget.

Major budgetary variances are comprised of the following:

- Local revenue had a favorable variance of \$10 million due to higher than anticipated collections for earned income and real estate tax revenue in the amount of \$2.6 million. In addition, the District recognized \$3.3 million in revenue related to a delinquent tax sale that was not budgeted as well as \$3.1 million additional revenue in tuition and prior year refunds.
- State revenue had a favorable variance of \$7.9 million due to an additional \$2.8 million in Basic Education Subsidy received by the District and additional rental reimbursement due to a refinancing in June 2017 in the amount of \$1.5 million. Increases in the Ready To Learn grant in the amount of \$350 thousand as well as \$2.8 million in retirement subsidy attributed to the favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$144.5 million (net of accumulated depreciation). This represents a decrease of \$5.5 million. The following table shows the breakdown of this figure.

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Land	\$ 3,488,357	\$ -	\$ 3,488,357	\$ 3,488,357
Construction-in-progress	1,968,762	-	1,968,762	247,168
Buildings and improvements	225,980,277	-	225,980,277	225,980,277
Furniture and equipment	1,745,288	806,707	2,551,995	2,171,540
Land improvements	6,866,664	-	6,866,664	6,866,664
Vehicles	748,243	347,652	1,095,895	1,041,107
Less: Accumulated depreciation	<u>(96,769,466)</u>	<u>(698,945)</u>	<u>(97,468,411)</u>	<u>(89,993,936)</u>
Total	<u>\$144,028,125</u>	<u>\$ 455,414</u>	<u>\$144,483,539</u>	<u>\$149,801,177</u>

Major capital asset events during the current fiscal year included the following:

- The School Board approved the funding of a third phase \$80 million capital construction project to build a new elementary school (K3-6) and a renovation of Lincoln Middle School (6-8). This will not increase the district's debt service.

Additional information on the District's capital assets can be found in Note 5 on pages 54 through 55 of this report.

Long-term debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$137,084,000. This figure represents the outstanding principal due on these obligations.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

	<u>Outstanding at June 30, 2017</u>
2010 QSCB	\$ 30,000,000
2011 Issue	4,225,000
2011 QSCB	34,789,000
2015 Issue	9,765,000
2016 A Issue	20,000,000
2016 B Issue	29,190,000
2017 Issue	<u>9,115,000</u>
Total	<u>\$137,084,000</u>

The District's total general obligation debt increased by \$10.6 million during the current fiscal year. In addition to general obligation debt, the District has \$669.5 thousand outstanding in capital leases.

Under the Local Government Unit Debt Act of Pennsylvania, the borrowing capacity of the District is calculated in accordance with provisions of the Act, which describes the applicable debt limits. The District may incur both electoral and nonelectoral debt. Electoral debt has no limit, but must be approved by a majority of the District's voters. Nonelectoral debt is limited to 225 percent of District's borrowing base. The current legal debt limitation is \$442 million, which is significantly in excess of the District's outstanding general obligation debt. Additional information can be found on page 87 in the statistical section of the report.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$292.6 million as of June 30, 2017. The District's net pension liability increased by \$41.5 million or 16.52 percent during the fiscal year.

Additional information on the District's long-term debt can be found in Note 7 on pages 56 through 58 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continued its intensive study of the future impact of healthcare reform. With the election of a new President in Fall of 2016, proposed changes are being considered. As a result of that study, a high deductible savings plan was offered in June of 2013 to the Employee Groups. If the district makes no changes to its current healthcare plans, there is the potential for a 2 million dollar excise tax in the next 3 – 5 years. Healthcare changes were approved through the ratification of the contract with the teachers' union for 2016-2018. In the Spring of 2016, teachers were offered a high deductible plan for the first time and more than 60% elected that plan.
- The District passed a budget for 2017-2018 that will utilize over \$2.4 million of the fund reserves to balance the budget which equates to a \$4 million utilization over the past two years of planned reserves.
- Act 1 of 2006 puts a ceiling on the amount of real estate taxes a school district can levy.
 - That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.

SCHOOL DISTRICT OF LANCASTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2017

- Pension costs to the District associated with the Public School Employee Retirement System ("**PSERS**") continue to rise as the Pennsylvania pension system remains underfunded. The employer's rate for 2016-2017 was 30.03% and the rate for 2017-2018 is 32.57%. The projected rate for 2018-2019 is 33.45%. These increasing pension costs continue to erode any new sources of revenue and impact core educational programs as the District balances the budget on an annual basis.
- Although the United States' economy has shown signs of growth, interest rates continued to remain at a record low through the end of June 2017.
- The State of Pennsylvania failed to approve the 2016-2017 budget by July 1 which caused delays in funding to the District.
- The School District of Lancaster serves Lancaster City which is the third largest area for refugee resettlement services (600 students in 2017). With the recent hurricane in Puerto Rico, the District has begun to see an influx in families resettling to the area of 100 students since October 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District of Lancaster's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial and Operations Officer, School District of Lancaster, 251 S. Prince Street, 3rd floor, Lancaster, PA 17603, or by calling (717) 291-6129 during business hours.

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2017 with summarized comparative data for June 30, 2016

	Governmental	Business-type	Totals	
	Activities	Activities	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 22,258,480	\$ -	\$ 22,258,480	\$ 28,573,063
Investments	57,670,000	-	57,670,000	27,224,000
Taxes receivable	1,616,092	-	1,616,092	1,466,606
Pledged taxes receivable	1,436,375	-	1,436,375	907,070
Internal balances	(2,848,902)	2,848,902	-	-
Due from other governments	11,936,729	1,225,218	13,161,947	12,456,199
Other receivables	5,005,346	24,883	5,030,229	3,224,962
Other assets	1,131,678	-	1,131,678	1,583,435
Inventories	203,164	128,356	331,520	372,876
Prepaid expenses	2,500,589	-	2,500,589	78,634
Prepaid bond insurance costs	165,303	-	165,303	125,592
Restricted assets				
Cash and cash equivalents with fiscal agent	1,153	-	1,153	396
Investments with fiscal agent	2,926,863	-	2,926,863	1,134,662
Capital assets				
Land	3,488,357	-	3,488,357	3,488,357
Construction-in-progress	1,968,762	-	1,968,762	247,168
Buildings and improvements	225,980,277	-	225,980,277	225,980,277
Furniture and equipment	1,745,288	806,707	2,551,995	2,171,540
Land improvements	6,866,664	-	6,866,664	6,866,664
Vehicles	748,243	347,652	1,095,895	1,041,107
Accumulated depreciation	(96,769,466)	(698,945)	(97,468,411)	(89,993,936)
Total assets	<u>248,030,995</u>	<u>4,682,773</u>	<u>252,713,768</u>	<u>226,948,672</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension items	56,073,619	968,164	57,041,783	23,345,679
Deferred charges on bond refunding	2,177,278	-	2,177,278	608,716
	<u>58,250,897</u>	<u>968,164</u>	<u>59,219,061</u>	<u>23,954,395</u>
Total assets and deferred outflows of resources	<u>306,281,892</u>	<u>5,650,937</u>	<u>311,932,829</u>	<u>250,903,067</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Cash overdraft	-	37,806	37,806	-
Accounts payable	6,158,530	29,768	6,188,298	5,609,522
Accrued salaries and benefits	20,629,620	237,133	20,866,753	20,663,202
Accrued interest	1,373,139	-	1,373,139	1,382,215
Unearned revenues	598,420	-	598,420	698,073
Long-term liabilities				
Portion due or payable within one year				
Bonds and notes payable	8,115,000	-	8,115,000	8,135,000
Capital leases payable	589,211	-	589,211	611,953
Accumulated compensated absences/accrued retirement bonus	429,008	5,648	434,656	353,876
Portion due or payable after one year:				
Bonds and notes payable	136,814,608	-	136,814,608	118,861,350
Capital leases payable	80,299	-	80,299	669,510
Collateralized borrowing	3,516,513	-	3,516,513	3,879,832
Post-employment benefits	7,380,870	-	7,380,870	6,302,652
Net pension liability - district PSERS proportionate share	287,620,613	4,963,387	292,584,000	251,099,000
Accumulated compensated absences/accrued retirement bonus	2,962,524	50,833	3,013,357	2,792,495
Total liabilities	<u>476,268,355</u>	<u>5,324,575</u>	<u>481,592,930</u>	<u>421,058,680</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension items	3,742,621	54,416	3,797,037	3,286,734
Total liabilities and deferred inflows of resources	<u>480,010,976</u>	<u>5,378,991</u>	<u>485,389,967</u>	<u>424,345,414</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	22,413,651	455,414	22,869,065	22,132,080
Restricted for debt service	2,928,016	-	2,928,016	1,135,058
Restricted for capital projects	8,652,433	-	8,652,433	594,307
Unrestricted (deficit)	(207,723,184)	(183,468)	(207,906,652)	(197,303,792)
Total net position (deficit)	<u>\$ (173,729,084)</u>	<u>\$ 271,946</u>	<u>\$ (173,457,138)</u>	<u>\$ (173,442,347)</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF ACTIVITIES

Year ended June 30, 2017 with summarized comparative data for the year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Totals	
						Business-type Activities	2017
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 137,355,065	\$ 2,934,718	\$ 53,883,944	\$ -	\$ (80,536,403)	\$ (80,536,403)	\$ (82,253,425)
Instructional student support	26,137,628	-	2,943,440	-	(23,194,188)	(23,194,188)	(19,053,035)
Administrative and financial support services	22,368,271	-	2,528,949	-	(19,839,322)	(19,839,322)	(17,443,914)
Operation and maintenance of plant services	12,618,202	-	286,844	-	(12,331,358)	(12,331,358)	(12,119,464)
Pupil transportation	4,570,091	-	1,576,168	-	(2,993,923)	(2,993,923)	(3,002,145)
Student activities	2,369,349	51,134	74,075	-	(2,244,140)	(2,244,140)	(1,988,511)
Community services	565,494	49,026	25,139	-	(491,329)	(491,329)	96,403
Interest on long-term debt	4,984,094	-	3,170,304	-	(1,813,790)	(1,813,790)	(2,117,603)
Total governmental activities	210,968,194	3,034,878	64,488,863	-	(143,444,453)	(143,444,453)	(137,881,694)
BUSINESS-TYPE ACTIVITIES							
Food service	7,406,613	604,724	7,412,184	-	610,295	610,295	775,229
Total primary government	\$ 218,374,807	\$ 3,639,602	\$ 71,901,047	\$ -	(143,444,453)	(142,834,158)	(137,106,465)
GENERAL REVENUES							
Property taxes levied for general purposes					70,437,567	70,437,567	68,785,011
Earned income tax					7,073,688	7,073,688	6,688,374
Transfer tax					1,435,998	1,435,998	1,087,389
Local services tax					184,879	184,879	183,864
Public utility realty tax					-	-	-
Grants and entitlements not restricted to specific programs					62,191,307	62,191,307	61,445,799
Investment earnings					306,157	308,003	279,695
Miscellaneous					1,187,925	1,187,925	693,653
TRANSFERS					211,285	(211,285)	-
Total general revenues and transfers					143,028,806	142,819,367	139,163,785
CHANGE IN NET POSITION (DEFICIT)					(415,647)	(14,791)	2,057,320
NET POSITION (DEFICIT)							
Beginning of year					(173,313,437)	(173,442,347)	(175,499,667)
End of year					<u>\$ (173,729,084)</u>	<u>\$ (173,457,138)</u>	<u>\$ (173,442,347)</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017 with summarized comparative data for June 30, 2016

	Major Funds			Totals	
	General Fund	Capital Project Funds	Debt Service	2017	2016
ASSETS					
Cash and cash equivalents	\$ 16,692,463	\$ 694,670	\$ -	\$ 17,387,133	\$ 27,047,398
Investments	20,895,000	30,475,000	-	51,370,000	20,724,000
Restricted assets					
Cash and cash equivalents with fiscal agent	-	-	1,153	1,153	396
Investments with fiscal agent	-	-	2,926,863	2,926,863	1,134,662
Taxes receivable	4,000,926	-	-	4,000,926	3,763,003
Due from other funds	-	196,163	-	196,163	247,168
Due from other governments	11,080,907	-	-	11,080,907	10,607,195
Other receivables	5,004,856	-	-	5,004,856	3,191,361
Other assets	1,131,678	-	-	1,131,678	1,583,435
Inventories	203,164	-	-	203,164	245,180
Prepaid items	115,653	-	-	115,653	24,698
Total assets	\$ 59,124,647	\$ 31,365,833	\$ 2,928,016	\$ 93,418,496	\$ 68,568,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ 1,321,876	\$ 247,807	\$ -	\$ 1,569,683	\$ 9,181,823
Accounts payable	3,591,347	658,227	-	4,249,574	3,957,847
Accrued salaries, payroll withholdings and benefits	20,629,620	-	-	20,629,620	20,663,202
Unearned revenues	598,420	-	-	598,420	698,073
Total liabilities	26,141,263	906,034	-	27,047,297	34,500,945
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	3,516,513	-	-	3,516,513	3,879,832
FUND BALANCES					
Nonspendable					
Inventories	203,164	-	-	203,164	245,180
Prepaid items	115,653	-	-	115,653	24,698
Restricted for					
Debt service	-	-	2,928,016	2,928,016	1,135,058
Other capital purchases	-	30,459,799	-	30,459,799	594,307
Committed to					
PSERS	2,321,121	-	-	2,321,121	2,321,121
Capital projects	-	-	-	-	2,300,000
Assigned to					
Repairs and maintenance contingency	2,000,000	-	-	2,000,000	1,000,000
Student activities	111,655	-	-	111,655	44,582
Unassigned	24,715,278	-	-	24,715,278	22,522,773
Total fund balances	29,466,871	30,459,799	2,928,016	62,854,686	30,187,719
Total liabilities, deferred inflows of resources and liabilities	\$ 59,124,647	\$ 31,365,833	\$ 2,928,016	\$ 93,418,496	\$ 68,568,496

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

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

June 30, 2017

TOTAL GOVERNMENTAL FUND BALANCES \$ 62,854,686

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 3,488,357	
Construction in progress	1,968,762	
Buildings and improvements	225,980,277	
Land improvements	6,866,664	
Furniture and equipment	1,745,288	
Vehicles	748,243	
Accumulated depreciation	<u>(96,769,466)</u>	144,028,125

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 10,172,435

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bonds payable	(144,929,608)	
Capital leases payable	(669,510)	
Collateralized borrowing	(3,516,513)	
Accumulated compensated absences/accrued retirement bonus	(3,391,532)	
Post-employment benefits	(7,380,870)	
Net pension liability	(287,620,613)	
Accrued interest	<u>(1,373,139)</u>	(448,881,785)

Refunded bonds resulted in deferred charges which will be amortized over the life of the new debt, but do not represent current rights. 2,342,581

Deferred charges on proportionate share of pension items 56,073,619

Deferred credits on proportionate share of pension items (3,742,621)

Other assets are related to long-term debt are not available to pay for current-period expenditures and are therefore not reported in the funds. 855,822

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 2,568,054

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (173,729,084)

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

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

Year ended June 30, 2017 with summarized comparative data for the year ended June 30, 2016

	Major Funds			Totals	
	General Fund	Capital Project Funds	Debt Service	2017	2016
REVENUES					
Local sources	\$ 85,640,688	\$ 36,243	\$ (31,430)	\$ 85,645,501	\$ 80,900,521
State sources	106,826,894	-	-	106,826,894	93,868,542
Federal sources	17,792,245	-	-	17,792,245	16,778,242
Total revenues	<u>210,259,827</u>	<u>36,243</u>	<u>(31,430)</u>	<u>210,264,640</u>	<u>191,547,305</u>
EXPENDITURES					
Current:					
Instruction	125,151,677	-	-	125,151,677	118,597,713
Support services	60,107,790	-	-	60,107,790	54,605,305
Operation of noninstructional services	2,927,360	-	-	2,927,360	2,734,054
Facilities acquisition, construction, and improvement services	488,340	-	-	488,340	-
Capital outlay	-	1,473,053	-	1,473,053	479,585
Debt service:					
Principal	9,971,274	-	-	9,971,274	9,421,696
Interest	5,744,211	-	-	5,744,211	6,050,369
Bond refunding issuance costs	-	750,371	-	750,371	-
Total expenditures	<u>204,390,652</u>	<u>2,223,424</u>	<u>-</u>	<u>206,614,076</u>	<u>191,888,722</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,869,175</u>	<u>(2,187,181)</u>	<u>(31,430)</u>	<u>3,650,564</u>	<u>(341,417)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from collateralized borrowing	2,802,955	-	-	2,802,955	3,879,832
Payment to refunded bond escrow agent	-	(46,296,688)	-	(46,296,688)	-
Issuance of refunding debt	-	41,775,000	-	41,775,000	-
Issuance of debt	-	20,000,000	-	20,000,000	-
Premium on issuance of debt	-	3,517,537	-	3,517,537	-
Premium on issuance of refunding debt	-	5,006,314	-	5,006,314	-
Transfers in	211,285	8,050,670	1,824,388	10,086,343	1,403,348
Transfers out	(7,874,898)	(160)	-	(7,875,058)	(1,221,013)
Total other financing sources (uses)	<u>(4,860,658)</u>	<u>32,052,673</u>	<u>1,824,388</u>	<u>29,016,403</u>	<u>4,062,167</u>
NET CHANGES IN FUND BALANCE	<u>1,008,517</u>	<u>29,865,492</u>	<u>1,792,958</u>	<u>32,666,967</u>	<u>3,720,750</u>
FUND BALANCES					
Beginning of year	<u>28,458,354</u>	<u>594,307</u>	<u>1,135,058</u>	<u>30,187,719</u>	<u>26,466,969</u>
End of year	<u>\$ 29,466,871</u>	<u>\$ 30,459,799</u>	<u>\$ 2,928,016</u>	<u>\$ 62,854,686</u>	<u>\$ 30,187,719</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year ended June 30, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 32,666,967
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures, either as district-wide (capital outlay) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation (\$7,392,319) exceeded capital outlay (\$2,098,658) in the period.	(5,293,661)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.	77,549
Revenues in the governmental funds that provided current financial resources in the current year but are considered collateralized borrowing in the statement of net position. Repayment of this borrowing is an expenditure in the governmental funds, but reduces the liability in the statement of net position. This is the amount by which the repayments exceeded the proceeds.	363,319
The internal service fund, which is used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	(1,000,607)
Internal service funds are used by management to charge the costs of insurance to individual funds. Interfund transfers to governmental funds is reported with governmental activities.	(2,000,000)
The issuance of long-term debt provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statements of net position. Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	(10,018,047)
Governmental funds report issuance costs and bond discounts as expenditures and deferred bond refunding option proceeds and bond premiums as revenue. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt.	(5,694,985)
In the statement of activities, certain operating expenses (i.e. compensated absences, accrued retirement benefits) are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts earned exceeded current amounts paid.	(1,378,126)
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the organization's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	(8,146,205)
Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service related payments are recognized as expenditures in the funds when it is due, therefore the related subsidy reimbursements is recognized as the related debt payment is accrued, regardless of when it is due.	(927)
Interest 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. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	9,076
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	\$ (415,647)

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

BUDGETARY COMPARISON STATEMENT - GENERAL FUND

Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 75,682,200	\$ 75,682,200	\$ 85,640,688	\$ 9,958,488
State sources	98,921,637	98,921,637	106,826,894	7,905,257
Federal sources	17,441,867	17,441,867	17,792,245	350,378
Total revenues	<u>192,045,704</u>	<u>192,045,704</u>	<u>210,259,827</u>	<u>18,214,123</u>
EXPENDITURES				
Instruction				
Regular programs	80,176,961	80,176,961	81,166,114	(989,153)
Special programs	28,305,238	28,305,238	28,684,977	(379,739)
Vocational programs	1,990,802	1,990,802	1,772,327	218,475
Other instructional programs	8,821,591	8,821,591	8,382,554	439,037
Community/junior college education programs	89,188	89,188	46,341	42,847
Pre-kindergarten programs	4,123,126	4,123,126	5,099,364	(976,238)
Total instruction	<u>123,506,906</u>	<u>123,506,906</u>	<u>125,151,677</u>	<u>(1,644,771)</u>
Support services				
Pupil personnel services	8,629,742	8,629,742	10,405,279	(1,775,537)
Instructional staff services	8,673,433	8,673,433	11,050,387	(2,376,954)
Administrative services	10,665,895	10,665,895	11,617,814	(951,919)
Pupil health	2,412,531	2,412,531	2,440,878	(28,347)
Business services	3,162,386	3,162,386	3,141,390	20,996
Operation and maintenance of plant services	12,812,880	12,812,880	12,007,651	805,229
Student transportation services	4,221,233	4,221,233	4,557,763	(336,530)
Central support services	4,906,368	4,906,368	4,841,898	64,470
Other support services	45,900	45,900	44,730	1,170
Total support services	<u>55,530,368</u>	<u>55,530,368</u>	<u>60,107,790</u>	<u>(4,577,422)</u>
Operation of noninstructional services				
Student activities	1,772,042	1,772,042	2,088,676	(316,634)
Community services	458,540	458,540	555,841	(97,301)
Scholarships and awards	221,243	221,243	282,843	(61,600)
Total operation of noninstructional services	<u>2,451,825</u>	<u>2,451,825</u>	<u>2,927,360</u>	<u>(475,535)</u>
Facilities acquisition, construction, and improvement services				
Existing building improvement services	-	-	488,340	(488,340)
Total facilities, construction and improvement services	<u>-</u>	<u>-</u>	<u>488,340</u>	<u>(488,340)</u>
Debt service				
Principal	8,515,000	8,515,000	9,971,274	(1,456,274)
Interest	6,682,205	6,682,205	5,744,211	937,994
Total debt service	<u>15,197,205</u>	<u>15,197,205</u>	<u>15,715,485</u>	<u>(518,280)</u>
Total expenditures	<u>196,686,304</u>	<u>196,686,304</u>	<u>204,390,652</u>	<u>(7,704,348)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,640,600)</u>	<u>(4,640,600)</u>	<u>5,869,175</u>	<u>10,509,775</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from collateralized borrowing	2,900,000	2,900,000	2,802,955	(97,045)
Transfers in	150,000	150,000	211,285	61,285
Transfers out	-	-	(7,874,898)	(7,874,898)
Total other financing sources (uses)	<u>3,050,000</u>	<u>3,050,000</u>	<u>(4,860,658)</u>	<u>(7,910,658)</u>
NET CHANGE IN FUND BALANCE	<u>(1,590,600)</u>	<u>(1,590,600)</u>	<u>1,008,517</u>	<u>2,599,117</u>
FUND BALANCE				
Beginning of year	28,458,354	28,458,354	28,458,354	-
End of year	<u>\$ 26,867,754</u>	<u>\$ 26,867,754</u>	<u>\$ 29,466,871</u>	<u>\$ 2,599,117</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF FUND NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2017 with summarized comparative data for June 30, 2016

	Major Fund		Totals	
	Food	Internal		
	Service	Service	2017	2016
	Fund	Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 4,871,347	\$ 4,871,347	\$ 1,525,665
Investments	-	6,300,000	6,300,000	6,500,000
Due from other governments	1,225,218	-	1,225,218	992,255
Due from other funds	2,848,902	-	2,848,902	8,934,655
Other receivables	24,883	490	25,373	33,601
Inventories	128,356	-	128,356	127,696
Prepaid expense	-	2,384,936	2,384,936	53,936
Total current assets	<u>4,227,359</u>	<u>13,556,773</u>	<u>17,784,132</u>	<u>18,167,808</u>
CAPITAL ASSETS				
Furniture and equipment	806,707	-	806,707	748,528
Vehicles	347,652	-	347,652	347,652
Accumulated depreciation	(698,945)	-	(698,945)	(616,789)
Capital assets, net	<u>455,414</u>	<u>-</u>	<u>455,414</u>	<u>479,391</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension items	968,164	-	968,164	407,237
Total assets and deferred outflows of resources	<u>5,650,937</u>	<u>13,556,773</u>	<u>19,207,710</u>	<u>19,054,436</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Cash overdraft	37,806	-	37,806	-
Due to other funds	-	1,475,382	1,475,382	-
Accounts payable	29,768	1,908,956	1,938,724	1,651,675
Accrued salaries, payroll withholdings and benefits	237,133	-	237,133	-
Accrued compensated absences	5,648	-	5,648	5,475
Total current liabilities	<u>310,355</u>	<u>3,384,338</u>	<u>3,694,693</u>	<u>1,657,150</u>
NONCURRENT LIABILITIES				
Accrued compensated absences/retirement bonuses	50,833	-	50,833	49,272
Net pension liability - district proportionate share	4,963,387	-	4,963,387	4,258,142
Total noncurrent liabilities	<u>5,014,220</u>	<u>-</u>	<u>5,014,220</u>	<u>4,307,414</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension items	54,416	-	54,416	45,740
Total liabilities and deferred inflows of resources	<u>5,378,991</u>	<u>3,384,338</u>	<u>8,763,329</u>	<u>6,010,304</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	455,414	-	455,414	479,391
Unrestricted (deficit)	(183,468)	10,172,435	9,988,967	12,564,741
TOTAL NET POSITION (DEFICIT)	<u>\$ 271,946</u>	<u>\$ 10,172,435</u>	<u>\$ 10,444,381</u>	<u>\$ 13,044,132</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

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

Year ended June 30, 2017 with summarized comparative data for the year ended June 30, 2016

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Internal Service Fund</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES				
Charges for services	\$ 604,724	\$23,451,189	\$24,055,913	\$24,764,335
OPERATING EXPENSES				
Salaries	1,346,528	-	1,346,528	1,305,999
Employee benefits	1,451,853	22,773,208	24,225,061	21,892,630
Claims administration and stop loss insurance	-	1,573,513	1,573,513	1,470,987
Purchased professional and technical service	70,774	-	70,774	59,773
Purchased property service	39,566	-	39,566	62,598
Other purchased service	4,196	-	4,196	5,170
Supplies	4,365,760	3,679	4,369,439	4,179,932
Depreciation	82,156	-	82,156	78,713
Minor equipment	45,062	-	45,062	52,825
Dues and fees	718	137,806	138,524	152,575
Total operating expenses	<u>7,406,613</u>	<u>24,488,206</u>	<u>31,894,819</u>	<u>29,261,202</u>
Operating loss	<u>(6,801,889)</u>	<u>(1,037,017)</u>	<u>(7,838,906)</u>	<u>(4,496,867)</u>
NONOPERATING REVENUES				
Earnings on investments	1,846	36,410	38,256	11,052
Refund of prior year expenses	-	-	-	872,488
State sources	531,921	-	531,921	464,939
Federal sources	6,880,263	-	6,880,263	6,625,287
Total nonoperating revenues	<u>7,414,030</u>	<u>36,410</u>	<u>7,450,440</u>	<u>7,973,766</u>
Income (loss) before transfers	612,141	(1,000,607)	(388,466)	3,476,899
TRANSFERS OUT	<u>(211,285)</u>	<u>(2,000,000)</u>	<u>(2,211,285)</u>	<u>(182,335)</u>
CHANGE IN NET POSITION (DEFICIT)	400,856	(3,000,607)	(2,599,751)	3,294,564
NET POSITION (DEFICIT)				
Beginning of year	<u>(128,910)</u>	<u>13,173,042</u>	<u>13,044,132</u>	<u>9,749,568</u>
End of year	<u>\$ 271,946</u>	<u>\$10,172,435</u>	<u>\$10,444,381</u>	<u>\$13,044,132</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2017 with summarized comparative data for the year ended June 30, 2016

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food</u>	<u>Internal</u>		
	<u>Service</u>	<u>Service</u>	<u>2017</u>	<u>2016</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 612,782	\$ -	\$ 612,782	\$ 707,377
Cash received from assessments made to other funds	-	31,678,624	31,678,624	18,592,096
Cash payments to employees for services	(2,406,520)	-	(2,406,520)	(2,500,904)
Cash payments for insurance services	-	(26,470,462)	(26,470,462)	(22,410,134)
Cash payments to suppliers for goods and services	(4,549,965)	-	(4,549,965)	(4,334,342)
Cash payments for interfund services used	(666,790)	-	(666,790)	(503,726)
Net cash used for operating activities	<u>(7,010,493)</u>	<u>5,208,162</u>	<u>(1,802,331)</u>	<u>(10,449,633)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	523,456	-	523,456	461,819
Federal sources	6,655,765	-	6,655,765	6,540,155
Refund of prior year expenses	-	-	-	872,488
Transfers out	(211,285)	(2,000,000)	(2,211,285)	(182,335)
Net cash provided by noncapital financing activities	<u>6,967,936</u>	<u>(2,000,000)</u>	<u>4,967,936</u>	<u>7,692,127</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(58,179)	-	(58,179)	(91,528)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	1,846	36,410	38,256	11,052
Proceeds from sale of investments	-	200,000	200,000	-
Purchase of investments	-	-	-	(6,500,000)
Net cash provided by (used for) investing activities	<u>1,846</u>	<u>236,410</u>	<u>238,256</u>	<u>(6,488,948)</u>
Net increase (decrease) in cash and cash equivalents	(98,890)	3,444,572	3,345,682	(9,337,982)
CASH AND CASH EQUIVALENTS				
Beginning of year	98,890	1,426,775	1,525,665	10,863,647
End of year	<u>\$ -</u>	<u>\$ 4,871,347</u>	<u>\$ 4,871,347</u>	<u>\$ 1,525,665</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Income (loss)	\$ (6,801,889)	\$ (1,037,017)	\$ (7,838,906)	\$ (4,496,867)
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Depreciation	82,156	-	82,156	78,713
(Increase) decrease in				
Other receivables	8,718	(490.00)	8,228	(20,376)
Due from other funds	(666,790)	6,752,543	6,085,753	(5,970,693)
Inventories	(660)	-	(660)	22,481
Prepaid expenses	-	(2,331,000)	(2,331,000)	-
Deferred outflows - pension items	(560,927)	-	(560,927)	(53,117)
Increase (decrease) in				
Due to other funds	-	1,475,382	1,475,382	-
Accounts payable	(23,889)	348,744	324,855	(142,691)
Accrued salaries and benefits	237,133	-	237,133	-
Accrued compensated absences/retirement bonuses	1,734	-	1,734	18,796
Net pension liability	705,245	-	705,245	349,003
Deferred inflows - pension items	8,676	-	8,676	(234,882)
Net cash used for operating activities	<u>\$ (7,010,493)</u>	<u>\$ 5,208,162</u>	<u>\$ (1,802,331)</u>	<u>\$ (10,449,633)</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$147,666</u>
 LIABILITIES	
Other current liabilities	<u>\$147,666</u>

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District of Lancaster (the "**District**") operates 12 elementary schools, a K-8 school which includes an early childhood center, four middle schools and one high school in two buildings to provide education and related services to the residents of the City of Lancaster and Lancaster Township. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member Board form of government (the "**School Board**").

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

Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the District's financial reporting entity are financial interdependencies, selection of governing authority, accountability for fiscal matters, scope of public service, and special financing relationships.

The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District being considered a component unit of the entity.

Joint Ventures

Lancaster County Career and Technology Center

The District is one of 16 member school districts of the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to participating students of the member school districts. The LCCTC is controlled and governed by the Area Career and Technology Center Board for Lancaster County, which is composed of school board members of all the member districts. The District's share of annual operating costs for the LCCTC fluctuates based upon the percentage of enrollment of each member school district. The District's share of annual operating costs to the LCCTC for the year ended June 30, 2017 was \$1,411,366. The financial statements of the LCCTC can be obtained from the Administration Office at P.O. Box 527, Willow Street, PA 17584.

Lancaster County Career and Technology Center Authority

The District is also a member of the Lancaster County Career and Technology Center Authority (the "**Authority**"). In 1968, the Authority entered into an agreement with the member school districts and the LCCTC Board to acquire land and construct buildings to provide the facilities for the operation of the LCCTC. In 1995, the Authority entered into an additional agreement with the member school districts to provide funding for the upgrading and modernization of the LCCTC facilities. In 1998, the Authority and the member school districts agreed to advance refund the Authority's 1995 bonds. The District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements. The financial statements of the Authority can be obtained from the Administration Office at P.O. Box 527, Willow Street, PA 17584.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

In 2010, the LCCTC entered into an agreement with its member school districts to preserve their debt funding. This agreement was established to allow for a future capital projects bond issue. The Joint Operating Committee included a capital reserve fund for the LCCTC to accumulate these resources for future use. This would allow the member districts to preserve the debt payments within each of their respective budgets in order to continue with facility upgrades at the LCCTC. These funds could also be used to initiate capital projects during the interim which would reduce the impact of a future bond issue as well as lower finance costs associated with the bond financing and would be issued in three different series over three years.

On June 29, 2012, LCCTC issued Guaranteed Lease Revenue Bonds, Series of 2012, totaling \$9,995,000. On February 2017, LCCTC refinanced Guaranteed Lease Revenue Bonds, Series of 2013 and issued Guaranteed Lease Revenue Bonds, Series of 2017, totaling \$9,380,000. The LCCTC issued Guaranteed Lease Revenue Bonds, Series of 2014, totaling \$3,900,000 on July 9, 2014 which was the final of the three series. These bonds were issued for the purpose of providing funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The District's share of rent expense for 2016-2017 totaled \$114,323.

The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

Year ended June 30:

2018	\$ 123,066
2019	123,029
2020	123,159
2021	123,171
2022	123,022
2023-2027	615,729
2028-2032	614,810
2033-2037	<u>614,779</u>
	<u>\$2,460,765</u>

Lancaster-Lebanon Joint Authority

The District is a member of the Lancaster-Lebanon Joint Authority (the "**Joint Authority**"). The Joint Authority was incorporated on February 14, 1980 under the Municipality Authorities Act of 1945, Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Joint Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The District did not have any financial transactions with the Joint Authority during the year ended June 30, 2017. The financial statements of the Joint Authority can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau

The District participates with 16 other school districts and the municipalities represented by those school districts for the collection of earned income taxes through the Lancaster County Tax Collection Bureau (the "**Bureau**"). Each public school district appoints one member to serve on the Joint Operating Committee and 16 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The financial statements of the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The Capital Projects Fund is used to account for the acquisition, construction and renovation of major capital facilities and other capital purchases.

Additionally, the District reports the Debt Service Fund as a nonmajor governmental fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within sixty days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

SCHOOL DISTRICT OF LANCASTER

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June 30, 2017

Other miscellaneous receipts are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when payment is due. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The District reports the following major proprietary funds:

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

The Internal Service Fund is used to account for hospitalization, workers' compensation, dental, life, vision and disability insurance costs which are services provided to District employees as employee benefits.

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

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organization and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Deposits and Investments

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

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Section 440.1(c) of the Pennsylvania School Code authorizes the District to invest in: 1) U.S Treasury bills; 2) deposits in savings accounts or time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository; 3) obligations of the United States of America (USA) or any of its agencies or instrumentalities backed by the full faith and credit of the USA, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities; 4) pooled investments such as Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust and the Pennsylvania State Treasurer's Invest Program.

Investments for the District are reported at fair value.

Fair Value Measurements of Assets and Liabilities

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

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

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

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when the title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Property Taxes

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

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

SCHOOL DISTRICT OF LANCASTER

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The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal year 2016-2017 was 27.7572 mills (\$27.76 for \$1,000 of assessed valuation) for the entire District.

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

Installment One	-	August 15
Installment Two	-	October 15
Installment Three	-	December 15

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

Pledged Taxes Receivable

The District has entered into an agreement with Public Asset Management ("**PAM**") under which the District relinquishes to PAM delinquent property tax revenues. The District received from PAM a lump sum payment in exchange for the rights to receive and retain future delinquent property tax revenues. This agreement qualifies as a collateralized borrowing in accordance with GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. Taxes receivable are considered as pledged for financial statement purposes. Proceeds received by the District are reported as a liability in the statement of net position (deficit) and as an other financing source in the fund financial statements. Subsequent collections of the pledged receivables that are paid to PAM reduce the liability on the District's statement of net position (deficit).

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that are received in a service concession arrangement will be measured at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-40 years
Land Improvements	40 years
Machinery and equipment	4-10 years

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Compensated Absences and Accrued Retirement Bonuses

District policies permit employees to accumulate earned but unused vacation, personal, and sick days as stipulated in each bargaining unit's contract. In addition, upon voluntary retirement, a professional employee with 20 years or more of credited service with Public School Employees Retirement System and at least 10 years of employment with the District will receive a retirement bonus of \$350 per year of service. The liability for these benefits is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is based on amounts which have matured, for example, as a result of employee resignations and retirements. In the fund financial statements, governmental funds report only the liability payable from expendable available financial resources. A liability for these amounts is reported in governmental funds only if they have matured.

Long-Term Obligations

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

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

Fund Balance

The District follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

Fund balance is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ***Nonspendable fund balance*** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- ***Restricted fund balance*** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed fund balance*** – amounts constrained to specific purposes by the District itself using its highest level of decision-making authority (School Board resolutions); to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

- **Assigned fund balance** – amounts the District intends to use for a specific purpose; intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. School Board Policy No. 620 provides authority to the Chief Financial and Operations Officer to assign funds for specific purposes. Any funds set aside as assigned fund balance must be reported to the School Board at its next regular public meeting. The School Board has the authority to remove or change the assignment of the funds by an affirmative majority of Board members present and voting. The School Board also has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside by the School Board require an affirmative majority of the School Board members present and voting.
- **Unassigned fund balance** – amounts that are available for any purpose and not restricted in any manner. It may be necessary to report a negative unassigned fund balance in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

At June 30, 2017, fund balances are classified as follows:

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventories	\$ 203,164	\$ -	\$ -	\$ 203,164
Prepaid items	115,653	-	-	115,653
Restricted for				
Debt service	-	-	2,928,016	2,928,016
Capital purchases	-	30,459,799	-	30,459,799
Committed to				
PSERS	2,321,121	-	-	2,321,121
Assigned to				
Student activities	111,655	-	-	111,655
Repairs and maintenance contingency	2,000,000	-	-	2,000,000
Unassigned	<u>24,715,278</u>	<u>-</u>	<u>-</u>	<u>24,715,278</u>
Total fund balances	<u>\$29,466,871</u>	<u>\$30,459,799</u>	<u>\$2,928,016</u>	<u>\$62,854,686</u>

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When committed, assigned, and unassigned funds are available for expenditure, it is the District's policy to use committed funds first, assigned funds second, and unassigned funds last, unless the School Board has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

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. Such estimates relate primarily to depreciation of capital assets and provisions for compensated absences, retirement bonuses, and other postemployment benefits. Accordingly, actual results could differ from those estimates.

GASB Statement No. 45

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as "other postemployment benefits," or OPEB.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

GASB Statement No. 45 ("**GASB No. 45**") generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB No. 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

Restricted Assets

Required sinking fund deposits related to the 2010 and 2011 Qualified School Construction Bonds have been paid into the debt service fund residing with the fiscal agent. These debt service payments and any related earnings are classified as restricted assets in the financial statements because they are maintained in the fiscal agent bank accounts and their use is restricted to debt service payments in future years. The required sinking fund deposits paid into the debt service fund as of June 30, 2017 total \$2,865,000.

Implementation of New Accounting Pronouncements

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*", was implemented by the District. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of this standard had no impact on the District's financial statements.

GASB Statement No. 77, "*Tax Abatement Disclosures*", was implemented by the District. The objective of this statement is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The implementation of this standard had no impact on the District's financial statements.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", was issued in December 2015 and is effective for periods beginning after December 15, 2015. The objective of this statement is to address a practice issue identified related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and excludes certain defined benefit pension plans provided to employees of government entities that do not have the traditional characteristics of a government cost-sharing multiple employer defined benefit plan. The implementation of this standard had no impact on the District's financial statements.

GASB Statement No. 80, "*Blending Requirements For Certain Component Units – An Amendment of GASB Statement No. 14*", was issued in January 2016 and was implemented by the District. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this standard had no impact on the District's financial statements.

GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*" was issued in March 2016 and was implemented by the District. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this standard had no impact on the District's financial statements.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

GASB Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73" was issued in March 2016 and was implemented by the District. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. The implementation of this standard had no impact on the District's financial statements.

New Accounting Pronouncements

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans", will be effective for the District for the year ended June 30, 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits of OPEB).

Deferred Inflows/Outflows of Resources

Deferred inflows of resources, reported after total liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The District has two items that are required to be reported in this category: (1) the deferred inflow from pensions, and (2) unavailable revenue, which arises only under a modified accrual of accounting is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statement of net position reports deferred inflows from pensions as follows: (1) changes in employer proportionate share related to pensions that are being amortized over future periods, (2) difference between employer contributions and the proportionate share of total contributions related to pensions that are being amortized over future periods, and (3) difference between expected and actual experience that are being amortized over future periods.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The District has the following items that are required to be reported in this category: (1) net difference between projected and actual investment earnings related to pensions that are being amortized over future periods, (2) changes of assumptions related to pensions that are being amortized over future periods, (3) changes in employer proportionate share related to pensions that are being amortized over future periods, (4) pension contributions made subsequent to the measurement date related to pensions, and (5) the deferred effect of bond defeasance reported in the government-wide statement of net position, which results when the carrying value of a defeased bond is greater than or less than the reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual 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, although project-length financial plans are adopted for all capital project funds.

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

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without School Board approval. 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.

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2017:

Regular programs	\$ 989,153
Special programs	379,739
Pre-kindergarten programs	976,238
Pupil personnel services	1,775,537
Instructional staff services	2,376,954
Administrative services	951,919
Pupil health	28,347
Student transportation services	336,530
Student activities	316,634
Community services	97,301
Scholarship and awards	61,600
Existing building improvement services	488,340
Debt service – principal	1,456,274
Transfers out	7,874,898

The excess of expenditures over appropriations was financed with current year revenue sources exceeding budgeted amounts.

(3) DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

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. At June 30, 2017, the carrying amount of the District's deposits was \$22,368,340 and the bank balance was \$25,701,349. Of the bank balance, \$253,545 was covered by federal depository insurance and \$18,554,715 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds. Their objective is to maintain a stable net asset value of \$1 per share and it is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2017, PSDLAF was rated as AAAM by Standard and Poor's.

Reconciliation to Financial Statements

Uninsured Amounts	\$18,554,715
Insured Amount	253,545
Reconciling Items	<u>(3,333,010)</u>
Carrying Amount, Bank Balances	15,475,250
Pooled Cash Equivalents in Government Investment Pools	<u>6,893,090</u>
	<u>\$22,368,340</u>

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Investments

As of June 30, 2017, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$57,670,000	\$57,670,000	\$ -	\$ -	\$ -
U.S. Treasury strips	2,926,863	-	-	-	2,926,863
	<u>\$60,596,863</u>	<u>\$57,670,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,926,863</u>

U.S. Treasury strips were valued using Level 2 inputs.

Interest Rate Risk

The District has no investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit rates. As of June 30, 2017, the District's investments were rated as follows:

<u>Investments</u>	<u>Standard & Poor's</u>
Government Investment Pools	AAAm

The District places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - Investments

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. At June 30, 2017, the District does not have investments subject to custodial credit risk.

(4) UNEARNED REVENUES

Unearned revenues in the governmental funds and government-wide financial statements consisted of revenues received but not yet earned.

(5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,488,357	\$ -	\$ -	\$ 3,488,357
Construction-in-progress	247,168	1,721,594	-	1,968,762
Total capital assets not being depreciated	<u>3,735,525</u>	<u>1,721,594</u>	<u>-</u>	<u>5,457,119</u>
Capital assets being depreciated				
Buildings and improvements	225,980,277	-	-	225,980,277
Land improvements	6,866,664	-	-	6,866,664
Furniture and equipment	1,423,012	322,276	-	1,745,288
Vehicles	693,455	54,788	-	748,243

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Total capital assets being depreciated	<u>234,963,408</u>	<u>377,064</u>	<u>-</u>	<u>235,340,472</u>
Less: accumulated depreciation for				
Buildings and improvements	82,021,587	7,030,173	-	89,051,760
Land improvements	5,989,246	180,337	-	6,169,583
Furniture and equipment	820,649	136,331	-	956,980
Vehicles	<u>545,665</u>	<u>45,478</u>	<u>-</u>	<u>591,143</u>
Total accumulated depreciation	<u>89,377,147</u>	<u>7,392,319</u>	<u>-</u>	<u>96,769,466</u>
Total capital assets being depreciated, net	<u>145,586,261</u>	<u>(7,015,255)</u>	<u>-</u>	<u>138,571,006</u>
Government activities assets, net	<u>\$149,321,786</u>	<u>\$(5,293,661)</u>	<u>\$ -</u>	<u>\$144,028,125</u>
Business-type activities				
Capital asset being depreciated				
Furniture and equipment	\$ 748,528	\$ 58,179	\$ -	\$ 806,707
Vehicles	347,652	-	-	347,652
Less: A/D – furniture and equipment	399,340	52,425	-	451,765
Less: A/D – vehicles	<u>217,449</u>	<u>29,731</u>	<u>-</u>	<u>247,180</u>
Business-type capital assets, net	<u>\$ 479,391</u>	<u>\$(23,977)</u>	<u>\$ -</u>	<u>\$ 455,414</u>

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

Governmental activities		
Instruction		\$5,106,096
Instructional Student Support		984,106
Administrative and Financial Support Services		804,741
Operation and Maintenance of Plant Services		<u>497,376</u>
Total depreciation expense – governmental activities		<u>\$7,392,319</u>
Depreciation expense – business-type activities		<u>\$ 82,156</u>

(6) INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$1,475,382	Self-Insurance Fund	\$1,475,382
General Fund	247,807	Capital Projects Fund	247,807
Food Service Fund	2,848,902	General Fund	2,848,902
Capital Projects Fund	<u>196,163</u>	General Fund	<u>196,163</u>
	<u>\$4,768,254</u>		<u>\$4,768,254</u>

These interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

<u>Transfers Out</u>	<u>Amount</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	\$ 6,050,510	Capital Projects Fund	\$ 6,050,510
Self-Insurance Fund	2,000,000	Capital Projects Fund	2,000,000
Capital Projects Fund	160	Capital Projects Fund	160
General Fund	1,824,388	Debt Service Fund	1,824,388
Food Service Fund	<u>211,285</u>	General Fund	<u>211,285</u>
	<u>\$10,086,343</u>		<u>\$10,086,343</u>

Transfers are used to 1) fund the Debt Service Fund as debt service maturities become due, 2) move unrestricted fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

(7) GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental and business-type activities for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 126,454,000	\$ 52,660,000	\$ 51,145,000	\$ 127,969,000	\$ 8,115,000
General obligation notes	-	9,115,000	-	9,115,000	-
Deferred amounts					
Bond discounts	(168,613)	-	(130,624)	(37,989)	-
Bond premiums	<u>710,963</u>	<u>8,523,851</u>	<u>1,351,217</u>	<u>7,883,597</u>	<u>-</u>
Total general obligation debt	126,996,350	70,298,851	52,365,593	144,929,608	8,115,000
Collateralized borrowing	3,879,832	2,802,955	3,166,274	3,516,513	-
Capital leases	1,281,463	-	611,953	669,510	589,211
Compensated absences	3,091,624	728,916	429,008	3,391,532	429,008
Net pension liability	246,840,858	40,779,755	-	287,620,613	-
Postemployment benefits	<u>6,302,652</u>	<u>2,886,394</u>	<u>1,808,176</u>	<u>7,380,870</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$388,392,779</u>	<u>\$117,496,871</u>	<u>\$58,381,004</u>	<u>\$447,508,646</u>	<u>\$9,133,219</u>
Business-type activities					
Compensated absences	\$ 54,747	\$ 1,734	\$ -	\$ 56,481	\$ 5,648
Net pension liability	<u>4,258,142</u>	<u>705,245</u>	<u>-</u>	<u>4,963,387</u>	<u>-</u>
	<u>\$ 4,312,889</u>	<u>\$ 706,979</u>	<u>\$ -</u>	<u>\$ 5,019,868</u>	<u>\$ 5,648</u>

Payments of long-term debt from bonds, notes, capital leases payable and postemployment benefits are to be funded by the General Fund, while long-term debt from compensated absences and net pension liability is paid out of the General Fund for governmental type activities and the Food Service Fund for the business-type activities.

General Obligation Bonds:

Qualified School Construction Bonds Series of 2010, principal amount of \$30,000,000 was issued to help fund approved school construction projects. The bonds require sinking fund deposits from September 1, 2011 through September 1, 2027, and mature September 1, 2027, bearing interest at 5.00%. Interest is paid semiannually on September 1 and March 1.

\$ 30,000,000

SCHOOL DISTRICT OF LANCASTER

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June 30, 2017

General Obligation Bonds Series of 2011, principal amount of \$15,720,000 was issued to provide funds to: 1) finance various capital projects of the District, and 2) pay the costs of issuing the bonds. The bonds mature April 1, 2010 through April 1, 2027, bearing interest of 0.65% to 4.30%. Interest is paid semiannually on October 1 and April 1.	4,225,000
Qualified School Construction Bonds Series of 2011, principal amount of \$34,789,000 was issued to help fund approved school construction projects. The bonds require sinking fund deposits from September 1, 2012 through September 1, 2029, and mature September 1, 2029, bearing interest of 5.088%. Interest is paid semiannually on September 1 and March 1.	34,789,000
General Obligation Bonds, Refunding Series of 2015, principal amount \$9,875,000 was issued to: 1) partially advance refund the outstanding General Obligation Bond Series of 2007 of the District and 2) pay the costs of issuing the bonds. The bonds require sinking fund deposits from December 1, 2015 through June 1, 2023, bearing interest of 2.18%. Interest is paid semiannually on December 1 and June 1.	9,765,000
General Obligation Bonds, Series A of 2016, principal amount \$20,000,000 was issued to: 1) fund various capital projects of the District and 2) pay the costs of issuing the bonds. The bonds mature June 1, 2018 through June 1, 2035, bearing interest from 2.00% to 5.00%. Interest is paid semiannually on December 1 and June 1.	20,000,000
General Obligation Bonds, Series B of 2016, principal amount \$32,660,000 was issued to: 1) advance refund the District's outstanding General Obligation Bond Series of 2007, 2) advance refund the District's outstanding General Obligation Bond Series A of 2007 and 3) pay the costs of issuing the bonds. The bonds mature June 1, 2017 through June 1, 2027, bearing interest from 3.00% to 5.00%. Interest is paid semiannually on December 1 and June 1.	<u>29,190,000</u>
Total general obligation bonds	127,969,000
General Obligation Notes:	
General Obligation Note, Series of 2017, principal amount \$9,115,000 was issued to: 1) advance refund a portion of the District's outstanding General Obligation Bond Series of 2011 and 2) pay the costs of issuing the note. The notes mature April 1, 2019 through April 1, 2027, bearing interest of 2.36%. Interest is paid semiannually on April 1 and October 1.	<u>9,115,000</u>
Total general obligation debt	<u>\$137,084,000</u>

Annual debt service requirements to maturity for General Obligation Debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 8,115,000	\$ 6,121,064	\$ 14,236,064
2019	8,570,000	5,996,472	14,566,472
2020	8,795,000	5,805,802	14,600,802
2021	8,990,000	5,606,836	14,596,836
2022	9,125,000	5,477,503	14,602,503
2023-2027	48,845,000	24,283,510	73,128,510
2028-2032	31,079,000	9,713,536	40,792,536
2033-2035	<u>10,700,000</u>	<u>1,087,250</u>	<u>11,787,250</u>
Total	134,219,000	<u>\$64,091,973</u>	<u>\$198,310,973</u>
Deposits into sinking fund	<u>2,865,000</u>		
	<u>\$137,084,000</u>		

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public Authority ("**SPSBA**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program, the SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. In fiscal year 2010 and 2011, the District borrowed \$30,000,000 and \$34,789,000, respectively, from the SPSBA under the QSCB program. The District is required to deposit payments annually into sinking funds through the maturity date of September 1, 2027 and September 1, 2029, respectively. Sinking funds are included as restricted assets held by fiscal agent in the accompanying financial statements.

Advance Refunding of Debt

In October 2016, the District issued \$32,660,000 in General Obligation Bonds, Series B of 2016. The purpose of this issue was to provide funds to advance refund the outstanding General Obligation Bonds, Series of 2007 and Series A of 2007 and to pay for the costs of issuing the bonds. The District refunded the 2007 and Series A of 2007 Bonds to reduce its debt service payments over the next eleven years by \$4,033,443 to obtain an economic gain of \$3,555,459.

On June 29, 2017, the District issued \$9,115,000 in General Obligation Notes, Series of 2017. The purpose of the issue was to provide funds to advance refund the outstanding General Obligation Bonds, Series of 2011 and to pay for the costs of the issuing the notes. The District refunded the Series 2011 Bonds to reduce its debt service payments over the next 10 years by \$373,236 to obtain an economic gain of \$376,090.

Future Revenues Pledged for Debt Payment on Collateralized Borrowing

The District has pledged future delinquent real estate tax revenues to repay the collateralized borrowing in the original principal amounts of \$4,108,095, \$2,971,374, \$2,982,688, \$2,769,944, \$2,627,075, \$3,879,832 and \$2,802,955 in fiscal years 2011, 2012, 2013, 2014, 2015, 2016 and 2017, respectively, proceeds of which were deposited to the General Fund. The borrowing is repayable from the pledged revenues through March 1, 2019. Interest is payable monthly at a variable rate equal to the prime rate plus 0.5 percent, but in no event less than 4.5 percent nor greater than 8.0 percent. Principal is paid quarterly through the maturity date in an amount equal to collections of pledged revenues since the prior principal payment date less amounts paid as interest during the period. Principal and interest paid during the year ended June 30, 2017 were \$3,166,274 and \$119,986, respectively. Pledged revenues collected during the same period were \$2,949,710. The excess of revenues collected over principal and interest paid since inception of the program in 2011 is \$948,459, and is deferred in the General Fund.

Future pledged revenues collections are estimated to be adequate to redeem the debt. In the event that they are not, the District is obligated to pay the deficiency thirty days prior to the maturity date of the note.

The District intends that additional funds will be drawn against this borrowing each year, at the lien date for unpaid real estate taxes. These funds will be used to fund District operations.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(8) NET INVESTMENT IN CAPITAL ASSETS

Net position (deficit) of the governmental activities net investment in capital assets, at June 30, 2017, are as follows:

Capital assets	\$240,797,591
Deferred outflows of resources	2,177,278
Unspent debt proceeds	21,807,366
Accumulated depreciation	<u>(96,769,466)</u>
	168,012,769
Total outstanding debt	<u>145,599,118</u>
Net investment in capital assets	<u>\$ 22,413,651</u>

(9) LEASES

Capital Leases

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. Depreciation expense for capital lease equipment is included in the annual depreciation expense.

Presented below is a summary of minimum lease payments to maturity by years:

Year ending June 30,

2018	\$618,272
2019	<u>83,790</u>
Total minimum lease payments	702,062
Less: Amount representing interest	<u>(32,552)</u>
Present value of minimum lease payments	<u>\$669,510</u>

Operating Leases

The District leases equipment under operating leases. Total cost for such leases was \$89,167 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending June 30,

2018	\$ 58,340
2019	44,990
2020	27,950
2021	<u>14,680</u>
	<u>\$145,960</u>

(10) AUTHORIZED UNISSUED DEBT

In 2006, the School Board authorized the issuance of debt totaling \$150 million to fund various capital improvement projects related to the District's facilities. The District issued debt totaling \$45 million toward these capital improvement projects in fiscal year 2007, leaving a balance of \$87.2 million in debt that has been authorized, but not issued. In 2016, the School Board authorized the issuance of \$86 million to fund various capital improvement projects related to the District's facilities. The District issued debt totaling \$20 million toward these capital improvement projects in fiscal year 2017, leaving a balance of \$66 million in debt that has been authorized, but not issued.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(11) 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 and investments are reported at fair value.

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

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

Members who joined the 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.

SCHOOL DISTRICT OF LANCASTER

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June 30, 2017

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 T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause 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 district's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$23,280,520 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$292,584,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.5904 percent, which was an increase of 0.0107 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized net pension expense of \$8,146,205. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$2,437,207
Changes in assumptions	10,562,000	-
Net difference between projected and actual investment earnings	16,307,263	-
Changes in proportions	6,892,000	1,196,000
Difference between employer contributions and proportionate share of total contributions	-	163,830
Contributions subsequent to the measurement date	<u>23,280,520</u>	<u>-</u>
	<u>\$57,041,783</u>	<u>\$3,797,037</u>

\$23,280,520 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 6,656,312
2019	6,654,312
2020	9,597,862
2021	7,057,761
2022	<u>(2,021)</u>
	<u>\$29,964,226</u>

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016 -

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.00% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumptions changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective with the June 30, 2016 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5 %	5.3%
Fixed income	28.5 %	2.1%
Commodities	8.0 %	2.5%
Absolute return	10.0 %	3.3%
Risk parity	10.0 %	3.9%
Infrastructure/MLPs	5.0 %	4.8%
Real estate	12.0 %	4.0%
Alternative investments	15.0 %	6.6%
Cash	3.0 %	0.2%
Financing (LIBOR)	(14.0)%	0.5%
	<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, 2016.

SCHOOL DISTRICT OF LANCASTER

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Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. 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 (deficit) was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$357,908,000	\$292,584,000	\$237,691,000

Pension Plan Fiduciary Net Position

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

(12) POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, for certain postemployment healthcare benefits and life insurance benefits provided by the District.

This statement generally provides for prospective implementation – that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the postemployment benefits liability at the date of transition.

The District's postemployment healthcare plan is a single-employer defined benefit healthcare plan administered by Health America. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board. For fiscal year 2017, plan members receiving benefits contributed \$662,146 through their required monthly contributions.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the estimated contribution to the plan and changes in the District's net OPEB obligation to the plan.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Annual required contribution	\$ 2,989,704	\$ 2,989,704	\$ 3,560,715
Interest on net OPEB obligation	283,619	253,657	218,022
Adjustment to annual required contribution	<u>(386,929)</u>	<u>(346,053)</u>	<u>(297,437)</u>
Annual OPEB cost (expense)	2,886,394	2,897,308	3,481,300
Contributions made	<u>(1,808,176)</u>	<u>(2,231,483)</u>	<u>(2,689,398)</u>
Increase in net OPEB obligation	1,078,218	665,825	791,902
Net OPEB obligation – beginning of year	<u>6,302,652</u>	<u>5,636,827</u>	<u>4,844,925</u>
Net OPEB obligation – end of year	<u>\$ 7,380,870</u>	<u>\$ 6,302,652</u>	<u>\$ 5,636,827</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$2,886,394	63%	\$7,380,870
6/30/2016	2,897,308	77%	6,302,652
6/30/2015	3,481,300	77%	5,636,827

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$23,732,226, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("**UAAL**") of \$23,732,226. The covered payroll (annual payroll of active employees covered by the plan) was \$72,606,284 and the ratio of the UAAL to the covered payroll was 32.69 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 6.0 percent in 2015, reduced by decrements to an ultimate rate of 5.5 percent in 2016 through 2020. There is an assumed inflation rate of 2.5 percent underlying the interest rate, salary, and healthcare cost trend rate assumptions. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2017 was 20 years.

(13) SELF-INSURANCE

The District administers a self-insurance program to provide for the medical care and related expenses for eligible employees, spouses, and their dependents. Benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a liability in an internal service fund for claims incurred through June 30, 2017. The claims liability has historically been satisfied within 120 days after June 30 and is classified as a portion of accounts payable.

Change in Aggregate Claim Liabilities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Claims liability - beginning of year	\$ 1,560,212	\$ 1,729,413
Current year claims and changes in estimates	24,488,206	22,240,933
Claim payments by the District	<u>(24,139,462)</u>	<u>(22,410,134)</u>
Claims liability - end of year	<u>\$ 1,908,956</u>	<u>\$ 1,560,212</u>

(14) COMMITMENTS and CONTINGENCIES

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

Capital Improvement Commitments

As of June 30, 2017, the District is committed to capital projects for the Carter and MacRae, JP McCaskey, Buchanan, Reynolds and Lincoln schools. Construction contract commitments are as follows:

	<u>Contract Amounts</u>	<u>Completed Through June 30, 2017</u>	<u>Remaining Commitments</u>
Capital improvement projects	<u>\$4,985,370</u>	<u>\$1,624,083</u>	<u>\$3,361,287</u>

SCHOOL DISTRICT OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(15) 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 the risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2016-2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Unemployment

The District has elected to self-insure for unemployment compensation rather than contribute to the State Fund. Transactions relating to unemployment claims are recorded when invoiced by the State.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

SCHOOL DISTRICT OF LANCASTER REQUIRED SUPPLEMENTARY INFORMATION



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SCHOOL DISTRICT OF LANCASTER

POST-EMPLOYMENT HEALTH BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/2009	\$ -	\$18,677,350	\$18,677,350	0.00%	\$74,979,620	24.91%
07/01/2011	\$ -	\$26,728,432	\$26,728,432	0.00%	\$68,533,554	39.00%
07/01/2013	\$ -	\$29,692,537	\$29,692,537	0.00%	\$71,949,068	41.27%
07/01/2015	\$ -	\$23,732,226	\$23,732,226	0.00%	\$72,606,284	32.69%

SCHOOL DISTRICT OF LANCASTER

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

Year ended June 30, 2017

	Measurement Dates		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.5904%	0.5797%	0.5844%
District's proportionate share of the net pension liability (asset)	\$292,584,000	\$251,099,000	\$231,310,000
District's covered-employee payroll	\$76,457,379	\$74,589,510	\$74,579,956
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	383%	337%	310%
Plan fiduciary net position (deficit) as a percentage of the total pension liability	50%	54%	57%

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

SCHOOL DISTRICT OF LANCASTER

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

Year ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$23,280,520	\$18,713,679	\$14,850,811
Contributions in relation to the contractually required contribution	<u>23,280,520</u>	<u>18,713,679</u>	<u>14,850,811</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$79,727,808	\$76,457,379	\$74,589,510
Contributions as a percentage of covered-employee payroll	29%	24%	20%

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

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SCHOOL DISTRICT OF LANCASTER SUPPLEMENTARY INFORMATION



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SCHOOL DISTRICT OF LANCASTER

COMBINING BALANCE SHEET SCHEDULE - CAPITAL PROJECT FUNDS

June 30, 2017

	2011 QSCB Bond Fund	Capital Reserve	2011 Construction Fund	2016 Construction Fund	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 456,270	\$ -	\$ 238,400	\$ 694,670
Investments	-	8,000,000	-	22,475,000	30,475,000
Due from other funds	-	196,163	-	-	196,163
Total assets	\$ -	\$ 8,652,433	\$ -	\$ 22,713,400	\$ 31,365,833
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 247,807	\$ 247,807
Accounts payable	-	-	-	658,227	658,227
Total liabilities	-	-	-	906,034	906,034
FUND BALANCES					
Restricted for other capital purchases	-	8,652,433	-	21,807,366	30,459,799
Total liabilities and fund balances	\$ -	\$ 8,652,433	\$ -	\$ 22,713,400	\$ 31,365,833

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECT FUNDS

Year ended June 30, 2017

	2011 QSCB Bond Fund	Capital Reserve	2011 Construction Fund	2016 Construction Fund	Total
REVENUES					
Local sources	\$ -	\$ 7,685	\$ -	\$ 28,558	\$ 36,243
EXPENDITURES					
Support services	-	-	-	750,371	750,371
Capital outlay	-	69	-	1,472,984	1,473,053
Total expenditures	-	69	-	2,223,355	2,223,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	-	7,616	-	(2,194,797)	(2,187,181)
OTHER FINANCING SOURCES (USES)					
Payment to refunded bond escrow agent	-	-	-	(46,296,688)	(46,296,688)
Issuance of refunding debt	-	-	-	41,775,000	41,775,000
Issuance of debt	-	-	-	20,000,000	20,000,000
Premium on issuance of debt	-	-	-	3,517,537	3,517,537
Premium on issuance of refunding debt	-	-	-	5,006,314	5,006,314
Transfers in	-	8,050,670	-	-	8,050,670
Transfers out	(156)	-	(4)	-	(160)
Total other financing sources (uses)	(156)	8,050,670	(4)	24,002,163	32,052,673
NET CHANGE IN FUND BALANCES					
	(156)	8,058,286	(4)	21,807,366	29,865,492
FUND BALANCES					
Beginning of year	156	594,147	4	-	594,307
End of year	\$ -	\$ 8,652,433	\$ -	\$ 21,807,366	\$ 30,459,799

See accompanying notes

SCHOOL DISTRICT OF LANCASTER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
ASSETS				
STUDENT ACTIVITY FUNDS				
Cash and cash equivalents	\$ 133,604	\$ 138,691	\$(166,300)	\$ 105,995
HOMELESS FUND				
Cash and cash equivalents	<u>49,989</u>	<u>9,219</u>	<u>(17,537)</u>	<u>41,671</u>
Total assets	<u>\$ 183,593</u>	<u>\$ 147,910</u>	<u>\$(183,837)</u>	<u>\$ 147,666</u>
 LIABILITIES				
STUDENT ACTIVITY FUNDS				
Other liabilities	\$ 133,604	\$ 138,691	\$(166,300)	\$ 105,995
HOMELESS FUND				
Other liabilities	<u>49,989</u>	<u>9,219</u>	<u>(17,537)</u>	<u>41,671</u>
Total liabilities	<u>\$ 183,593</u>	<u>\$ 147,910</u>	<u>\$(183,837)</u>	<u>\$ 147,666</u>

See accompanying notes

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SCHOOL DISTRICT OF LANCASTER STATISTICAL SECTION



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SCHOOL DISTRICT OF LANCASTER

STATISTICAL SECTION

This part of the School District of Lancaster's (the "***District***") Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends – (Pages 75-79)

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Position (Deficit)
- Changes in Net Position (Deficit)
- Fund Balances of Governmental Funds
- Changes in Governmental Fund Balances

Revenue Capacity – (Pages 80-83)

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

- Assessed Value and Estimated Actual Value of Taxable Property
- Property Tax Rates – All Overlapping Governments
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity – (Pages 84-87)

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin

Demographic and Economic Information – (Pages 88-90)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

- Principal Employers
- Demographic and Economic Statistics
- Full-Time Equivalent Employees

SCHOOL DISTRICT OF LANCASTER

STATISTICAL SECTION

Operating Information – (Pages 91-104)

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

- Expenditures by Function – General Fund
- Cost per Student by Function – General Fund
- Capital Asset Information
- Free and Reduced Lunch Participation
- Student/Teacher Ratio
- Teacher Information by Level
- Teacher Salary Information
- Bank Deposit Information
- Miscellaneous Statistics
- Coverage of Debt Service and Lease Rental Requirements by State Aid
- Enrollment Trends

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

SCHOOL DISTRICT OF LANCASTER

NET POSITION (DEFICIT) BY COMPONENT - UNAUDITED

Last ten fiscal years ending June 30,
Accrual basis of accounting

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 22,413,651	\$ 21,652,689	\$ 21,232,995	\$ 17,556,589	\$ 35,967,384	\$ 34,225,400	\$ 28,818,104	\$ 23,646,185	\$ 19,189,488	\$ 13,013,410
Restricted for debt service and capital projects	11,580,449	1,729,365	839,828	25,148	14,150	5,587	-	-	-	-
Unrestricted (deficit)	(207,723,184)	(196,695,491)	(196,848,312)	(194,020,155)	22,229,689	19,266,428	18,013,632	11,425,924	4,865,139	2,850,253
Total governmental activities net position	\$(173,729,084)	\$(173,313,437)	\$(174,775,489)	\$(176,438,418)	\$ 58,211,223	\$ 53,497,415	\$ 46,831,736	\$ 35,072,109	\$ 24,054,627	\$ 15,863,663
Business-type activities										
Net investment in capital assets	\$ 455,414	\$ 479,391	\$ 466,576	\$ 389,694	\$ 421,615	\$ 401,616	\$ 287,417	\$ 318,011	\$ 306,871	\$ 180,896
Unrestricted (deficit)	(183,468)	(608,301)	(1,190,754)	(1,496,079)	2,208,301	1,953,381	1,823,170	1,559,567	4,879,194	1,147,257
Total business-type activities net position	\$ 271,946	\$ (128,910)	\$ (724,178)	\$ (1,106,385)	\$ 2,629,916	\$ 2,354,997	\$ 2,110,587	\$ 1,877,578	\$ 5,186,065	\$ 1,328,153
Primary Government										
Net investment in capital assets	\$ 22,869,065	\$ 22,132,080	\$ 21,699,571	\$ 17,946,283	\$ 36,388,999	\$ 34,627,016	\$ 29,105,521	\$ 23,964,196	\$ 19,496,359	\$ 13,194,306
Restricted	11,580,449	1,729,365	839,828	25,148	14,150	5,587	-	-	-	-
Unrestricted (deficit)	(207,906,652)	(197,303,792)	(198,039,066)	(195,516,234)	24,437,990	21,219,809	19,836,802	12,985,491	9,744,333	3,997,510
Total primary government	\$(173,457,138)	\$(173,442,347)	\$(175,499,667)	\$(177,544,803)	\$ 60,841,139	\$ 55,852,412	\$ 48,942,323	\$ 36,949,687	\$ 29,240,692	\$ 17,191,816

Source: District records

SCHOOL DISTRICT OF LANCASTER
CHANGES IN NET POSITION (DEFICIT) - UNAUDITED

Last ten fiscal years ending June 30,
 Accrual basis of accounting

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Instruction	\$ 137,355,065	\$ 124,744,115	\$ 122,634,168	\$ 114,846,475	\$ 111,409,823	\$ 104,273,412	\$ 104,999,463	\$ 101,379,094	\$ 98,574,603	\$ 96,510,972
Instructional student support	26,137,628	21,335,536	18,379,785	16,546,150	16,690,050	15,522,325	15,521,654	16,022,926	15,771,114	15,114,573
Administrative and financial support services	22,368,271	19,195,351	19,308,153	16,796,610	15,489,811	15,364,248	14,731,951	15,043,964	14,699,986	13,875,633
Operation and maintenance of plant services	12,618,202	12,320,528	12,915,663	13,379,065	11,691,446	10,644,677	11,378,343	10,947,496	10,576,608	10,410,104
Pupil transportation	4,570,091	4,325,381	4,439,495	4,232,053	4,094,866	3,485,249	2,846,210	2,555,287	2,387,862	2,126,895
Student activities	2,369,349	2,083,201	2,059,042	1,921,171	2,036,299	1,659,069	1,693,270	1,698,032	1,548,369	1,598,637
Community services	565,494	562,794	478,937	475,841	481,038	545,084	682,645	639,568	496,863	338,613
Interest on long-term debt	4,984,094	6,139,351	6,362,354	6,578,306	7,084,611	6,904,825	5,129,381	3,975,081	4,750,993	5,064,444
Total governmental activities	210,968,194	190,706,257	186,577,597	174,775,671	168,977,944	158,398,889	156,982,917	152,261,448	148,806,398	145,039,871
Business-type activities										
Food service	7,406,613	7,020,269	6,656,020	6,351,425	5,987,204	5,671,870	5,289,596	5,223,414	5,128,905	4,619,674
Total primary government expenses	\$ 218,374,807	\$ 197,726,526	\$ 193,233,617	\$ 181,127,096	\$ 174,965,148	\$ 164,070,759	\$ 162,272,513	\$ 157,484,862	\$ 153,935,303	\$ 149,659,545
Program Revenues										
Governmental activities										
Charges for services										
Instruction	\$ 2,934,718	\$ 1,933,209	\$ 1,685,153	\$ 1,335,572	\$ 1,059,118	\$ 1,137,382	\$ 1,126,483	\$ 1,005,540	\$ 1,148,765	\$ 531,995
Non-instructional	100,160	684,399	652,548	727,547	713,360	522,878	186,287	134,643	136,716	169,024
Operating grants and contributions	64,488,863	50,206,955	51,462,512	44,295,009	45,255,845	42,653,317	56,083,011	47,768,707	42,084,179	45,832,451
Capital grants and contributions	-	-	-	-	-	2,479	118,710	25,000	-	34,646
Total governmental activities	67,523,741	52,824,563	53,800,213	46,358,128	47,028,323	44,316,056	57,514,491	48,933,890	43,369,660	46,568,116
Business-type activities										
Food Service	604,724	705,272	622,352	683,422	697,044	643,274	675,962	689,050	1,084,395	1,014,805
Operating grants and contributions	7,412,184	7,090,226	6,615,635	5,791,307	5,564,112	5,272,896	4,998,373	4,822,986	4,337,431	4,118,110
Total business-type activities	8,016,908	7,795,498	7,237,987	6,474,729	6,261,156	5,916,170	5,674,335	5,512,036	5,421,826	5,132,915
Total primary government program revenues	\$ 75,540,649	\$ 60,620,061	\$ 61,038,200	\$ 52,832,857	\$ 53,289,479	\$ 50,232,226	\$ 63,188,826	\$ 54,445,926	\$ 48,791,486	\$ 51,701,031

Source: District records

Continued on next page

SCHOOL DISTRICT OF LANCASTER
CHANGES IN NET POSITION (DEFICIT) - UNAUDITED

*Last ten fiscal years ending June 30,
 Accrual basis of accounting*

	Fiscal Year									
	<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>	<u>2008</u>
Net (expense) revenue										
Governmental activities	\$ (143,444,453)	\$ (137,881,694)	\$ (132,777,384)	\$ (128,417,543)	\$ (121,949,621)	\$ (114,082,833)	\$ (99,468,426)	\$ (103,327,558)	\$ (105,436,738)	\$ (98,471,755)
Business-type activities	610,295	775,229	581,967	123,304	273,952	244,300	384,739	288,822	292,921	513,241
Total primary government net expense	<u>\$ (142,834,158)</u>	<u>\$ (137,106,465)</u>	<u>\$ (132,195,417)</u>	<u>\$ (128,294,239)</u>	<u>\$ (121,675,669)</u>	<u>\$ (113,838,533)</u>	<u>\$ (99,083,687)</u>	<u>\$ (103,038,936)</u>	<u>\$ (105,143,817)</u>	<u>\$ (97,958,514)</u>
General revenues and other changes in net position										
Governmental activities										
Property taxes	\$ 70,437,567	\$ 68,785,011	\$ 66,875,331	\$ 64,140,615	\$ 62,728,042	\$ 60,338,390	\$ 57,356,330	\$ 56,075,451	\$ 53,532,476	\$ 55,592,076
Taxes levied for specific purpose	8,694,565	7,959,627	7,778,660	7,287,117	7,544,403	7,052,741	6,181,848	5,896,636	7,141,814	7,136,123
Unrestricted grants	62,191,307	61,445,799	58,805,720	59,097,076	55,820,310	53,396,073	46,412,037	47,123,226	50,163,619	38,564,449
Investment earnings	306,157	277,321	107,470	121,699	164,913	310,683	538,152	940,416	2,608,027	3,364,369
Miscellaneous income	1,187,925	693,653	671,824	467,766	405,761	615,723	587,186	710,814	939,989	594,776
Transfers	211,285	182,335	201,308	178,420	-	-	152,500	-	160,000	1,000,000
Total governmental activities	<u>143,028,806</u>	<u>139,343,746</u>	<u>134,440,313</u>	<u>131,292,693</u>	<u>126,663,429</u>	<u>121,713,610</u>	<u>111,228,053</u>	<u>110,746,743</u>	<u>114,545,925</u>	<u>106,251,793</u>
Business-type activities										
Investment earnings	1,846	2,374	1,548	1,413	967	110	770	1,188	16,870	139,721
Transfers	(211,285)	(182,335)	(201,308)	(178,420)	-	-	(152,500)	-	(160,000)	(1,000,000)
Total business-type activities	<u>(209,439)</u>	<u>(179,961)</u>	<u>(199,760)</u>	<u>(177,007)</u>	<u>967</u>	<u>110</u>	<u>(151,730)</u>	<u>1,188</u>	<u>(143,130)</u>	<u>(860,279)</u>
Total primary government	<u>\$ 142,819,367</u>	<u>\$ 139,163,785</u>	<u>\$ 134,240,553</u>	<u>\$ 131,115,686</u>	<u>\$ 126,664,396</u>	<u>\$ 121,713,720</u>	<u>\$ 111,076,323</u>	<u>\$ 110,747,931</u>	<u>\$ 114,402,795</u>	<u>\$ 105,391,514</u>
Change in net position										
Governmental activities	\$ (415,647)	\$ 1,462,052	\$ 1,662,929	\$ 2,875,150	\$ 4,713,808	\$ 7,630,777	\$ 11,759,627	\$ 7,419,185	\$ 9,109,187	\$ 7,780,038
Business-type activities	400,856	595,268	382,207	(53,703)	274,919	244,410	233,009	289,810	149,791	(347,038)
Total primary government	<u>\$ (14,791)</u>	<u>\$ 2,057,320</u>	<u>\$ 2,045,136</u>	<u>\$ 2,821,447</u>	<u>\$ 4,988,727</u>	<u>\$ 7,875,187</u>	<u>\$ 11,992,636</u>	<u>\$ 7,708,995</u>	<u>\$ 9,258,978</u>	<u>\$ 7,433,000</u>

Source: District records

SCHOOL DISTRICT OF LANCASTER

FUND BALANCES OF GOVERNMENTAL FUNDS - UNAUDITED

Last ten fiscal years ending June 30,
Modified accrual basis of accounting

General Fund	Fiscal Year									
	<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>	<u>2008</u>
Nonspendable										
Inventory	\$ 203,164	\$ 245,180	\$ 150,188	\$ 157,035	\$ 220,991	\$ 309,379	\$ 394,377	\$ 356,262	\$ 180,832	\$ 256,268
Prepaid items	115,653	24,698	23,633	18,413	18,662	57,619	-	-	-	-
Committed to										
Retirement contributions	2,321,121	2,321,121	2,321,121	2,321,121	2,321,121	2,321,121	2,321,121	-	-	-
Capital projects	-	2,300,000	2,300,000	-	-	-	-	-	-	-
Assigned to										
Student athletics	1,373,801	44,582	393,376	289,135	668,454	330,242	157,716	72,561	671	4,511
Repairs and maintenance contingency	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Unassigned	24,453,132	22,522,773	19,438,823	17,965,231	18,197,069	16,622,571	11,521,686	6,817,216	6,132,140	4,579,096
Total general fund	\$ 29,466,871	\$ 28,458,354	\$ 25,627,141	\$ 21,750,935	\$ 22,426,297	\$ 20,640,932	\$ 14,394,900	\$ 7,246,039	\$ 6,313,643	\$ 4,839,875
All other governmental funds										
Nonspendable										
Prepaid items	\$ -	\$ -	\$ -	\$ 8,156	\$ 8,156	\$ 8,156	\$ -	\$ -	\$ -	\$ -
Restricted for										
Debt service	2,928,016	1,135,058	35,945	25,148	14,150	5,587	-	-	-	-
Capital projects funds	30,459,799	594,307	803,883	-	13,417,238	46,245,498	37,968,095	15,565,830	44,541,052	48,914,304
Assigned to										
Other capital projects	-	-	-	769,419	1,353,643	1,576,752	1,886,142	1,672,269	785,284	452,308
Total all other governmental funds	\$ 33,387,815	\$ 1,729,365	\$ 839,828	\$ 802,723	\$ 14,793,187	\$ 47,835,993	\$ 39,854,237	\$ 17,238,099	\$ 45,326,336	\$ 49,366,612
Total governmental fund balances	\$ 62,854,686	\$ 30,187,719	\$ 26,466,969	\$ 22,553,658	\$ 37,219,484	\$ 68,476,925	\$ 54,249,137	\$ 24,484,138	\$ 51,639,979	\$ 54,206,487

Source: District records

SCHOOL DISTRICT OF LANCASTER

CHANGES IN GOVERNMENTAL FUND BALANCES - UNAUDITED

Last ten fiscal years ending June 30,
Modified accrual basis of accounting

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Local sources	\$ 85,645,501	\$ 80,900,521	\$ 78,733,672	\$ 74,940,658	\$ 73,567,448	\$ 71,239,071	\$ 66,974,022	\$ 64,035,593	\$ 66,385,899	\$ 70,943,317
State sources	106,826,894	93,868,542	92,845,713	85,312,270	79,715,607	75,299,530	70,351,980	71,219,233	74,355,065	61,868,110
Federal sources	17,792,245	16,778,242	16,827,580	17,288,476	20,470,595	21,079,366	28,672,132	23,536,326	17,220,802	18,845,277
Total revenues	<u>210,264,640</u>	<u>191,547,305</u>	<u>188,406,965</u>	<u>177,541,404</u>	<u>173,753,650</u>	<u>167,617,967</u>	<u>165,998,134</u>	<u>158,791,152</u>	<u>157,961,566</u>	<u>151,656,704</u>
Expenditures										
Current										
Instruction	125,151,677	118,597,713	115,654,698	111,729,875	107,080,359	101,686,237	103,936,817	100,013,528	97,249,629	95,432,510
Support services	60,107,790	54,605,305	52,293,662	49,873,635	46,536,815	43,442,860	44,246,806	43,854,580	42,553,344	40,405,162
Operation of noninstructional services	2,927,360	2,734,054	2,688,102	2,457,439	2,529,821	2,197,210	2,397,220	2,313,181	2,045,249	1,937,364
Facilities acquisition, construction and improvement services	488,340									
Capital outlay	1,473,053	479,585	245,044	13,900,899	32,988,059	26,398,594	22,540,696	30,183,056	6,476,063	3,729,434
Debt service:										
Principal	9,971,274	9,421,696	11,296,212	11,352,379	11,753,563	10,869,371	8,550,955	7,068,151	7,170,000	7,512,203
Interest	5,744,211	6,050,369	6,507,567	6,710,190	7,105,162	6,275,864	4,604,197	4,145,990	4,997,853	5,130,626
Bond issuance costs	750,371	-	103,500	110,873	-	614,127	-	-	-	-
Total expenditures	<u>206,614,076</u>	<u>191,888,722</u>	<u>188,788,785</u>	<u>196,135,290</u>	<u>207,993,779</u>	<u>191,484,263</u>	<u>186,276,691</u>	<u>187,578,486</u>	<u>160,492,138</u>	<u>154,147,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,650,564</u>	<u>(341,417)</u>	<u>(381,820)</u>	<u>(18,593,886)</u>	<u>(34,240,129)</u>	<u>(23,866,296)</u>	<u>(20,278,557)</u>	<u>(28,787,334)</u>	<u>(2,530,572)</u>	<u>(2,490,595)</u>
Other financing sources (uses)										
Refunding bonds issued	41,775,000	-	9,875,000	7,725,000	-	7,750,000	-	-	15,920,000	-
Payments to refunded bond escrow agent	(46,296,688)	-	(9,771,500)	(7,745,370)	-	(7,910,100)	-	-	(15,740,000)	-
Issuance of debt	20,000,000	-	-	-	-	34,789,000	45,720,000	-	-	-
Premium on bonds issued	8,523,851	-	-	131,243	-	295,557	-	-	-	-
Discount on issuance of debt	-	-	-	-	-	-	(537,182)	-	(84,242)	-
Proceeds from collateralized borrowing	2,802,955	3,879,832	2,627,075	2,769,944	2,982,688	2,971,374	4,108,095	-	-	-
Capital Lease	-	-	1,363,248	868,823	-	198,253	-	-	-	-
McCaskey East settlement proceeds	-	-	-	-	-	-	-	847,171	1,092,771	702,386
Transfers in	10,086,343	1,403,348	628,759	198,197	10,000	8,823	1,890,703	2,081,166	1,250,505	400,000
Transfers out	(7,875,058)	(1,221,013)	(427,451)	(19,777)	(10,000)	(8,823)	(1,738,203)	(2,081,166)	(1,090,505)	(2,472,422)
Total other financing sources (uses)	<u>29,016,403</u>	<u>4,062,167</u>	<u>4,295,131</u>	<u>3,928,060</u>	<u>2,982,688</u>	<u>38,094,084</u>	<u>49,443,413</u>	<u>847,171</u>	<u>1,348,529</u>	<u>1,102,386</u>
Net change in fund balances	<u>\$ 32,666,967</u>	<u>\$ 3,720,750</u>	<u>\$ 3,913,311</u>	<u>\$ (14,665,826)</u>	<u>\$ (31,257,441)</u>	<u>\$ 14,227,788</u>	<u>\$ 29,164,856</u>	<u>\$ (27,940,163)</u>	<u>\$ (1,182,043)</u>	<u>\$ (1,388,209)</u>

Debt service as a percentage of noncapital expenditures

Source: District records

SCHOOL DISTRICT OF LANCASTER

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY - UNAUDITED

Last ten fiscal years ending June 30,

Fiscal Year	Real Property				Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property							
2017	\$1,778,550,500	\$1,744,072,500			\$837,625,800	\$2,684,997,200	27.7572	\$2,684,997,200	100.00%
2016	1,775,495,200	1,739,389,300			837,042,400	2,677,842,100	27.2129	2,677,842,100	100.00%
2015	1,772,172,000	1,731,608,300			835,316,300	2,668,464,000	26.6793	2,668,464,000	100.00%
2014	1,770,321,300	1,718,589,200			830,624,000	2,658,286,500	25.9224	2,658,286,500	100.00%
2013	1,769,408,100	1,698,005,700			819,383,300	2,648,030,500	25.2902	2,648,030,500	100.00%
2012	1,765,080,800	1,691,991,000			816,622,400	2,640,449,400	24.6972	2,640,449,400	100.00%
2011	1,745,124,400	1,678,657,100			815,894,700	2,607,886,800	24.2130	2,607,886,800	100.00%
2010	1,728,829,600	1,527,169,600			662,431,200	2,593,568,000	23.2600	2,593,568,000	100.00%
2009	1,717,897,700	1,512,322,100			637,406,300	2,592,813,500	22.4700	2,592,813,500	100.00%
2008	1,714,520,000	1,512,372,400			635,811,100	2,591,081,300	21.4200	2,591,081,300	100.00%

Note: Property in Lancaster County is assessed based upon 100 percent of the base year estimated market value.

Source: Lancaster County Assessment Office

SCHOOL DISTRICT OF LANCASTER

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Direct Rates</u>	<u>Overlapping Rates</u>			<u>Total Direct and Overlapping Rates</u>
	<u>School District</u>	<u>County</u>	<u>City of Lancaster</u>	<u>Lancaster Township</u>	
2017	27.7572	3.735	14.020	0.600	46.1122
2016	27.2129	3.735	14.020	0.600	45.5679
2015	26.6793	3.735	13.040	0.600	44.0543
2014	25.9224	3.735	13.040	0.600	43.2974
2013	25.2902	3.735	13.040	0.600	42.6652
2012	24.6972	3.416	12.040	0.600	40.7532
2011	24.2130	3.416	12.040	0.600	40.2690
2010	23.2600	3.416	9.640	0.600	36.9160
2009	22.4700	3.416	9.180	0.600	35.6660
2008	21.4200	3.416	9.180	0.600	34.6160

Source: District and Municipality records

SCHOOL DISTRICT OF LANCASTER

PRINCIPAL TAXPAYERS - UNAUDITED

Current Year and Nine Years Ago

	2017				2008*			
	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
	General Growth Prop	\$129,942,300	1	4.84%	Spitzer, James ET AL	\$143,327,000	1	5.53%
	Rose City HMA	20,580,600	2	0.77%	Rose City HMA	20,580,600	2	0.79%
	Urban Place LP	9,783,400	3	0.36%	EDC Finance Corp.	12,920,800	3	0.50%
	EDC Finance Corp	9,240,000	4	0.34%	S & P Real Estate Co. LP	11,419,400	4	0.44%
	RR Donnelley & Sons	9,162,500	5	0.34%	RR Donnelley & Sons	11,367,800	5	0.44%
	Montgomery Acquisition LP	8,946,600	6	0.33%	Treeco Manor LTD Partnership	9,425,400	6	0.36%
	Burle Business Park LP	8,500,000	7	0.32%	Burle Business Park LP	8,500,000	7	0.33%
	MSCI 2006-IQ11 North Queen St	8,385,000	8	0.31%	101 North Queen Associates LP	8,385,000	8	0.32%
	Lanc Pollard Mort Co	8,335,600	9	0.31%	Hershey Farm Company	7,470,400	9	0.29%
	Solomon Organization LLC	8,255,300	10	0.31%	**			
	Total	\$221,131,300		8.24%		\$233,396,400		9.01%

* = Earliest year available.

** = Data is not available.

Source: Lancaster County Assessment Office

SCHOOL DISTRICT OF LANCASTER

PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED

Last ten fiscal years ending June 30,

Fiscal Year	Total Levy	Homestead Exemptions	Net Levy	Collected within Tax Levy Period ⁽²⁾		Collections in Subsequent Tax Levy Year ⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Net Levy		Amount	Percentage of Levy
2017	\$74,528,004	\$5,073,200	\$69,454,804	\$66,826,467	96.22%	\$1,235,515	68,061,982	97.99%
2016	72,871,849	4,985,614	67,886,235	65,010,667	95.76%	1,076,653	66,087,320	97.35%
2015	71,103,304	4,983,535	66,119,769	63,731,569	96.39%	2,066,150	65,797,719	97.78%
2014	68,950,712	4,979,368	63,971,344	61,043,406	95.42%	2,928,668	63,972,074	100.00%
2013	66,969,221	4,990,028	61,979,193	59,055,062	95.28%	2,924,131	61,979,193	100.00%
2012	65,091,305	4,976,672	60,114,633	57,543,371	95.72%	2,571,262	60,114,633	100.00%
2011	63,144,763	4,970,526	58,174,237	55,280,406	95.03%	2,896,576	58,176,982	100.00%
2010	60,000,386	4,971,799	55,028,587	51,313,750	93.25%	2,416,222	53,729,972	97.64%
2009	57,758,710	4,818,323	52,940,387	49,314,270	93.15%	2,173,887	51,488,157	97.26%
2008	54,920,686	NA	54,920,686	51,406,536	93.60%	1,092,860	52,499,396	95.59%

⁽¹⁾Amount is net of penalties and discounts.

⁽²⁾Tax levy year is July 1 to December 31.

Source: District records

SCHOOL DISTRICT OF LANCASTER

RATIOS OF OUTSTANDING DEBT BY TYPE - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Primary Government</u>				<u>Percentage of Personal Income⁽¹⁾</u>	<u>Per Capita⁽¹⁾</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Collateralized Borrowing</u>	<u>Totals</u>		
2017	\$144,929,608	\$ 669,510	\$3,516,513	\$149,115,631	0.62%	\$278
2016	126,996,350	1,281,463	3,879,832	132,157,645	0.59%	248
2015	133,441,372	1,923,971	2,996,696	138,362,039	0.62%	259
2014	141,249,391	971,423	3,230,833	145,451,647	0.65%	273
2013	148,659,000	178,724	3,473,268	152,310,992	0.70%	288
2012	157,009,000	480,417	3,894,143	161,383,560	0.76%	306
2011	130,415,000	801,495	3,602,140	134,818,635	0.69%	257
2010	92,740,000	1,436,522	-	94,176,522	0.50%	181
2009	99,650,000	1,391,413	-	101,041,413	0.55%	199
2008	106,640,000	1,056,437	-	107,696,437	0.58%	214

⁽¹⁾See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements. There was no outstanding debt for the Business-Type Activities for the years shown.

SCHOOL DISTRICT OF LANCASTER

RATIOS OF GENERAL BONDED DEBT OUTSTANDING - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Funds Restricted for Debt Service</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Estimated Actual Taxable Value of Property⁽¹⁾</u>	<u>Per Capita⁽²⁾</u>
2017	\$144,929,608	\$ 2,928,016	\$142,001,592	5.29%	265
2016	126,996,350	1,135,058	125,861,292	4.70%	235
2015	133,441,372	35,945	133,405,427	5.00%	249
2014	141,249,391	25,148	141,224,243	5.31%	265
2013	148,659,000	14,150	148,644,850	5.61%	281
2012	157,009,000	5,587	157,003,413	5.95%	298
2011	130,415,000	-	130,415,000	5.00%	249
2010	92,740,000	-	92,740,000	3.58%	178
2009	99,650,000	-	99,650,000	3.84%	196
2008	106,640,000	-	106,640,000	4.12%	212

⁽¹⁾See the Schedule of Revenue base for Estimated Actual Taxable Value of property data.

⁽²⁾See the Schedule of Demographic and Economic Statistics for population data.

*Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.
There was no outstanding debt for the Business-Type Activities for the years shown.*

SCHOOL DISTRICT OF LANCASTER

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT - UNAUDITED

June 30, 2017

<u>Fiscal Year</u>	<u>General Obligation Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct Debt			
2010 QCSB	\$ 30,000,000	100.00%	\$ 30,000,000
GOB Series 2011	4,187,010	100.00%	4,187,010
GOB Series 2011 - QSCB	34,789,000	100.00%	34,789,000
GOB Series of 2015	9,765,000	100.00%	9,765,000
GOB Series A of 2016	23,332,403	100.00%	23,332,403
GOB Series B of 2016	33,741,195	100.00%	33,741,195
GOB Series 2017	9,115,000	100.00%	9,115,000
2014 Capital Lease	246,569	100.00%	246,569
2015 Capital Lease	13,123	100.00%	13,123
2015 Capital Lease	409,818	100.00%	409,818
Collateral Borrowing	<u>3,516,513</u>	100.00%	<u>3,516,513</u>
Total direct debt	<u>149,115,631</u>		<u>149,115,631</u>
Overlapping debt⁽¹⁾			
Lancaster County ⁽²⁾	218,786,500	1.36%	2,979,410
City of Lancaster	62,586,200	100.00%	62,586,200
Lancaster Township	-	100.00%	-
Total overlapping debt	<u>281,372,700</u>		<u>65,565,610</u>
Total direct and overlapping debt	<u>\$430,488,331</u>		<u>\$214,681,241</u>

⁽¹⁾ Debt paid from taxes levied by municipal governments other than the District.

⁽²⁾ The percentage of overlapping debt is based on total square miles for the City of Lancaster and Lancaster Township as a percentage of total Lancaster County area square miles.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the school district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the School District of Lancaster. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Overlapping Municipality Finance Offices

SCHOOL DISTRICT OF LANCASTER

LEGAL DEBT MARGIN INFORMATION - UNAUDITED

*Last ten fiscal years ending June 30,
(Amounts expressed in thousands)*

	Fiscal Year									
	<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>	<u>2008</u>
Debt limit	\$442,523	\$417,970	\$404,687	\$388,962	\$379,455	\$367,110	\$358,247	\$346,531	\$333,031	\$315,167
Total net debt applicable to limit	144,930	126,996	133,441	141,249	148,659	157,009	130,415	92,740	99,650	106,640
Legal debt margin	<u>\$297,593</u>	<u>\$290,974</u>	<u>\$271,246</u>	<u>\$247,712</u>	<u>\$230,796</u>	<u>\$210,101</u>	<u>\$227,832</u>	<u>\$253,791</u>	<u>\$233,381</u>	<u>\$208,527</u>
Total net debt applicable to the limit as a percentage of debt limit	32.75%	30.38%	32.97%	36.31%	39.18%	42.77%	36.40%	26.76%	29.92%	33.84%
Borrowing base revenues										
2017	\$210,260									
2016	191,399									
2015	<u>188,372</u>									
Total revenues ⁽¹⁾	<u>\$590,031</u>									
Average borrowing base (total revenues divided by 3)	\$196,677									
Debt limit percentage ⁽²⁾	<u>225%</u>									
Debt limit	442,523									
Outstanding Debt	<u>144,930</u>									
Legal debt margin	<u>\$297,593</u>									

⁽¹⁾Total revenues and other financing sources less debt proceeds, transfers, interest in sinking funds, and other non-recurring items.

⁽²⁾Source: Local Government Unit Debt Act

SCHOOL DISTRICT OF LANCASTER

PRINCIPAL EMPLOYERS - LANCASTER AND SURROUNDING AREAS - UNAUDITED

Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>2017</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Lancaster General Hospital	7,884	1	35.12%	6,984	1	28.41%
Dart Container Corporation	2,214	2	9.86%	1,806	6	7.35%
County of Lancaster	1,924	3	8.57%	2,080	4	8.46%
Turkey Hill Co Inc.	1,825	4	8.13%	*		
Masonic Villages	1,616	5	7.20%	*		
School District of Lancaster	1,613	6	7.18%	1,647	8	6.70%
Manheim Remarketing Inc.	1,436	7	6.40%	2,513	3	10.22%
Weis Markets Inc.	1,423	8	6.34%	1,383	10	5.63%
LSC Communications (formerly RR Donnelley)	1,288	9	5.74%	2,950	2	12.00%
Giant Food Stores	1,228	10	5.47%	*		
Ephrata Community Hospital Inc.	*			1,836	5	7.47%
Armstrong World Industries Inc.	*			1,794	7	7.30%
QVC Inc.	*			1,586	9	6.45%
Total	<u>22,451</u>		<u>100.00%</u>	<u>24,579</u>		<u>100.00%</u>

Note: Only top 10 employers

** Information is not available.*

Source: County of Lancaster Financial Report

SCHOOL DISTRICT OF LANCASTER

DEMOGRAPHIC AND ECONOMIC STATISTICS - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Population of County⁽¹⁾</u>	<u>Personal Income (Expressed in Thousands)⁽²⁾</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate - County⁽³⁾</u>	<u>School Enrollment</u>
2017	536,624	\$ 24,145,511	\$44,995	4.10%	11,336
2016	536,624	24,145,511	44,995	4.40%	11,164
2015	536,624	24,145,511	44,995	4.50%	11,256
2014	533,320	22,245,595	41,712	4.80%	10,746
2013	529,600	21,774,881	41,116	6.70%	10,795
2012	526,823	21,119,188	40,088	6.70%	10,457
2011	523,594	19,653,012	37,535	7.10%	10,579
2010	520,316	18,921,587	36,366	8.00%	11,972
2009	507,766	18,450,403	36,336	7.40%	11,343
2008	503,807	18,450,403	36,622	4.30%	11,761

Note: We have used 2015 personal income and population information for both 2016 and 2017 since this information is unavailable from data source.

Data Sources

(1) US Census Bureau

(2) Bureau of Labor Statistics, US Department of Labor

(3) Bureau of Economic Analysis

SCHOOL DISTRICT OF LANCASTER

FULL-TIME EQUIVALENTS (FTE) EMPLOYEES - UNAUDITED

Last ten fiscal years ending June 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	% Change 2016-2017
Instruction	647.00 126.00	645.00 126.00	641.00 119.00	636.00 118.00	591.00 118.00	580.00 118.00	664.00 118.00	672.00 118.00	681.00 118.00	635.00 118.00	0.31% 0.00%
Special Programs	176.00 150.00	176.00 150.00	166.00 141.00	163.00 145.00	162.00 167.00	159.00 170.00	182.00 166.00	184.00 173.00	187.00 151.00	174.00 149.00	0.00% 0.00%
Vocational	11.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	11.00	10.00%
Other Instructional	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	4.00 1.00	0.00% 0.00%
Pre-Kindergarten	22.00 21.00	20.00 20.00	21.00 20.00	20.00 24.00	20.00 23.00	20.00 24.00	22.00 23.00	23.00 24.00	23.00 21.00	21.00 21.00	10.00% 5.00%
Student Support	52.00 11.00 41.00	54.00 10.00 28.00	54.00 10.00 21.00	53.00 12.00 21.00	52.00 12.00 21.00	51.00 12.00 21.00	59.00 12.00 21.00	60.00 13.00 21.00	60.00 11.00 21.00	56.00 11.00 21.00	-3.70% 10.00% 46.43%
Instructional Support	31.00 16.00 19.00	31.00 15.00 17.00	31.00 15.00 16.00	30.00 18.00 14.00	30.00 18.00 14.00	29.00 18.00 15.00	34.00 18.00 15.00	34.00 18.00 17.00	35.00 16.00 16.00	32.00 16.00 16.00	0.00% 6.67% 11.76%
Administrative	44.00 51.00	42.00 48.00	41.00 48.00	49.00 44.00	49.00 44.00	50.00 43.00	49.00 41.00	51.00 45.00	44.00 42.00	44.00 42.00	4.76% 6.25%
Pupil Health	12.00 24.00	11.00 23.00	11.00 23.00	11.00 27.00	11.00 27.00	11.00 27.00	12.00 27.00	12.00 28.00	13.00 24.00	12.00 24.00	9.09% 4.35%
Business Services	5.00 11.00	5.00 10.00	5.00 9.00	6.00 8.00	6.00 8.00	6.00 9.00	6.00 9.00	6.00 10.00	5.00 9.00	5.00 9.00	0.00% 10.00%
Operation & Maintenance Services	14.00 3.00	14.00 3.00	101.00 2.00	101.00 2.00	101.00 2.00	101.00 2.00	101.00 2.00	101.00 3.00	101.00 2.00	101.00 2.00	0.00% 0.00%
Transportation	8.00 2.00	8.00 2.00	8.00 2.00	9.00 1.00	9.00 2.00	9.00 2.00	9.00 2.00	9.00 2.00	8.00 2.00	8.00 2.00	0.00% 0.00%
Central Support	8.00 27.00	8.00 24.00	8.00 22.00	9.00 20.00	9.00 20.00	9.00 21.00	9.00 22.00	9.00 24.00	8.00 22.00	8.00 22.00	0.00% 12.50%
Food Services	69.00 4.00	69.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	65.00 4.00	0.00% 0.00%
Student Activities	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00%
Total Staff	1,613.00	1,581.00	1,622.00	1,628.00	1,603.00	1,594.00	1,711.00	1,746.00	1,709.00	1,637.00	2.02%

Source: School District of Lancaster, Office of Human Resources

SCHOOL DISTRICT OF LANCASTER

EXPENDITURES BY FUNCTION - GENERAL FUND - UNAUDITED

Last ten fiscal years ending June 30,
(Expressed in thousands)

<u>Function</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>	<u>2008</u>
Regular programs	\$ 81,166	\$ 77,387	\$ 75,851	\$ 72,662	\$ 68,870	\$ 64,305	\$ 68,033	\$ 66,001	\$ 63,996	\$ 64,720
	38.24%	40.17%	40.18%	39.92%	39.38%	39.10%	41.60%	41.71%	41.85%	42.88%
Special programs	28,685	26,393	25,539	25,483	24,148	23,760	23,528	21,717	19,961	18,235
	13.51%	13.70%	13.53%	14.00%	13.81%	14.45%	14.39%	13.72%	13.05%	12.08%
Vocational programs	1,772	1,925	2,020	1,877	1,839	2,013	2,214	2,089	2,439	2,428
	0.83%	1.00%	1.07%	1.03%	1.05%	1.22%	1.35%	1.32%	1.59%	1.61%
Other instructional programs	8,383	8,400	8,263	8,175	8,719	7,877	6,192	6,216	5,954	5,984
	3.95%	4.36%	4.38%	4.49%	4.99%	4.79%	3.79%	3.93%	3.89%	3.96%
Adult education programs	-	-	-	-	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community College programs	46	38	84	54	61	57	69	60	67	89
	0.02%	0.02%	0.04%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.06%
Pre-kindergarten programs	5,099	4,455	3,898	3,480	3,443	3,675	3,900	3,931	3,741	3,275
	2.40%	2.31%	2.06%	1.91%	1.97%	2.23%	2.38%	2.48%	2.45%	2.17%
Pupil personnel services	10,405	9,322	7,761	7,340	7,298	6,598	7,029	7,209	7,472	7,648
	4.90%	4.84%	4.11%	4.03%	4.17%	4.01%	4.30%	4.56%	4.89%	5.07%
Instructional staff services	11,050	8,452	7,458	6,678	7,126	6,759	6,602	7,136	6,467	5,320
	5.21%	4.39%	3.95%	3.67%	4.07%	4.11%	4.04%	4.51%	4.23%	3.52%
Administrative services	11,618	10,588	10,117	9,459	8,987	8,568	8,868	8,342	8,282	7,883
	5.47%	5.50%	5.36%	5.20%	5.14%	5.21%	5.42%	5.27%	5.42%	5.22%
Pupil health	2,441	2,483	2,300	2,134	2,034	1,946	1,852	1,879	1,689	1,609
	1.15%	1.29%	1.22%	1.17%	1.16%	1.18%	1.13%	1.19%	1.10%	1.07%
Business services	3,141	3,172	3,227	2,836	2,506	2,492	2,362	2,339	2,214	1,948
	1.48%	1.65%	1.71%	1.56%	1.43%	1.52%	1.44%	1.48%	1.45%	1.29%

Notes:

The totals on percentages may not equal an even 100% due to rounding.

These amounts represent expenditures of the General Fund only.

Source: District Records

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SCHOOL DISTRICT OF LANCASTER

EXPENDITURES BY FUNCTION - GENERAL FUND - UNAUDITED

Last ten fiscal years ending June 30,
(Expressed in thousands)

<u>Function</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>	<u>2008</u>
Operation and maintenance of plant services	12,496	11,976	11,894	12,881	11,088	10,150	10,949	10,344	10,150	9,932
	5.89%	6.22%	6.30%	7.08%	6.34%	6.17%	6.69%	6.54%	6.64%	6.58%
Student transportation services	4,558	4,317	4,427	4,232	4,095	3,484	2,848	2,554	2,388	2,128
	2.15%	2.24%	2.35%	2.32%	2.34%	2.12%	1.74%	1.61%	1.56%	1.41%
Central support services	4,842	4,252	5,065	4,226	3,190	3,165	3,189	3,917	3,757	3,783
	2.28%	2.21%	2.68%	2.32%	1.82%	1.92%	1.95%	2.48%	2.46%	2.51%
Other support services	45	44	44	43	84	132	111	114	87	111
	0.02%	0.02%	0.02%	0.02%	0.05%	0.08%	0.07%	0.07%	0.06%	0.07%
Student activities	2,089	1,861	1,813	1,691	1,598	1,653	1,676	413	366	381
	0.98%	0.97%	0.96%	0.93%	0.91%	1.00%	1.02%	0.26%	0.24%	0.25%
Community services	556	651	473	476	496	544	684	639	497	339
	0.26%	0.34%	0.25%	0.26%	0.28%	0.33%	0.42%	0.40%	0.32%	0.22%
Scholarships and awards	283	221	221	228	436	38	38	38	38	38
	0.13%	0.11%	0.12%	0.13%	0.25%	0.00%	0.02%	0.02%	0.02%	0.02%
Debt service	15,715	15,472	17,907	18,063	18,859	17,281	13,155	11,214	12,252	12,618
	7.40%	8.03%	9.49%	9.92%	10.78%	10.51%	8.04%	7.09%	8.01%	8.36%
Transfers to other funds	7,875	1,221	427	10	10	5	247	2,081	1,091	2,472
	3.71%	0.63%	0.23%	0.01%	0.01%	0.00%	0.15%	1.32%	0.71%	1.64%
Total	\$ 212,266	\$ 192,630	\$ 188,790	\$ 182,025	\$ 174,885	\$ 164,464	\$ 163,546	\$ 158,231	\$ 152,906	\$ 150,939
October 1 pupil count	11,336	11,164	11,256	10,746	10,795	10,457	10,579	11,972	11,343	11,761
Average expenditures per pupil	\$ 18,725	\$ 17,255	\$ 16,772	\$ 16,939	\$ 16,201	\$ 15,728	\$ 15,460	\$ 13,217	\$ 13,480	\$ 12,834

Notes:

The totals on percentages may not equal an even 100% due to rounding.

These amounts represent expenditures of the General Fund only.

Source: District Records

SCHOOL DISTRICT OF LANCASTER

COST PER STUDENT BY FUNCTION - GENERAL FUND - UNAUDITED

Last ten fiscal years ending June 30,

<u>Function</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>	<u>2008</u>
Regular Programs	\$ 7,160 38.24%	\$ 6,932 40.17%	\$ 6,739 40.18%	\$ 6,481 39.92%	\$ 6,156 39.38%	\$ 5,859 39.10%	\$ 6,071 41.60%	\$ 5,513 41.71%	\$ 5,642 41.85%	\$ 5,503 42.88%
Special Programs	2,530 13.51%	2,364 13.70%	2,269 13.53%	2,273 14.00%	2,158 13.81%	2,165 14.45%	2,100 14.39%	1,814 13.72%	1,760 13.05%	1,550 12.08%
Vocational Programs	156 0.83%	172 1.00%	179 1.07%	167 1.03%	164 1.05%	183 1.22%	198 1.35%	174 1.32%	215 1.59%	206 1.61%
Other Instructional Programs	739 3.95%	752 4.36%	734 4.38%	729 4.49%	779 4.99%	718 4.79%	553 3.79%	519 3.93%	525 3.89%	509 3.96%
Adult Education Programs	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Community College Programs	4 0.02%	3 0.02%	7 0.04%	5 0.03%	5 0.03%	5 0.03%	6 0.04%	5 0.04%	6 0.04%	8 0.06%
Pre-kindergarten Programs	450 2.40%	399 2.31%	346 2.06%	310 1.91%	308 1.97%	335 2.23%	348 2.38%	328 2.48%	330 2.45%	278 2.17%
Pupil Personnel Services	918 4.90%	835 4.84%	690 4.11%	655 4.03%	652 4.17%	601 4.01%	627 4.30%	602 4.56%	659 4.89%	650 5.07%
Instructional Staff Services	975 5.21%	757 4.39%	663 3.95%	596 3.67%	637 4.07%	616 4.11%	589 4.04%	596 4.51%	570 4.23%	452 3.52%
Administrative Services	1,025 5.47%	948 5.50%	899 5.36%	844 5.20%	803 5.14%	781 5.21%	791 5.42%	697 5.27%	730 5.42%	670 5.22%
Pupil Health	215 1.15%	222 1.29%	204 1.22%	190 1.17%	182 1.16%	177 1.18%	165 1.13%	157 1.19%	149 1.10%	137 1.07%
Business Services	277 1.48%	284 1.65%	287 1.71%	253 1.56%	224 1.43%	227 1.52%	211 1.44%	195 1.48%	195 1.45%	166 1.29%

Note: These amounts represent expenditures of the General Fund only.

Source: District Records

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SCHOOL DISTRICT OF LANCASTER

COST PER STUDENT BY FUNCTION - GENERAL FUND - UNAUDITED

Last ten fiscal years ending June 30,

<u>Function</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>	<u>2008</u>
Operation and maintenance of plant services	1,102	1,073	1,057	1,149	991	925	977	864	895	844
	5.89%	6.22%	6.30%	7.08%	6.34%	6.17%	6.69%	6.54%	6.64%	6.58%
Student Transportation Services	402	387	393	377	366	317	254	213	211	181
	2.15%	2.24%	2.35%	2.32%	2.34%	2.12%	1.74%	1.61%	1.56%	1.41%
Central Support Services	427	381	450	377	285	288	285	327	331	322
	2.28%	2.21%	2.68%	2.32%	1.82%	1.92%	1.95%	2.48%	2.46%	2.51%
Other Support Services	4	4	4	4	8	12	10	9	8	9
	0.02%	0.02%	0.02%	0.02%	0.05%	0.08%	0.07%	0.07%	0.06%	0.07%
Student Activities	184	167	161	151	143	151	150	34	32	32
	0.98%	0.97%	0.96%	0.93%	0.91%	1.00%	1.02%	0.26%	0.24%	0.25%
Community Services	49	58	42	42	44	50	61	53	44	29
	0.26%	0.34%	0.25%	0.26%	0.28%	0.33%	0.42%	0.40%	0.32%	0.22%
Scholarships and Awards	25	20	20	20	39	-	3	3	3	3
	0.13%	0.11%	0.12%	0.13%	0.25%	0.00%	0.02%	0.02%	0.02%	0.02%
Debt Service	1,386	1,386	1,591	1,611	1,686	1,575	1,174	937	1,080	1,073
	7.40%	8.03%	9.49%	9.92%	10.78%	10.51%	8.04%	7.09%	8.01%	8.36%
Transfers to Other Funds	695	109	38	1	1	0	22	174	96	210
	3.71%	0.63%	0.23%	0.01%	0.01%	0.00%	0.15%	1.32%	0.71%	1.64%
Total	\$ 18,725	\$ 17,255	\$ 16,772	\$ 16,236	\$ 15,632	\$ 14,985	\$ 14,595	\$ 13,217	\$ 13,480	\$ 12,834
October 1 Pupil Count	11,336	11,164	11,256	10,746	10,795	10,457	10,579	11,972	11,343	11,761
Average Expenditures Per Pupil	\$ 18,725	\$ 17,255	\$ 16,772	\$ 16,939	\$ 16,201	\$ 15,728	\$ 15,460	\$ 13,217	\$ 13,480	\$ 12,834

Notes:

The totals on percentages may not equal an even 100.00% due to rounding.

These amounts represent expenditures of the General Fund only.

Source: District Records

SCHOOL DISTRICT OF LANCASTER

CAPITAL ASSET INFORMATION - UNAUDITED

<u>Building</u>	<u>Original Construction/ Purchase</u>	<u>Additions/ Renovations</u>	<u>Square Footage</u>	<u>Building Capacity</u>	<u>2016-2017 Enrollment</u>	<u>Percentage of Capacity Used*</u>
<u>Elementary Schools</u>						
Buchanan 340 South West End Avenue Lancaster, PA 17602-5080	1929	1955	44,244	425	391	92%
Burrowes 1001 East Orange Street Lancaster, PA 17602-3215	1954	1970, 1988	39,585	370	370	100%
Carter and MacRae 251 South Prince Street Lancaster, PA 17603-5396	1840	1988	142,000	625	462	74%
Fulton 225 West Orange Street Lancaster, PA 17603-3782	1918	2013	75,072	500	427	85%
Hamilton 1300 Wabank Road Lancaster, PA 17603-6849	1964	1989	55,525	350	456	130%
King 466 Rockland Road Lancaster, PA 17602-4212	1966		66,000	645	541	84%
Lafayette 1000 Fremont Street Lancaster, PA 17603-5426	1951	2010	72,000	500	528	106%
Price 615 Fairview Avenue Lancaster, PA 17603-5877	1973		63,116	500	517	103%
Ross 840 North Queen Street Lancaster, PA 17603-2750	1924	2010	38,390	370	348	94%
Washington 545 South Ann Street Lancaster, PA 17602-4551	1934	2010	64,382	600	589	98%
Wharton 705 North Mary Street Lancaster, PA 17603-2889	1895	2010	24,459	340	347	102%
Wickersham 401 North Reservoir Street Lancaster, PA 17602-2447	1929	1953	55,422	450	453	101%
<u>K-8 School</u>						
Martin 2000 Wabank Road Lancaster, PA 17603-6433	1959	2014	88,000	620	729	118%
<u>Middle Schools</u>						
Hand 431 South Ann Street Lancaster, PA 17602-4542	1924	1928, 2013	114,887	498	526	106%

SCHOOL DISTRICT OF LANCASTER

CAPITAL ASSET INFORMATION - UNAUDITED

<u>Building</u>	<u>Original Construction/ Purchase</u>	<u>Additions/ Renovations</u>	<u>Square Footage</u>	<u>Building Capacity</u>	<u>2016-2017 Enrollment</u>	<u>Percentage of Capacity Used*</u>
Lincoln 1001 Lehigh Avenue Lancaster, PA 17602-2450	1962	1986	137,664	520	308	59%
Robert D. Scheffey Building (Lincoln Annex - 6th Grade) 1020 Lehigh Avenue Lancaster, PA 17602-2452	1985	2010	33,828	210	200	95%
Reynolds 605 West Walnut Street Lancaster, PA 17603-3383	1929		96,000	576	507	88%
Wheatland 919 Hamilton Park Drive Lancaster, PA 17603-4914	1955	1961, 1989	92,675	781	553	71%
<u>Alternative Education</u>						
Buehrle Academy 426 East Clay Street Lancaster, PA 17602-2154	1895	2007	18,132	135	100	74%
Phoenix Academy 630 Rockland Street Lancaster, PA 17602-4524	1975	1995	47,227	348	316	91%
<u>Other Education</u>						
Rockland Center 600 Rockland Street Lancaster, PA 17602-4507	2010		37,414	450	75	17%
Duke and Dauphin 335 Dauphin Street Lancaster, PA 17602-4507	2010		9,786	100	0	0%
<u>High School</u>						
J.P. McCaskey 445 North Reservoir Street Lancaster, PA 17602-2447	1939	1974, 1997	308,000	1,745	1,413	81%
McCaskey East 1051 Lehigh Avenue Lancaster, PA 17602-2457	1996		290,000	1,565	1,303	83%
<u>Administration</u>						
Carter and MacRae - 3rd and 4th floors 251 South Prince Street Lancaster, PA 17603-5396	1840	2011	NA	NA	95	NA

* - Amounts in excess of 100% are due to students who are educated in offsite facilities not owned by the District but are reported as members of the respective school population.

Source: Building enrollment site list, Feasibility Study Update, January 2016

SCHOOL DISTRICT OF LANCASTER

FREE AND REDUCED LUNCH PARTICIPATION - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Number of Students</u>	<u>Free</u>	<u>Reduced</u>	<u>Percent Free and Reduced</u>
2017	11,336	8,909	1,033	87.70%
2016	11,164	8,774	1,017	87.70%
2015	11,256	8,846	1,025	87.70%
2014	10,746	7,993	1,078	84.41%
2013	10,795	8,152	1,068	85.41%
2012	10,457	7,996	1,048	86.49%
2011	10,579	8,163	1,069	87.27%
2010	11,972	8,200	1,132	77.95%
2009	11,343	8,100	1,139	81.45%
2008	11,761	7,776	1,152	75.91%

Source: October School Lunch Program Claim Reports & Certification Statement

SCHOOL DISTRICT OF LANCASTER

STUDENT/TEACHER RATIO - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Number of Students</u>	<u>Number of Teachers</u>	<u>Ratio of Number of Students to Teacher</u>
2017	11,336	955	12
2016	11,164	951	12
2015	11,256	938	12
2014	10,746	927	12
2013	10,795	880	12
2012	10,457	864	12
2011	10,579	989	11
2010	11,972	1,000	12
2009	11,343	1,015	11
2008	11,761	945	12

Student and teacher counts are as of October 1 of the school year.

Source: Building enrollment site list & Human Resources

SCHOOL DISTRICT OF LANCASTER

TEACHER INFORMATION BY LEVEL - UNAUDITED

Last ten fiscal years ending June 30,

Fiscal Year	Bachelor's	Bachelor's +8	Bachelor's +16	Bachelor's +24	Master's	Master's +15	Master's +30	Master's +45	Doctorate	Total
2017	138	N/A	23	253	372	74	44	44	7	955
2016	129	N/A	15	289	351	84	41	35	7	951
2015	140	12	13	266	348	84	34	36	5	938
2014	120	14	17	277	342	78	38	34	7	927
2013	79	19	27	275	327	75	38	36	4	880
2012	94	16	21	260	327	74	31	34	7	864
2011	136	28	29	314	334	71	32	40	5	989
2010	153	37	36	308	330	67	30	37	4	1,000
2009	165	57	28	316	312	65	29	41	3	1,015
2008	175	41	27	294	285	56	30	35	3	945

Source: School District of Lancaster, Office of Human Resources

SCHOOL DISTRICT OF LANCASTER

TEACHER SALARY INFORMATION - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>Minimum Base Salary⁽¹⁾</u>	<u>Average Base Salary</u>	<u>Maximum Base Salary⁽²⁾</u>
2017	\$48,275	\$61,967	\$84,395
2016	46,551	59,900	83,223
2015	44,823	62,392	79,961
2014	43,319	61,040	78,761
2013	43,319	61,040	78,761
2012	43,319	61,040	78,761
2011	43,319	61,040	78,761
2010	41,467	59,380	77,293
2009	40,000	57,926	75,851
2008	39,200	56,819	74,437

Notes:

(1) The minimum salary represents the minimum amount a District teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the Lancaster Education Association of the School District of Lancaster contract agreement. The minimum starting wage has seven different levels dependent on level of education attained:

- Level 1: Bachelor's Degree
- Level 2: Bachelor's Degree + 16 Credits
- Level 3: Bachelor's Degree + 24 Credits
- Level 4: Master's Degree
- Level 5: Master's Degree + 15 Credits
- Level 6: Master's Degree + 30 Credits
- Level 7: Master's Degree + 45 Credits
- Level 8: Doctorate

(2) The maximum salary represents the maximum amount a District teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the Lancaster Education of the School District of Lancaster contract agreement. The maximum salary for each level (Level 1 through Level 8) is reached in 13 years. Maximum salary excludes pension and hospitalization benefits. No longevity pay is added to teachers who have exceeded the 13 year maximum on the pay scale.

Source: School District of Lancaster, Salary Schedules

SCHOOL DISTRICT OF LANCASTER

BANK DEPOSIT INFORMATION - UNAUDITED

Last ten fiscal years ending June 30,

<u>Fiscal Year</u>	<u>FDIC Insured Institutions</u>	<u>Government Investment Pools</u>	<u>Total</u>
2017	\$15,475,250	\$ 6,893,090	\$22,368,340
2016	20,593,871	8,162,785	28,756,656
2015	11,285,580	33,027,255	44,312,835
2014	18,105,707	25,751,482	43,857,189
2013	13,596,609	46,266,702	59,863,311
2012	28,351,387	58,809,429	87,160,816
2011	25,486,531	50,255,753	75,742,284
2010	16,492,557	29,232,153	45,724,710
2009	3,730,208	62,641,607	66,371,815
2008	13,674,913	49,943,503	63,618,416

Notes:

FDIC insured institutions include school board approved depositories.

Government investment pools include Pennsylvania School District Liquid Asset Fund (PSDLAF)

SCHOOL DISTRICT OF LANCASTER

MISCELLANEOUS STATISTICS - UNAUDITED

June 30, 2017

Tax rates of the Lancaster County Schools

<u>School District</u>	<u>Total Taxable Assessed Value</u>	<u>Millage</u>
Cocalico	1,485,655,800	22.8200
Columbia Borough	352,495,900	29.3400
Conestoga Valley	2,700,135,800	15.9240
Donegal	1,244,221,800	22.4640
Eastern Lancaster	893,043,500	15.0404
Elizabethtown Area	1,618,906,100	19.9000
Ephrata Area	1,931,737,300	20.4500
Hempfield	3,682,382,700	20.1246
Lampeter-Strasburg	1,709,564,000	20.2458
Manheim Central	1,763,390,900	17.7731
Manheim Township	3,203,052,100	19.0509
Octorara (Lancaster county portion)	242,583,900	28.7300
Penn Manor	2,408,975,600	19.2700
Pequea Valley	1,295,302,400	18.1217
Solanco	1,902,435,800	12.4499
Warwick	2,000,150,400	20.7474

Source: Lancaster County Tax Collector Department

SCHOOL DISTRICT OF LANCASTER

COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY STATE AID - UNAUDITED

June 30,

<u>Fiscal Year</u>	<u>Total State Aid Received</u>
2017	\$106,826,894
2016	93,868,542
2015	92,845,713
2014	85,312,270
2013	79,715,607
2012	75,299,530
2011	70,351,980
2010	71,219,233
2009	74,355,065
2008	61,868,110
2017-2018 Debt service requirements	14,236,064
Maximum future debt service requirements	14,236,064
Coverage of 2017-2018 debt service requirements	7.5040
Coverage of maximum future debt service requirements	7.5040

Source: School District of Lancaster

SCHOOL DISTRICT OF LANCASTER

ENROLLMENT TRENDS - UNAUDITED

June 30,

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2017	6,712	4,624	11,336	2021	6,604	4,996	11,600
2016	6,048	5,116	11,164	2020	6,604	4,996	11,600
2015	6,073	5,183	11,256	2019	6,604	4,996	11,600
2014	5,493	5,253	10,746	2018	6,604	4,996	11,600
2013	6,152	4,643	10,795				
2012	5,152	5,305	10,457				

Source: School District of Lancaster

SCHOOL DISTRICT OF LANCASTER SINGLE AUDIT



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SCHOOL DISTRICT OF LANCASTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2017	Passed Through to Subrecipients
U.S. Department of Education											
School Climate Transformation Initiative	D	84.184G	N/A	10/01/15-09/30/16	\$ 699,081	\$ 635,019	\$ 142,276	\$ 492,743	\$ 492,743	\$ -	\$ -
School Climate Transformation Initiative	D	84.184G	N/A	10/01/16-09/30/17	709,767	366,807	-	258,583	258,583	(108,224)	-
Total CFDA #84.184G						1,001,826	142,276	751,326	751,326	(108,224)	-
Elementary & Secondary School Counseling	D	84.215E	N/A	05/01/15-04/30/16	397,697	242,187	92,124	150,063	150,063	-	-
Elementary & Secondary School Counseling	D	84.215E	N/A	05/01/16-04/30/17	399,677	252,106	-	273,806	273,806	21,700	-
Total CFDA #84.215E						494,293	92,124	423,869	423,869	21,700	-
Gaining Early Awareness and Readiness for Undergraduate Programs	D	84.334	N/A	09/26/16-09/25/17	1,199,288	445,172	-	464,541	464,541	19,369	-
Gaining Early Awareness and Readiness for Undergraduate Programs	D	84.334	N/A	09/26/15-09/25/16	1,199,288	361,686	11,122	395,851	395,851	45,287	-
Gaining Early Awareness and Readiness for Undergraduate Programs	D	84.334	N/A	09/26/14-09/25/15	1,199,288	303,926	-	303,926	303,926	-	-
Total CFDA #84.334						1,110,784	11,122	1,164,318	1,164,318	64,656	-
						2,606,903	245,522	2,339,513	2,339,513	(21,868)	-
Passed through the PA Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	013-160221	07/01/15-09/30/16	4,925,799	1,300,902	(126,106)	1,427,008	1,427,008	-	-
Title I Grants to Local Educational Agencies	I	84.010	013-170221	07/01/16-09/30/17	5,027,212	3,333,525	-	3,762,466	3,762,466	428,941	-
Title I Grants to Local Educational Agencies	I	84.010	107-160221	07/01/15-09/30/16	193,542	38,708	(2,221)	40,929	40,929	-	-
Title I Grants to Local Educational Agencies	I	84.010	107-170221	07/01/16-09/30/17	108,249	38,949	-	31,225	31,225	(7,724)	-
Title I Grants to Local Educational Agencies	I	84.010	042-150221	07/01/15-09/30/16	373,265	116,645	116,645	-	-	-	-
Title I Grants to Local Educational Agencies	I	84.010	042-160221	07/01/16-09/30/17	384,158	362,816	-	384,158	384,158	21,342	-
Title I Grants to Local Educational Agencies	I	84.010	077-160221	12/02/16-09/30/17	50,000	50,000	-	38,979	38,979	(11,021)	-
Total CFDA #84.010						5,241,545	(11,682)	5,684,765	5,684,765	431,538	-
Career and Technical Education - Basic Grants to States	I	84.048	380-144056	07/01/15-09/30/16	205,138	34,190	34,190	-	-	-	-
Career and Technical Education - Basic Grants to States	I	84.048	380-170038	07/01/16-09/30/17	190,168	174,321	-	190,168	190,168	15,847	-
Total CFDA #84.048						208,511	34,190	190,168	190,168	15,847	-
Twenty-First Century Community Learning Centers	I	84.287	FC4100068096	10/01/15-09/30/16	400,000	149,475	147,785	1,690	1,690	-	-
Twenty-First Century Community Learning Centers	I	84.287	FC4100068096	10/01/16-09/30/17	400,000	388,341	-	400,000	400,000	11,659	-
Twenty-First Century Community Learning Centers	I	84.287	FC4100071655	01/06/16-12/31/16	400,000	400,000	94,649	305,351	305,351	-	-
Twenty-First Century Community Learning Centers	I	84.287	FC4100071655	01/06/17-12/31/17	400,000	132,217	-	249,827	249,827	117,610	-
Total CFDA #84.287						1,070,033	242,434	956,868	956,868	129,289	-

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Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2017	Passed Through to Subrecipients
Passed through the PA Department of Education (cont'd)											
English Language Acquisition Grants	I	84.365	010-150221	07/17/14-09/30/15	514,116	137,098	137,098	-	-	-	-
English Language Acquisition Grants	I	84.365	010-160221	07/01/15-09/30/16	500,497	166,832	(158,613)	325,445	325,445	-	-
English Language Acquisition Grants	I	84.365	010-170221	07/01/16-09/30/17	499,582	366,360	-	401,187	401,187	34,827	-
Total CFDA #84.365						670,290	(21,515)	726,632	726,632	34,827	-
Improving Teacher Quality State Grants	I	84.367	020-160221	07/01/15-06/30/16	855,774	170,110	142,332	27,778	27,778	-	-
Improving Teacher Quality State Grants	I	84.367	020-170221	07/01/16-06/30/17	839,642	729,721	-	839,642	839,642	109,921	-
Total CFDA #84.367						899,831	142,332	867,420	867,420	109,921	-
School Improvement Grants	I	84.377	142-122221	06/20/13-09/30/14	1,365,922	-	227,964	-	-	227,964	-
School Improvement Grants	I	84.377	142-133221	07/29/14-09/30/15	1,500,122	-	300,024	-	-	300,024	-
School Improvement Grants	I	84.377	142-143221	10/01/15-09/30/16	787,829	-	(787,829)	-	-	(787,829)	-
Total CFDA #84.377						-	(259,841)	-	-	(259,841)	-
Total PA Department of Education											
						8,090,210	125,918	8,425,853	8,425,853	461,561	-
Passed through Lancaster-Lebanon Intermediate Unit #13											
Special Education - Preschool Grants	I	84.173	N/A	07/01/15-06/30/16	12,329	12,329	12,329	-	-	-	-
Special Education - Preschool Grants	I	84.173	N/A	07/01/16-06/30/17	11,099	-	-	11,099	11,099	11,099	-
Total CFDA #84.173						12,329	12,329	11,099	11,099	11,099	-
Special Education - Grants to States	I	84.027	N/A	07/01/15-06/30/16	2,330,121	1,768,959	1,768,959	-	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/16-06/30/17	2,241,172	560,925	-	2,241,172	2,241,172	1,680,247	-
Special Education - Grants to States	I	84.027	N/A	07/01/15-06/30/16	50,000	50,000	50,000	-	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/16-06/30/17	50,000	-	-	50,000	50,000	50,000	-
Total CFDA #84.027						2,379,884	1,818,959	2,291,172	2,291,172	1,730,247	-
Total Lancaster-Lebanon Intermediate Unit #13											
						2,392,213	1,831,288	2,302,271	2,302,271	1,741,346	-
Passed through Intermediate Unit #1											
School Based Behavioral Health: School to Community Based Competitive	I	84.027	N/A	03/01/13-09/30/16	39,954	25,434	25,434	-	-	-	-
School Based Behavioral Health: School to Community Based Competitive	I	84.027	N/A	07/01/16-09/30/17	24,520	24,520	-	24,520	24,520	-	-
Total CFDA #84.027						49,954	25,434	24,520	24,520	-	-
ESL Professional Development Project	I	84.365Z	N/A	09/16/15-08/31/16	225	225	-	225	225	-	-
Total Intermediate Unit #1											
						50,179	25,434	24,745	24,745	-	-
Passed through the Berks County Intermediate Unit #14											
Education for Homeless Children and Youth	I	84.196A	N/A	07/01/16-06/30/17	44,995	40,496	-	44,995	44,995	4,499	-
Total Berks County Intermediate Unit #14											
						40,496	-	44,995	44,995	4,499	-
Passed through the Capital Area Intermediate Unit											
AP Test Fee Program	I	84.330B	N/A	12/15/16-06/30/17	31,654	31,654	-	31,654	31,654	-	-
Total Berks Capital Area Intermediate Unit											
						31,654	-	31,654	31,654	-	-

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2017	Passed Through to Subrecipients
Passed through the PA State System of Higher Education											
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334S	N/A	09/26/16-09/25/17	371,547	156,474	-	236,297	236,297	79,823	-
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334S	N/A	08/01/16-09/25/16	393,512	232,035	156,706	75,329	75,329	-	-
						388,509	156,706	311,626	311,626	79,823	-
Total PA State System of Higher Education						13,600,164	2,384,868	13,480,657	13,480,657	2,265,361	-
Total U.S. Department of Education											
U.S. Department of Health and Social Services											
Project Aware	D	93.243	N/A	09/30/15-09/29/17	100,000	49,432	47,432	52,568	52,568	50,568	-
Passed through the PA Department of Education											
Temporary Assistance for Needy Families	I	93.558	FC4100060959	07/01/15-06/30/16	336,890	336,890	336,890	-	-	-	-
Temporary Assistance for Needy Families	I	93.558	FC4100071402	07/01/16-09/30/16	78,418	78,418	-	78,418	78,418	-	-
Temporary Assistance for Needy Families	I	93.558	FC4100071402	10/01/16-06/30/17	235,254	82,241	-	235,254	235,254	153,013	-
						497,549	336,890	313,672	313,672	153,013	-
Total CFDA #93.558						11,782	11,782	-	-	-	-
Temporary Assistance for Needy Families	S	N/A	FC4100060959	07/01/15-06/30/16	8,750	8,750	-	8,750	8,750	-	-
Temporary Assistance for Needy Families	S	N/A	FC4100071402	07/01/16-06/30/17	26,250	9,173	-	26,250	26,250	17,077	-
Temporary Assistance for Needy Families	S	N/A	FC4100071402	10/01/16-06/30/17	29,705	29,705	11,782	35,000	35,000	17,077	-
Total State						12,485	12,485	-	-	-	-
Refugee and Entrant Assistance-Discretionary Grants	I	93.576	FC4100068856	08/15/15-08/14/16	58,912	58,912	-	58,912	58,912	-	-
Refugee and Entrant Assistance-Discretionary Grants	I	93.576	FC4100068856	08/15/15-09/30/16	65,635	1,451	-	26,460	26,460	25,009	-
Refugee and Entrant Assistance-Discretionary Grants	I	93.576	FC4100074520	10/01/16-09/30/17	72,848	72,848	12,485	85,372	85,372	25,009	-
Total CFDA #93.576						600,102	361,157	434,044	434,044	195,099	-
Total PA Department of Education						76,454	76,454	-	-	-	-
Passed through Lancaster County Workforce Investment Board											
Temporary Assistance for Needy Families	I	93.558	15-TANF-01	07/01/15-06/30/16	172,235	68,213	-	141,000	141,000	72,787	-
Temporary Assistance for Needy Families	I	93.558	16-TANF-01	07/01/16-06/30/17	141,000	68,213	-	141,000	141,000	72,787	-
Total passed through Lancaster County Workforce Investment Board						144,667	76,454	141,000	141,000	72,787	-
Passed through PA Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/09-06/30/17	N/A	-	49,360	49,868	49,868	99,228	-
Total passed through PA Department of Public Welfare						794,201	534,403	677,480	677,480	417,682	-
Total U.S. Department of Health and Social Services											
U.S. Department of Agriculture											
National School Lunch Program	D	10.555	N/A	07/01/15-06/30/16	N/A	123,863	123,863	-	-	-	-
National School Lunch Program	D	10.555	N/A	07/01/16-06/30/17	N/A	385,801	-	517,352	517,352	131,551	-
						509,664	123,863	517,352	517,352	131,551	-

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
Passed through the PA Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	633,961	633,961	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	4,024,120	-	4,801,650	4,801,650	777,530	-
Total CFDA #10.555						4,658,081	633,961	4,801,650	4,801,650	777,530	-
School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	176,792	176,792	-	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	1,183,258	-	1,419,249	1,419,249	235,991	-
Total CFDA #10.553						1,360,050	176,792	1,419,249	1,419,249	235,991	-
National School Fresh Fruits & Vegetable Lunch Program	I	10.582	N/A	07/01/15-06/30/16	120,360	19,390	19,390	-	-	-	-
National School Fresh Fruits & Vegetable Lunch Program	I	10.582	N/A	07/01/16-06/30/17	103,312	108,580	-	142,012	142,012	33,432	-
Total CFDA #10.582						127,970	19,390	142,012	142,012	33,432	-
School Breakfast Program	S	N/A	N/A	07/01/16-06/30/17	N/A	9,406	9,406	-	-	-	-
School Breakfast Program	S	N/A	N/A	07/01/15-06/30/16	N/A	61,427	-	73,679	73,979	12,252	-
National School Lunch Program	S	N/A	N/A	07/01/16-06/30/17	N/A	28,843	28,843	-	-	-	-
National School Lunch Program	S	N/A	N/A	07/01/15-06/30/16	N/A	176,441	-	210,904	210,904	34,463	-
Total State						276,117	38,249	284,583	284,883	46,715	-
Total PA Department of Education						6,422,218	868,392	6,647,494	6,647,794	1,093,688	-
Total U.S. Department of Agriculture						6,931,882	992,255	7,164,846	7,165,146	1,225,219	-
U.S. Department of Labor											
Passed through Lancaster County Workforce Investment Board											
Business Education Partnership Grant	I	17.278	N/A	07/01/15-06/30/16	10,482	10,482	10,482	-	-	-	-
Total U.S. Department of Labor						10,482	10,482	-	-	-	-
U.S. Department of Homeland Security											
Passed through the PA Emergency Management Agency											
Disaster Grant - Public Assistance	I	97.036	N/A	03/23/16-09/23/16	22,648	22,648	-	22,648	22,648	-	-
Total U.S. Department of Homeland Security						22,648	-	22,648	22,648	-	-
Total Federal Awards and Certain State Grants						\$ 21,359,377	\$ 3,922,008	\$ 21,345,631	\$ 21,345,931	\$ 3,908,262	\$ -
Total Federal Awards						\$ 21,053,555	\$ 3,871,977	\$ 21,026,048	\$ 21,026,048	\$ 3,844,470	\$ -
Total State Awards						305,822	50,031	319,583	319,883	63,792	-
Total Federal Awards and Certain State Grants						\$ 21,359,377	\$ 3,922,008	\$ 21,345,631	\$ 21,345,931	\$ 3,908,262	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 2,442,167	\$ 1,856,722	\$ 2,326,791	\$ 2,326,791	\$ 1,741,346	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 6,527,795	\$ 934,616	\$ 6,738,251	\$ 6,738,251	\$ 1,145,072	\$ -
GEAR UP Cluster (CFDA's #84.334 and #84.334S)						\$ 1,499,293	\$ 167,828	\$ 1,475,944	\$ 1,475,944	\$ 144,479	\$ -

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Federal Grantor/Pass-Through
Grantor/Project Title _____

Source Codes
 D - Direct Funding
 I - Indirect Funding
 S - State Share

Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenses	Accrued (Deferred) Revenue June 30, 2017	Passed Through to Subrecipients
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SCHOOL DISTRICT OF LANCASTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2017

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2017 was \$575,487.

(4) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds (**QSCB**) program sponsored by the State Public School Authority ("**SPSBA**"). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2017 was \$2,998,558.

(5) INDIRECT COSTS

The amount expended includes \$298,665 claimed as an indirect cost recovery using an approved indirect cost rate of 7.36 percent. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance, however, the District elected to use a more conservative rate of 3.00 percent based on past trends.

SCHOOL DISTRICT OF LANCASTER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2017

There were no audit findings for the year ended June 30, 2016.

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

**Board of School Directors
School District of Lancaster
Lancaster, 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 School District of Lancaster, Lancaster, Pennsylvania, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise School District of Lancaster's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
December 12, 2017**



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

**Board of School Directors
School District of Lancaster
Lancaster, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited School District of Lancaster'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 School District of Lancaster's major federal programs for the year ended June 30, 2017. School District of Lancaster's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School District of Lancaster'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 School District of Lancaster'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 School District of Lancaster's compliance.

Opinion on Each Major Federal Program

In our opinion, School District of Lancaster, 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, 2017.

Report on Internal Control over Compliance

Management of School District of Lancaster 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 School District of Lancaster'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 School District of Lancaster's internal control over compliance.

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
December 12, 2017**

SCHOOL DISTRICT OF LANCASTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the School District of Lancaster were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the School District of Lancaster are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the School District of Lancaster, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the School District of Lancaster expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Title I, Part A – CFDA Number 84.010
 - Improving Teacher Quality – CFDA Number 84.367
 - School Safety National Activities – CFDA Number 84.184
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The School District of Lancaster did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

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