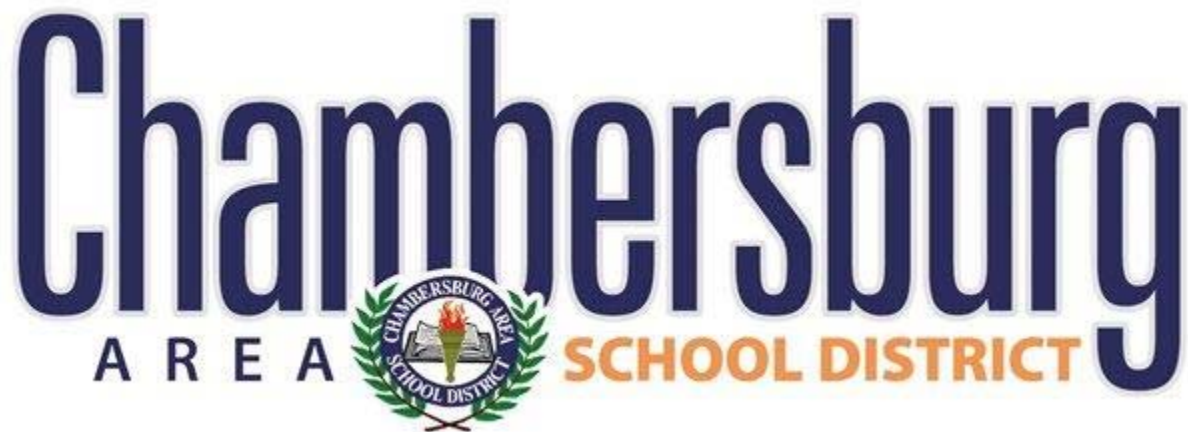


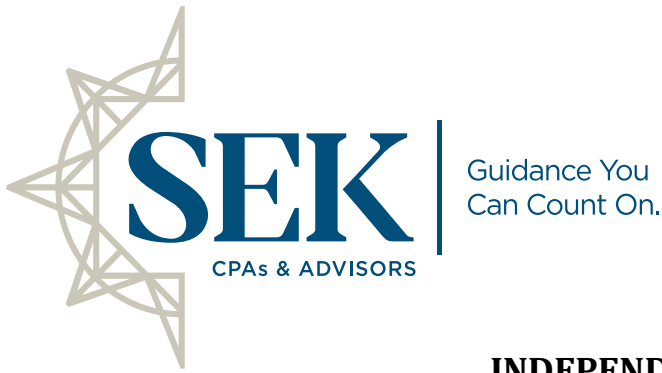
Audited
Financial
Statements

June 30,
2018



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chambersburg Area School District
Chambersburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis-of-Matter

As discussed in Notes 11 and 17 to the financial statements, the School District adopted new accounting guidance, Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of July 1, 2017. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 10, the general fund budgetary comparison schedule on page 61 and the schedules related to pension and OPEB liabilities on pages 62 through 66 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 response 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 Chambersburg Area School District’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019 on our consideration of Chambersburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Chambersburg Area School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Smith & Elliott Keams & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
January 4, 2019

CHAMBERSBURG AREA SCHOOL DISTRICT

Management Discussion and Analysis - Unaudited

June 30, 2018

The *Management, Discussion, and Analysis* (MD&A) of the Chambersburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review the financial statements and related notes to augment their understanding of the School District's financial performance.

BACKGROUND

The School District's financial statements have been prepared in accordance with all GASB Accounting Standards.

Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires capital asset accounting, proper combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

GASB 68 has substantially changed the accounting and reporting for pension plans. GASB 68 seeks to improve the calculation and reporting of pension costs to provide more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position rather than as a footnote. This results in an immediate recognition of more components of the pension expense and more extensive disclosures with ***significant negative impacts*** on the Government Wide Statement of Net Position and the Proprietary Fund – Statement of Net Position.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, deferred inflows of resources, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Chambersburg Area School District, the cafeteria and enterprise activities are structured as business activities, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Type Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

Funds utilized by the School District:

- ◆ Major governmental activities including:
 - General Fund
 - Capital Reserve Fund
 - Capital Projects Fund
- ◆ Other funds:
 - Special Revenue Fund
 - Enterprise Funds, including Food Service Fund and CASHS School Store
 - Private Purpose Trust funds
 - Internal Service Fund - Medical Insurance
 - Agency Fund – Student Activity accounts

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ending June 30, 2018 are as follows:

- ◆ Total Net Position of Governmental Activities of \$ (122,368,247).
 - Negative change of \$ 4,473,088 primarily due to an increase in net OPEB obligations.
- ◆ Total fund balance of all governmental funds equaled \$ 12,379,033.
 - General Fund fund balance decreased by \$ 973,715.
- ◆ Excluding the Budgetary Reserve, operating revenues expenditures exceeded operating expenditures by \$ 981,114.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS
FOR THE PAST FISCAL YEAR

Net Position - On June 30, 2018, the School District had total net position from governmental activities of \$ (122,368,247), a decrease of \$ 15,229,273 in the fiscal year. This decrease is primarily a result of an increase in Other Postemployment Benefits from the implementation of GASB 75. Other issues that affected net position decline in the 2017-2018 year are:

- ◆ Total Governmental assets decreased by \$ 4,172,708. This is primarily due to a reduction in Cash and Cash equivalents.
- ◆ Outstanding debt decreased to \$ 146,093,331.
- ◆ Net pension obligation decreased from \$ 200,972,475 to \$ 192,436,937 or \$ 8,535,538.

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

Table 1 summarizes the assets, liabilities, and net position of the School District as of June 30, 2018 and 2017.

Table 1
Net Position As of June 30, 2018 - (Government-Wide)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 34,850,455	\$ 1,815,183	\$ 36,665,638
Noncurrent Assets	180,621,891	397,661	181,019,552
Deferred Outflows of Resources	<u>39,498,130</u>	<u>1,400,108</u>	<u>40,898,238</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 254,970,476</u>	<u>\$ 3,612,952</u>	<u>\$ 258,583,428</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 22,193,798	\$ 249,001	\$ 22,442,799
Noncurrent Liabilities	347,014,026	6,488,953	353,502,979
Deferred Inflows of Resources	<u>8,130,899</u>	<u>483,182</u>	<u>8,614,081</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 377,338,723</u>	<u>\$ 7,221,136</u>	<u>\$ 384,559,859</u>
Net Position			
Net Investment in Capital Assets	\$ 39,933,454	\$ 397,661	\$ 40,331,115
Restricted	2,595,874	-	2,595,874
Unrestricted	<u>(164,897,575)</u>	<u>(4,005,845)</u>	<u>(168,903,420)</u>
Total Net Position	<u>\$ (122,368,247)</u>	<u>\$ (3,608,184)</u>	<u>\$ (125,976,431)</u>

Net Position As of June 30, 2017- (Government-Wide)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 38,874,260	\$ 1,735,899	\$ 40,610,159
Noncurrent Assets	180,796,794	385,591	181,182,385
Deferred Outflows of Resources	<u>47,060,982</u>	<u>1,830,366</u>	<u>48,891,348</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 266,732,036</u>	<u>\$ 3,951,856</u>	<u>\$ 270,683,892</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 21,690,819	\$ 339,108	\$ 22,029,927
Noncurrent Liabilities	350,056,396	6,729,520	356,785,916
Deferred Inflows of Resources	<u>2,123,795</u>	<u>128,202</u>	<u>2,251,997</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 373,871,010</u>	<u>\$ 7,196,830</u>	<u>\$ 381,067,840</u>
Net Position			
Net Investment in Capital Assets	\$ 39,563,849	\$ 385,591	\$ 39,949,440
Restricted	1,938,494	-	1,938,494
Unrestricted	<u>(148,641,317)</u>	<u>(3,630,565)</u>	<u>(152,271,882)</u>
Total Net Position	<u>\$ (107,138,974)</u>	<u>\$ (3,244,974)</u>	<u>\$ (110,383,948)</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2018 and 2017.

Table 2
Changes in Net Position
For the Year Ended June 30, 2018
(Government-wide)

	Governmental	Business-Type	Total
	Activities	Activities	
Program Revenues			
Charges for Services	\$ 691,633	\$ 1,689,242	\$ 2,380,875
Operating Grants and Contributions	26,136,826	4,268,043	30,404,869
Capital Grants and Contributions	997,476	15,305	1,012,781
General Revenues			
Taxes	82,819,721	-	82,819,721
Grants, Subsidies and Contributions	23,040,394	-	23,040,394
Investment Earnings	256,341	12,571	268,912
Other	433,649	(4,745)	428,904
Total Revenues	<u>134,376,040</u>	<u>5,980,416</u>	<u>140,356,456</u>
Program Expenses			
Instruction	90,340,722	-	90,340,722
Support Services			
Instructional Student Support	11,695,284	-	11,695,284
Administrative and Financial	13,413,154	-	13,413,154
Operation and Maintenance	9,351,536	-	9,351,536
Pupil Transportation	6,634,566	-	6,634,566
Community Services	273,439	-	273,439
Student Activities	1,933,567	-	1,933,567
Interest	5,206,860	-	5,206,860
Food Service	-	5,995,820	5,995,820
Other Services	-	27,240	27,240
Total Expenses	<u>138,849,128</u>	<u>6,023,060</u>	<u>144,872,188</u>
Change in Net Position	<u>\$ (4,473,088)</u>	<u>\$ (42,644)</u>	<u>\$ (4,515,732)</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

Table 2
Changes in Net Position
For the Year Ended June 30, 2017
(Government-wide)

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 554,004	\$ 1,711,628	\$ 2,265,632
Operating Grants and Contributions	24,572,764	4,145,993	28,718,757
Capital Grants and Contributions	81,658	-	81,658
General Revenues			
Taxes	79,572,308	-	79,572,308
Grants, Subsidies and Contributions	22,744,895	-	22,744,895
Investment Earnings	63,641	3,988	67,629
Other	355,688	-	355,688
Total Revenues	<u>127,944,958</u>	<u>5,861,609</u>	<u>133,806,567</u>
Program Expenses			
Instruction	88,554,735	-	88,554,735
Support Services			
Instructional Student Support	11,710,824	-	11,710,824
Administrative and Financial	13,476,846	-	13,476,846
Operation and Maintenance	9,617,145	-	9,617,145
Pupil Transportation	6,391,363	-	6,391,363
Community Services	280,335	-	280,335
Student Activities	1,992,720	-	1,992,720
Interest	5,075,673	-	5,075,673
Food Service	-	6,057,968	6,057,968
Other Services	-	44,950	44,950
Total Expenses	<u>137,099,641</u>	<u>6,102,918</u>	<u>143,202,559</u>
Change in Net Position	<u>\$ (9,154,683)</u>	<u>\$ (241,309)</u>	<u>\$ (9,395,992)</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

Balance Sheet/Fund Balances – Total fund balance of Governmental funds equaled \$ 12,379,033 as of June 30, 2018. These balances consist of:

- ◆ Capital Projects fund - \$ 2,877,989– These funds are restricted for completion of an elementary school renovation and elementary school capital upgrades.
- ◆ Capital Reserve fund - \$ 2,126,293 – The School District purchased two additional school buses, installed a security fence and a radio tower, and restored the former Reserve Center Roof. Funds are planned for several Chiller repairs.
- ◆ General Fund - Total fund balance equals \$ 7,363,923, with all funds either Non-spendable, Restricted, Committed or Assigned.

As of June 30, 2018, these other funds also existed:

- ◆ Enterprise Fund (Food Service) total net position of \$ (3,828,177), which is negative due to the continuing requirement to report employee pension liability, \$ 6,055,062 for the year ending.
- ◆ Enterprise Fund (CASHS School Store) total net position of \$ 23,374.
- ◆ Internal Service Fund (Medical Insurance Fund) total net position increased to \$ 4,912,757
- ◆ Agency Fund (Student Activities) total assets \$ 280,540.
- ◆ Private Purpose Trust (Scholarship Fund) total net position of \$ 29,282.

Budgetary Variances

- ◆ Total General Fund Operating Revenues exceed budget by \$ 1,128,363 or less than 1.0%
 - Budgetary estimates differed significantly in the following areas:
 - Local Sources (Taxes) were under by \$ (3,004,585) with Real Estate taxes under collected by \$ 2,229,922 with a collection rate of 96.13% vs. budgeted at 99.60%. EIT also underperformed the budget by \$ 690,406.
 - State Sources were higher than budgeted \$ 2,008,060
 - Federal Revenues are considerably higher than budget by \$ 727,710
 - For the last several years, CASD has received Federal allocations after the deadline to present its General Fund Budget, requiring a low-end revenue estimate to avoid over-obligating funds.
- ◆ Total General Fund Operating Expenditures were over budget by \$ 406,521
 - Budgetary estimates differed significantly in the following areas:
 - Instructional expense was over budget by \$ 893,861 or 1.8%. Notable instructional expenditures that were over budgeted: Special Education and Charter schools.

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited
June 30, 2018

SIGNIFICANT CAPITAL ACTIVITY

During the 2017-2018 school year, the School District completed several capital improvement projects.

Phase 2 South Hamilton Renovation – During the summer of 2016, the School District began phase 1 of the South Hamilton Renovation; \$ 784,430 remained as construction in progress for the 2017-2018 fiscal year. During the summer of 2017, the School District began phase 2 of the South Hamilton Renovation; \$ 1,317,774 remained as construction in progress on the South Hamilton Project.

Other Capital Projects

Secure vestibules for several elementary schools, several roof restorations and stage renovations at CAMS-N occurred; \$ 781,795 remained as construction in progress.

Debt Administration

As of June 30, 2018, the Chambersburg Area School District had total outstanding debt of \$ 146,093,331.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

There are several current conditions that may potentially impact the future finances of the Chambersburg Area School District.

As with all Pennsylvania school districts, the Chambersburg Area School District will see continuing significant increases to the Employer Contribution Rate for the Pennsylvania State Employee Retirement System (PSERS). Future contribution rates are projected at 33.43%, 34.29%, 34.77%, 35.19% and 35.82% in subsequent fiscal years unless the Commonwealth of Pennsylvania approves legislation altering the current retirement system and the projected contribution rates.

Several collective bargaining agreements/employment agreements were negotiated during the fiscal year CAEA(Teachers) which represents an estimated 600 employees of the CASD, CAESPA(Support), Head Teacher, Transportation (District Drivers), and ACT 93. Further employment agreements to be negotiated include ACT 93(ends 2019) and Non-Bargaining support who are currently working under an expired agreement.

The District anticipates slower growth in the health care expense due to all employees currently under a Qualified High Deductible plan; however, compensation increases are expected to offset any savings.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Tamera Stouffer, Director of Finance at the Chambersburg Area School District, 435 Stanley Avenue, Chambersburg, PA 17201 at (717) 709-4027.

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 18,745,729	\$ 1,325,101	\$ 20,070,830
Investments	2,362,272	199,742	2,562,014
Internal balances	35,215	(35,215)	-
Receivables			
Taxes, net	2,388,492	-	2,388,492
Intergovernmental	10,888,445	44,783	10,933,228
Other	125,008	5,959	130,967
Prepaid items	220,296	400	220,696
Inventories	84,998	274,413	359,411
Total current assets	<u>34,850,455</u>	<u>1,815,183</u>	<u>36,665,638</u>
Noncurrent Assets			
Prepaid bond insurance	175,318	-	175,318
Capital assets not being depreciated			
Land	6,872,414	-	6,872,414
Construction in progress	2,099,569	-	2,099,569
Capital assets net of accumulated depreciation			
Site improvements, net	2,339,095	-	2,339,095
Buildings, net	166,823,742	-	166,823,742
Equipment, furniture and fixtures, net	2,311,753	397,661	2,709,414
Total noncurrent assets	<u>180,621,891</u>	<u>397,661</u>	<u>181,019,552</u>
Total assets	<u>215,472,346</u>	<u>2,212,844</u>	<u>217,685,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	35,823,845	1,374,974	37,198,819
Deferred outflows related to OPEB liability	877,576	25,134	902,710
Deferred charge on bond refunding	2,796,709	-	2,796,709
Total deferred outflows of resources	<u>39,498,130</u>	<u>1,400,108</u>	<u>40,898,238</u>
Total assets and deferred outflow of resources	<u>\$ 254,970,476</u>	<u>\$ 3,612,952</u>	<u>\$ 258,583,428</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 3,319,000	\$ 125,599	\$ 3,444,599
Accrued salaries and benefits/withholdings	11,229,092	98,839	11,327,931
Accrued interest	1,746,766	-	1,746,766
Unearned revenue	14,995	-	14,995
Portion due or payable within one year:			
General obligation bonds and notes payable	5,622,187	-	5,622,187
Compensated absences	261,758	24,563	286,321
Total current liabilities	<u>22,193,798</u>	<u>249,001</u>	<u>22,442,799</u>
Noncurrent liabilities			
Portion due or payable after one year:			
General obligation bonds and notes payable	140,471,144	-	140,471,144
Net pension liability	192,436,937	6,055,062	198,491,999
OPEB liability	12,319,445	362,369	12,681,814
Compensated absences	1,786,500	71,522	1,858,022
Total noncurrent liabilities	<u>347,014,026</u>	<u>6,488,953</u>	<u>353,502,979</u>
Total liabilities	<u>369,207,824</u>	<u>6,737,954</u>	<u>375,945,778</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	7,456,776	461,985	7,918,761
Deferred inflows related to OPEB liability	674,123	21,197	695,320
Total deferred inflows of resources	<u>8,130,899</u>	<u>483,182</u>	<u>8,614,081</u>
NET POSITION			
Net investment in capital assets	39,933,454	397,661	40,331,115
Restricted	2,595,874	-	2,595,874
Unrestricted	(164,897,575)	(4,005,845)	(168,903,420)
Total net position	<u>(122,368,247)</u>	<u>(3,608,184)</u>	<u>(125,976,431)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 254,970,476</u>	<u>\$ 3,612,952</u>	<u>\$ 258,583,428</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 90,340,722	\$ 491,599	\$ 18,537,823	\$ -	\$ (71,311,300)	\$ -	\$ (71,311,300)
Instructional student support	11,695,284	-	1,929,711	-	(9,765,573)	-	(9,765,573)
Administrative and financial support services	13,413,154	61,729	1,335,128	-	(12,016,297)	-	(12,016,297)
Operation and maintenance of plant services	9,351,536	42,707	746,890	-	(8,561,939)	-	(8,561,939)
Pupil transportation	6,634,566	-	3,271,844	-	(3,362,722)	-	(3,362,722)
Student activities	1,933,567	95,598	177,392	-	(1,660,577)	-	(1,660,577)
Community services	273,439	-	138,038	-	(135,401)	-	(135,401)
Interest related to long-term debt	5,206,860	-	-	997,476	(4,209,384)	-	(4,209,384)
Total governmental activities	<u>138,849,128</u>	<u>691,633</u>	<u>26,136,826</u>	<u>997,476</u>	<u>(111,023,193)</u>	<u>-</u>	<u>(111,023,193)</u>
Business-type activities:							
Food services	5,995,820	1,650,712	4,268,043	15,305	-	(61,760)	(61,760)
Other services	<u>27,240</u>	<u>38,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,290</u>	<u>11,290</u>
Total primary government	<u>\$ 144,872,188</u>	<u>\$ 2,380,875</u>	<u>\$ 30,404,869</u>	<u>\$ 1,012,781</u>	<u>\$ (111,023,193)</u>	<u>\$ (50,470)</u>	<u>\$ (111,073,663)</u>
General revenues and transfers:							
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 82,819,721	\$ -	\$ 82,819,721
Grants, subsidies and contributions not restricted					23,040,394	-	23,040,394
Investment earnings					256,341	12,571	268,912
Gain (Loss) on sale of capital assets					(23,966)	-	(23,966)
Miscellaneous income					452,870	-	452,870
Transfers					4,745	(4,745)	-
Total general revenues and transfers					<u>106,550,105</u>	<u>7,826</u>	<u>106,557,931</u>
Change in net position					(4,473,088)	(42,644)	(4,515,732)
Net position - beginning, as restated					<u>(117,895,159)</u>	<u>(3,565,540)</u>	<u>(121,460,699)</u>
Net position - ending					<u>\$ (122,368,247)</u>	<u>\$ (3,608,184)</u>	<u>\$ (125,976,431)</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,167,542	\$ 4,195,074	\$ 2,126,293	\$ 10,828	\$ 15,499,737
Taxes receivable, net	2,388,492	-	-	-	2,388,492
Due from other funds	35,215	-	-	-	35,215
Receivable from other governments	10,888,445	-	-	-	10,888,445
Other receivables	121,237	-	-	-	121,237
Prepaid expenditures	220,296	-	-	-	220,296
Inventories	84,998	-	-	-	84,998
Total assets	<u>\$ 22,906,225</u>	<u>\$ 4,195,074</u>	<u>\$ 2,126,293</u>	<u>\$ 10,828</u>	<u>\$ 29,238,420</u>
LIABILITIES					
Accounts payable	\$ 1,106,018	\$ 1,317,085	\$ -	\$ -	\$ 2,423,103
Unearned revenue	14,995	-	-	-	14,995
Accrued salaries and benefits/withholdings	11,229,092	-	-	-	11,229,092
Total liabilities	<u>12,350,105</u>	<u>1,317,085</u>	<u>-</u>	<u>-</u>	<u>13,667,190</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable tax revenue	3,192,197	-	-	-	3,192,197
Total deferred inflows of resources	<u>3,192,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,192,197</u>
FUND BALANCES					
Nonspendable	305,294	-	-	-	305,294
Restricted	375,095	2,877,989	2,126,293	-	5,379,377
Committed	80,232	-	-	10,828	91,060
Assigned	6,603,302	-	-	-	6,603,302
Unassigned	-	-	-	-	-
Total fund balances	<u>7,363,923</u>	<u>2,877,989</u>	<u>2,126,293</u>	<u>10,828</u>	<u>12,379,033</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,906,225</u>	<u>\$ 4,195,074</u>	<u>\$ 2,126,293</u>	<u>\$ 10,828</u>	<u>\$ 29,238,420</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

Total fund balances - governmental funds \$ 12,379,033

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	249,942,596	
Accumulated depreciation	<u>(69,496,023)</u>	180,446,573

An internal service fund is used by management to pay for medical insurance costs. The portion of net position of the internal service fund related to the governmental funds are included in the governmental activities in the Statement of Net Position.

4,716,138

Certain receivables are not available to pay current period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements, but are recognized as revenue in the Statement of Activities.

3,192,197

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

175,318

Long-term liabilities are not due and payable in the current period and are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(146,093,331)	
Deferred charge on bond refunding	2,796,709	
Accrued interest on bonds	(1,746,766)	
Compensated absences	(2,048,258)	
OPEB liability	(12,319,445)	
Deferred outflows related to OPEB liability	877,576	
Deferred inflows related to OPEB liability	(674,123)	
Net pension liability	(192,436,937)	
Deferred outflows related to net pension liability	35,823,845	
Deferred inflows related to net pension liability	<u>(7,456,776)</u>	(323,277,506)

Net position of governmental activities in the Statement of Net Position \$ (122,368,247)

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local revenues					
Taxes	\$ 82,746,965	\$ -	\$ -	\$ -	\$ 82,746,965
Investment earnings	138,585	66,180	8,143	31	212,939
Revenue from intermediate sources	1,578,881	-	-	-	1,578,881
Other	1,191,363	-	-	13,000	1,204,363
State sources	44,884,683	-	-	-	44,884,683
Federal sources	3,651,272	-	-	-	3,651,272
Total revenues	<u>134,191,749</u>	<u>66,180</u>	<u>8,143</u>	<u>13,031</u>	<u>134,279,103</u>
EXPENDITURES					
Instruction	83,350,762	-	-	-	83,350,762
Support services	39,519,437	-	-	2,203	39,521,640
Operation of noninstructional services	2,140,589	-	-	-	2,140,589
Facilities acquisition, construction and improvements	-	4,422,091	200,658	-	4,622,749
Debt service:					
Principal	4,910,000	-	-	-	4,910,000
Interest	5,252,075	-	-	-	5,252,075
Total expenditures	<u>135,172,863</u>	<u>4,422,091</u>	<u>200,658</u>	<u>2,203</u>	<u>139,797,815</u>
Excess (deficiency) of revenues over expenditures	<u>(981,114)</u>	<u>(4,355,911)</u>	<u>(192,515)</u>	<u>10,828</u>	<u>(5,518,712)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	1,700	-	-	-	1,700
Interfund transfers	5,699	(954)	600,000	-	604,745
Total other financing sources and uses	<u>7,399</u>	<u>(954)</u>	<u>600,000</u>	<u>-</u>	<u>606,445</u>
Net change in fund balances	<u>(973,715)</u>	<u>(4,356,865)</u>	<u>407,485</u>	<u>10,828</u>	<u>(4,912,267)</u>
Fund balances - beginning	<u>8,337,638</u>	<u>7,234,854</u>	<u>1,718,808</u>	<u>-</u>	<u>17,291,300</u>
Fund balances - ending	<u>\$ 7,363,923</u>	<u>\$ 2,877,989</u>	<u>\$ 2,126,293</u>	<u>\$ 10,828</u>	<u>\$ 12,379,033</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (4,912,267)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$ 4,896,536) differed from depreciation expense (\$ 5,036,380) in the current period. (139,844)

In the statement of activities, only the loss on the disposition of capital assets is reported, whereas in the governmental funds, the sale proceeds increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets disposed of. (25,666)

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net loss applicable to the governmental activities is: 699,732

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain taxes and subsidies will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount this year. 89,435

Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayment as a reduction in long-term liabilities. Also, governmental funds report the effects of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of general obligations - principal	4,910,000
Amortization of bond premium, discounts, prepaid bond insurance, and deferred charge on bond refundings	34,042

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and paid of:

Accrued interest	11,173
Compensated absences	57,782
OPEB liability and related deferred outflows and inflows	(213,356)
Net pension liability and related deferred outflows and inflows	<u>(4,984,119)</u>

Change in net position of governmental activities \$ (4,473,088)

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2018

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,174,543	\$ 15,231	\$ 1,189,774	\$ 3,381,319
Investments	101,257	-	101,257	2,460,757
Intergovernmental receivables	44,783	-	44,783	-
Other receivables	5,802	-	5,802	3,928
Prepaid expenses	400	-	400	-
Inventory	266,270	8,143	274,413	-
Total current assets	<u>1,593,055</u>	<u>23,374</u>	<u>1,616,429</u>	<u>5,846,004</u>
Noncurrent Assets				
Furniture and equipment	2,612,931	-	2,612,931	-
Accumulated depreciation	<u>(2,215,270)</u>	<u>-</u>	<u>(2,215,270)</u>	<u>-</u>
Total noncurrent assets	<u>397,661</u>	<u>-</u>	<u>397,661</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	1,374,974	-	1,374,974	-
Deferred outflows related to OPEB liability	25,134	-	25,134	-
Total deferred outflows of resources	<u>1,400,108</u>	<u>-</u>	<u>1,400,108</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 3,390,824</u>	<u>\$ 23,374</u>	<u>\$ 3,414,198</u>	<u>\$ 5,846,004</u>
LIABILITIES				
Current Liabilities				
Accounts payable/accrued medical claims	\$ 88,249	\$ -	\$ 88,249	\$ 933,247
Accrued wages payable	98,839	-	98,839	-
Due to other funds	35,215	-	35,215	-
Compensated absences	24,563	-	24,563	-
Total current liabilities	<u>246,866</u>	<u>-</u>	<u>246,866</u>	<u>933,247</u>
Noncurrent Liabilities				
Compensated absences	71,522	-	71,522	-
OPEB liability	362,369	-	362,369	-
Net pension liability	6,055,062	-	6,055,062	-
Total noncurrent liabilities	<u>6,488,953</u>	<u>-</u>	<u>6,488,953</u>	<u>-</u>
Total liabilities	<u>6,735,819</u>	<u>-</u>	<u>6,735,819</u>	<u>933,247</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	461,985	-	461,985	-
Deferred inflows related to OPEB liability	21,197	-	21,197	-
Total deferred inflows of resources	<u>483,182</u>	<u>-</u>	<u>483,182</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	397,661	-	397,661	-
Unrestricted	<u>(4,225,838)</u>	<u>23,374</u>	<u>(4,202,464)</u>	<u>4,912,757</u>
Total net position	<u>(3,828,177)</u>	<u>23,374</u>	<u>(3,804,803)</u>	<u>4,912,757</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,390,824</u>	<u>\$ 23,374</u>	<u>\$ 3,414,198</u>	<u>\$ 5,846,004</u>
Net position above			\$ (3,804,803)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the medical insurance (internal service) fund are included with business-type activities.			<u>196,619</u>	
Net position of business-type activities			<u>\$ (3,608,184)</u>	

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds
Year Ended June 30, 2018

	ENTERPRISE			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
OPERATING REVENUES				
Charges for services/insurance premiums	\$ 1,650,712	\$ 38,530	\$ 1,689,242	\$ 14,633,761
OPERATING EXPENSES				
Food and milk purchases	2,373,911	-	2,373,911	-
Salaries	1,720,952	-	1,720,952	-
Employee benefits	1,538,868	-	1,538,868	-
Supplies and other	280,301	27,240	307,541	-
Depreciation	62,745	-	62,745	-
Repairs and maintenance	16,537	-	16,537	-
Insurance claims	-	-	-	12,446,099
Administrative fees and stop loss premiums	-	-	-	933,838
Total operating expenses	5,993,314	27,240	6,020,554	13,379,937
Operating income (loss)	(4,342,602)	11,290	(4,331,312)	1,253,824
NONOPERATING REVENUES (EXPENSES)				
Federal subsidies	3,767,412	-	3,767,412	-
State subsidies	500,631	-	500,631	-
Interest income	10,649	113	10,762	45,211
Transfers in	10,176	-	-	-
Transfers out	-	(14,921)	-	(600,000)
Total nonoperating revenue (expenses)	4,288,868	(14,808)	4,278,805	(554,789)
Income (loss) before capital grants	(53,734)	(3,518)	(52,507)	699,035
Capital grant - federal	15,305	-	15,305	-
Change in net position	(38,429)	(3,518)	(41,947)	699,035
Total net position - beginning, as restated	(3,789,748)	26,892	(3,762,856)	4,213,722
Total net position - ending	\$ (3,828,177)	\$ 23,374	\$ (3,804,803)	\$ 4,912,757
Change in net position above			\$ (41,947)	
Some amounts reported for business-type activities in the statement of net position are different because a portion of the net change of the medical insurance (internal service) fund is reported with business-type activities.			(697)	
Change in net position of business-type activities			\$ (42,644)	

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2018

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
Cash flows from operating activities				
Cash received from sales/insurance premiums	\$ 1,647,495	\$ 38,530	\$ 1,686,025	\$ 14,749,897
Cash payments to suppliers for goods/services	(2,310,108)	(28,289)	(2,338,397)	-
Cash payments to and on behalf of employees	(3,070,881)	-	(3,070,881)	(13,737,877)
Net cash provided (used) by operating activities	<u>(3,733,494)</u>	<u>10,241</u>	<u>(3,723,253)</u>	<u>1,012,020</u>
Cash flows from capital and related financing activities				
Purchase of equipment	(74,815)	-	(74,815)	-
Capital grant	15,305	-	15,305	-
Net cash (used) by capital and related financing activities	<u>(59,510)</u>	<u>-</u>	<u>(59,510)</u>	<u>-</u>
Cash flows from noncapital financing activities				
Federal subsidies	3,443,851	-	3,443,851	-
State subsidies	501,477	-	501,477	-
Transfers from (to) other funds	10,176	(14,921)	(4,745)	(600,000)
Net cash provided (used) by noncapital financing activities	<u>3,955,504</u>	<u>(14,921)</u>	<u>3,940,583</u>	<u>(600,000)</u>
Cash flows from investing activities				
Sale (purchase) of investments	(505)	-	(505)	510,722
Earnings on investments	10,649	113	10,762	45,211
Net cash provided (used) by investing activities	<u>10,144</u>	<u>113</u>	<u>10,257</u>	<u>555,933</u>
Net increase (decrease) in cash and cash equivalents	172,644	(4,567)	168,077	967,953
Cash and cash equivalents - beginning	<u>1,001,899</u>	<u>19,798</u>	<u>1,021,697</u>	<u>2,413,366</u>
Cash and cash equivalents - ending	<u>\$ 1,174,543</u>	<u>\$ 15,231</u>	<u>\$ 1,189,774</u>	<u>\$ 3,381,319</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Cash flows from operating activities				
Operating income (loss)	\$ (4,342,602)	\$ 11,290	\$ (4,331,312)	\$ 1,253,824
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	313,637	-	313,637	-
Depreciation	62,745	-	62,745	-
(Increase) decrease in:				
Inventory	37,337	(377)	36,960	-
Accounts receivable	(3,217)	-	(3,217)	116,136
Prepaid expense	5,609	-	5,609	-
Increase (decrease) in:				
Compensated absences	(4,645)	-	(4,645)	-
Net pension liability and related items	223,165	-	223,165	-
OPEB liability and related items	4,628	-	4,628	-
Due to other funds	(22,895)	-	(22,895)	-
Accrued wages payable	(11,314)	-	(11,314)	-
Accounts payable	4,058	(672)	3,386	(357,940)
Total adjustments	<u>609,108</u>	<u>(1,049)</u>	<u>608,059</u>	<u>(241,804)</u>
Net cash provided (used) by operating activities	<u>\$ (3,733,494)</u>	<u>\$ 10,241</u>	<u>\$ (3,723,253)</u>	<u>\$ 1,012,020</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 280,540	\$ 1,528
Investments	-	27,754
Total assets	<u>\$ 280,540</u>	<u>\$ 29,282</u>
LIABILITIES		
Due to student groups	<u>\$ 280,540</u>	<u>\$ -</u>
NET POSITION		
Held in trust for scholarships	-	<u>29,282</u>
Total liabilities and net position	<u>\$ 280,540</u>	<u>\$ 29,282</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Private Purpose Trust Fund
<hr/>	
ADDITIONS	
Interest income	\$ 121
Total additions	<u>121</u>
DEDUCTIONS	
Scholarships and awards/grants	<u>225</u>
Total deductions	<u>225</u>
Change in net position	(104)
Net position - beginning	<u>29,386</u>
Net position - ending	<u>\$ 29,282</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chambersburg Area School District (School District) operates a public school system which is geographically comprised of the Borough of Chambersburg and Townships of Greene, Guilford, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

The School District consists of Chambersburg Area Senior High School; Chambersburg Career Magnet School; Chambersburg Area Middle School North; Chambersburg Area Middle School South; and the Andrew Buchanan, Benjamin Chambers, Falling Spring, Fayetteville, Grandview, Guilford Hills, Hamilton Heights, Lurgan, Marion, New Franklin, Scotland, South Hamilton, and Thaddeus Stevens Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Chambersburg Area School District.

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criterion, there are no organizations that are considered component units of the School District. The School District is not a component unit of any other entities.

Joint Ventures

The following joint ventures are not component units of Chambersburg Area School District and are not included in this report.

Franklin County Career and Technology Center - is a separate legal entity organized by five local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership and the operating agreement. Each school district has an ongoing financial responsibility to fund the Center's operations.

Franklin Learning Center - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership by each school district. Each school district has an ongoing financial responsibility to fund the Center's operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property taxes and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 Pa. C. S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

c. Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

1. Governmental Funds (Continued)

The School District reports the following non-major governmental funds:

a. Special Revenue Fund

This fund is used to account for proceeds of naming rights contracts and sponsorships used to finance the development, operation, and administration used to operate extra/co-curricular programs as required by law or administrative regulation.

2. Proprietary Funds

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

CASHS Enterprise Fund – Enterprise Fund - Non-Major Fund

This fund is used to account for the operations of the coffee cart and school store.

Medical Insurance Fund – Internal Service Fund

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of medical insurance premiums.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increase or decrease net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred and the related revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, including charges for meals, insurance coverage, and the costs of food, salaries and benefits, depreciation, insurance premiums, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized unless it is incurred in a proprietary fund.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site improvements	20 years	N/A
Buildings	50 years	N/A
Equipment, furniture and fixtures	5 - 20 years	5 - 20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The pension and OPEB amounts deferred will be amortized as described in Note 11 and Note 14, respectively.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consist of various amounts related to pension liabilities on the statement of net position, various amounts related to OPEB liabilities on the statement of net position, and unavailable tax revenue on the balance sheet – governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

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

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Directors, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Project Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2017-2018, the School District overspent the budgeted expenditures of the general fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications to the School District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with an original maturity of three months or less. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

The School District invests in funds with the Pennsylvania Local Government Investments Trust (PLGIT). PLGIT operates and is authorized under the Intergovernmental Cooperation Act of 1972. Investments in these funds have daily liquidity and are valued at cost which equals market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Insurance Corporation or which are collateralized as provided by law of Act 72 of 1971.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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 and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB Standards, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Liability for compensated absences is accounted for in accordance with the standards of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provisions of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School's other postemployment benefits are accounted for in accordance with these standards.

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid by the retirees. Therefore, the School District is providing an implicit rate subsidy to its retirees. In addition, the current superintendent, associate superintendent, and Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are financed on a pay-as-you-go basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pensions (Continued)

PSERS

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

Net Position – Government-wide Financial Statements/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted: This component consists of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2018, restricted net position in governmental activities consists of the following:

Restricted for tax appeals	\$ 332,106
Restricted for unspent donations and grants	32,161
Restricted for future capital projects	<u>2,231,607</u>
	<u>\$ 2,595,874</u>

Unrestricted: This component consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School District's Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board has authorized the business manager or finance committee to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Fund Balance Policy

The School District strives to maintain an unassigned general fund balance of not less than four percent (4%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of portions including committed, assigned, and unassigned, may exceed eight percent (8%) of budgeted expenditures.

If the unassigned portion of the fund balance falls below the threshold of four percent (4%), the Board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until four percent (4%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the Business Manager in the case of assigned fund balance.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short term obligations of the U.S. Government and Federal agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity
- Shares of an investment company registered under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or Unites States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 CASH AND INVESTMENTS

- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less

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 to it. The School District does not have a policy for custodial credit risk. As of June 30, 2018, the School District has a bank balance of \$ 17,477,812. Of this balance, \$ 627,790 is covered by FDIC insurance and the remaining balance of \$ 16,850,022 is uninsured and collateralized by collateral held by the pledging bank's trust department, but not in the School District's name.

Included in the totals above are certificates of deposit (CD's) in the amount of \$ 127,790 which are held with local banks. These CD's had an original maturity greater than 90 days and are classified as investments in the financial statements.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

Investments

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

Investment	Fair Value	Maturities	Standard and Poors Credit Rating
PA Local Government Investment Trust ARM	\$ 4,191,706	< 1 year	AAAm
Negotiable certificates of deposit	<u>2,460,758</u>	1 - 5 years	Not Rated
Total	<u>\$ 6,652,464</u>		

The investments in PLGIT-ARM are considered cash equivalents for financial reporting purposes, while the negotiable certificates of deposit are considered investments for financial reporting purposes.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk - Investments

The School District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District's investments that are subject to interest rate risk are included in the table previously listed.

Investments in Pennsylvania Local Government Investment Trust (PLGIT) are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

Credit Risk - Investments

Included in cash and cash equivalents are pooled investments (described in the investment section of this note) in the Pennsylvania Local Government Investment Trust (PLGIT). All these funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PLGIT deposits were invested by PLGIT directly in portfolios of securities which are held by a third-party custodian. The School District's investments that have a credit quality rating are included in the table above.

Policies Followed at PLGIT

Regulatory Oversight

The operation of PLGIT is governed by an eleven member Board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its' assets, subject to rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

The School District has no limitations or restrictions on withdrawals on accounts held at PLGIT.

Investments - Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Negotiable Certificates of Deposit

The fair value of negotiable certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. These are considered to be Level 2 inputs.

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Borough of Chambersburg and the Townships of Guilford, Greene, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - December 31

After December 31, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2018:

Real estate taxes receivable	\$ 2,388,492
Real estate taxes collected within sixty days, recorded as revenues in governmental funds	<u>(375,818)</u>
Real estate taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 2,012,674</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS
(CONTINUED)

Tax Abatements

Keystone Opportunity Zone Program

The Keystone Opportunity Zone (KOZ) program allows eligible businesses to reduce their total tax liability through credits, waivers and broad-based tax abatements. Total real estate taxes are abated through simple reduction of their tax liability to zero with no changes to assessed values.

To be included in the KOZ program, property owners can apply through the online application process on the Pennsylvania Department of Community and Economic Development’s website. The program develops a community’s abandoned, unused, underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community revitalization. Qualified businesses must (1) be located or partially located within a KOZ, (2) engaged in the active conduct of a trade or business, and (3) own or lease property in a zone from which the business actively conducts a trade, profession, or business in order to be eligible for this tax abatement program. All KOZ applicants must file an annual application to continue to be eligible for this tax abatement program. Any business which relocates outside of the zone within the first five years of locating in a zone may be required to refund all tax benefits received.

For the fiscal year ended June 30, 2018, total School District property taxes of \$ 134,197 were abated under this program.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following at June 30, 2018:

Funds	Interfund Receivable	Interfund Payable
General	\$ 35,215	\$ -
Food Service	-	35,215
	<u>\$ 35,215</u>	<u>\$ 35,215</u>

The Food Service Fund owed the General Fund for expenses paid for by the General Fund on its behalf.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers were as follows for the year ended June 30, 2018.

Funds	Transfers In	Transfers Out
General	\$ 615,875	\$ 610,176
Medical Insurance	-	600,000
Capital Reserve	600,000	-
Food Service	10,176	-
Capital Projects	-	954
Other Enterprise Fund	-	14,921
	<u>\$ 1,226,051</u>	<u>\$ 1,226,051</u>

The following transfers were made during the year:

Medical Insurance Fund to General Fund: To move excess funding of the healthcare plan to the General Fund.

General Fund to Capital Reserve Fund: To move funds received from Medical Insurance Fund to the Capital Reserve Fund.

General Fund to Food Service Fund: To eliminate remaining outstanding student balances.

Other Enterprise Fund to General Fund: To cover costs associated with upgrading audio equipment in the stadium.

Capital Projects Fund to General Fund: To move remaining funds from Bond 2011 proceeds.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Intergovernmental receivables and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2018:

Local:	EIT	\$ 5,073,710
	Deed transfer	110,207
	Local services tax	44,141
	Non-resident tuition	240,498
	Lincoln Intermediate Unit #12	334,645
	Charter school tuition reimbursement	117,030
	Miscellaneous	50,081
State:	Social Security	758,967
	Retirement	2,980,718
	Transportation	414,302
	Pre-K counts program	226,667
Federal:	Grants	<u>537,479</u>
Total intergovernmental receivables		10,888,445
Intergovernmental revenues collected within sixty days, recorded as revenues in governmental funds		<u>(9,708,922)</u>
EIT revenues not collected within sixty days, recorded as deferred inflows of resources in governmental funds		<u>\$ 1,179,523</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities:				
Cost:				
Assets not being depreciated:				
Land	\$ 6,872,414	\$ -	\$ -	\$ 6,872,414
Construction in process	2,574,125	4,622,750	(5,097,306)	2,099,569
Assets being depreciated:				
Site improvements	6,353,248	924,869	-	7,278,117
Buildings	215,186,834	3,888,442	(29,413)	219,045,863
Equipment, furniture, and fixtures	14,132,664	557,781	(44,300)	14,646,145
Total cost	<u>245,119,285</u>	<u>9,993,842</u>	<u>(5,171,019)</u>	<u>249,942,108</u>
Less accumulated depreciation:				
Site improvements	(4,772,967)	(166,055)	-	(4,939,022)
Buildings	(47,764,617)	(4,461,251)	3,747	(52,222,121)
Equipment, furniture, and fixtures	(11,969,618)	(409,074)	44,300	(12,334,392)
Total accumulated depreciation	<u>(64,507,202)</u>	<u>(5,036,380)</u>	<u>48,047</u>	<u>(69,495,535)</u>
Capital assets, net	<u>\$ 180,612,083</u>	<u>\$ 4,957,462</u>	<u>\$ (5,122,972)</u>	<u>\$ 180,446,573</u>
Business-Type Activities:				
Cost:				
Equipment, furniture and fixtures	\$ 2,538,116	\$ 74,815	\$ -	\$ 2,612,931
Less accumulated depreciation	<u>(2,152,525)</u>	<u>(62,745)</u>	<u>-</u>	<u>(2,215,270)</u>
Capital assets, net	<u>\$ 385,591</u>	<u>\$ 12,070</u>	<u>\$ -</u>	<u>\$ 397,661</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental functions as follows:

Instruction	\$ 4,302,267
Instructional student support	137,309
Administrative and financial support services	290,674
Operation and maintenance of plant services	249,905
Pupil transportation	56,225
	<u>\$ 5,036,380</u>

The construction in progress consists of the following:

South Hamilton Renovations - Phase II	\$ 1,317,774
Roof restoration projects	420,875
Vestibule projects	318,253
Various projects	42,667
Total	<u>\$ 2,099,569</u>

See Note 15 for additional details on commitments.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2018:

	General Fund	Food Service Fund
Accrued salaries	\$ 4,414,752	\$ 70,325
Retirement	6,141,009	22,687
Social security	311,662	5,264
Other withholdings	<u>361,669</u>	<u>563</u>
	<u>\$ 11,229,092</u>	<u>\$ 98,839</u>

NOTE 9 LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
General obligation bonds payable:						
(A) Series of 2009	\$ 19,965,000	\$ -	\$ (5,000)	\$ 19,960,000	\$ 5,000	\$ 19,955,000
(B) Series of 2011	1,820,000	-	(5,000)	1,815,000	5,000	1,810,000
(C) Series of 2012	7,245,000	-	(660,000)	6,585,000	670,000	5,915,000
(D) Series of 2013	9,905,000	-	(5,000)	9,900,000	5,000	9,895,000
(E) Series of 2013 A	9,320,000	-	(115,000)	9,205,000	120,000	9,085,000
(F) Series of 2014	4,815,000	-	(1,135,000)	3,680,000	1,180,000	2,500,000
(G) Series of 2014 A	8,955,000	-	(5,000)	8,950,000	5,000	8,945,000
(H) Series of 2014 AA	9,985,000	-	(5,000)	9,980,000	5,000	9,975,000
(I) Series of 2015 A	37,335,000	-	(1,780,000)	35,555,000	1,860,000	33,695,000
(J) Series of 2015 AA	10,850,000	-	-	10,850,000	-	10,850,000
(K) Series of 2016	8,365,000	-	(930,000)	7,435,000	955,000	6,480,000
(L) Series of 2016 A	9,750,000	-	(5,000)	9,745,000	5,000	9,740,000
(M) Series of 2017 Unamortized bond premium/(discount)	9,935,000	-	(260,000)	9,675,000	510,000	9,165,000
	<u>3,055,518</u>	<u>-</u>	<u>(297,187)</u>	<u>2,758,331</u>	<u>297,187</u>	<u>2,461,144</u>
Subtotal - bonds/notes	<u>151,300,518</u>	<u>-</u>	<u>(5,207,187)</u>	<u>146,093,331</u>	<u>5,622,187</u>	<u>140,471,144</u>
Compensated absences:						
Vacation leave	311,075	635,986	(673,118)	273,943	35,009	238,934
Personal leave	126,947	139,120	(138,902)	127,165	16,251	110,914
Sick leave	<u>1,668,018</u>	<u>739,258</u>	<u>(760,126)</u>	<u>1,647,150</u>	<u>210,498</u>	<u>1,436,652</u>
Subtotal - compensated absences	<u>2,106,040</u>	<u>1,514,364</u>	<u>(1,572,146)</u>	<u>2,048,258</u>	<u>261,758</u>	<u>1,786,500</u>
Total long-term liabilities	<u>\$ 153,406,558</u>	<u>\$ 1,514,364</u>	<u>\$ (6,779,333)</u>	<u>\$ 148,141,589</u>	<u>\$ 5,883,945</u>	<u>\$ 142,257,644</u>
Business-Type Activities:						
Compensated absences:						
Vacation leave	\$ 16,603	\$ 8,254	\$ (9,315)	\$ 15,542	\$ 15,542	\$ -
Sick leave	<u>84,127</u>	<u>40,078</u>	<u>(43,662)</u>	<u>80,543</u>	<u>9,021</u>	<u>71,522</u>
Total long-term liabilities	<u>\$ 100,730</u>	<u>\$ 48,332</u>	<u>\$ (52,977)</u>	<u>\$ 96,085</u>	<u>\$ 24,563</u>	<u>\$ 71,522</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (A) On August 15, 2009, the School District issued \$ 20,000,000 of school revenue bonds – Series of 2009. The proceeds were used to finance the costs of completing the construction of Benjamin Chambers Elementary School, design and constructing of a new high school and pay the costs issuing and insuring the bonds. The bonds are due in varying amounts on March 1, 2013 to 2037. The bonds bear interest at rates ranging from 2.00% to 5.00%.
- (B) On July 27, 2011 the School District issued \$ 10,430,000 of general obligation bonds – Series of 2011. The proceeds will be used to pay for the costs of a capital project that includes planning, designing, acquiring, constructing, equipping, and furnishing the Chambersburg Area School District Career Magnet School and the related costs and expenses, including costs and expenses of issuing the bonds. The bonds are due in varying amounts on February 1, 2012 to 2037. The bonds bear interest at rates ranging from 2.00% to 5.25%.
- (C) On December 14, 2012 the School District issued \$ 9,140,000 of general obligation bonds – Series of 2012. The proceeds were used to refund the 2005 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2024. The bonds bear interest at rates ranging from 1.50% to 2.00%.
- (D) On June 3, 2013 the School District issued \$ 9,925,000 of general obligation bonds – Series of 2013. The proceeds were used to refund the 2008 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2034. The bonds bear interest at rates ranging from 1.25% to 3.50%.
- (E) On July 1, 2013 the School District issued \$ 9,545,000 of general obligation bonds – Series of 2013 A. The proceeds were used to partially refund the 2007 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2029. The bonds bear interest at rates ranging from 1.25% to 3.25%.
- (F) On January 13, 2014 the School District issued \$ 7,290,000 of general obligation bonds – Series of 2014. The proceeds were used to refund the Series of 2005 B General Obligation bonds. The bonds are due in varying amounts on March 1, 2015 to 2021. The bonds bear interest at rates ranging from 2.00% to 4.00%.
- (G) On June 3, 2014 the School District issued \$ 9,200,000 of general obligation bonds – Series of 2014 A. The proceeds were used to partially refund the 2007 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2015 to 2028. The bonds bear interest at rates ranging from 0.20% to 3.00%.
- (H) On December 11, 2014, the School District issued \$ 9,995,000 of general obligation bonds – Series of 2014 AA. The proceeds were used to currently refund a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on February 1, 2016 to 2037. The bonds bear interest at rates ranging from 3.00% to 3.50%.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (I) On May 13, 2015, the School District issued \$ 41,125,000 of general obligation bonds – Series of 2015 A. The proceeds were used to currently refund the Series of 2005 A general obligation bonds, the Series of 2007 general obligation bonds, a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2016 to 2033. The bonds bear interest at rates ranging from 2.00% to 5.00%.
- (J) On May 13, 2015, the School District issued \$ 10,850,000 of general obligation bonds – Series of 2015 AA. The proceeds were used for the acquisition, design, construction, furnishing, and equipping of a new elementary school (Marion), various capital projects for the School District’s existing facilities, and to pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2030 to 2037. The bonds bear interest at rates ranging from 3.50% to 4.00%.
- (K) On January 7, 2016, the School District issued \$ 9,620,000 of general obligation bonds – Series of 2016. The proceeds were used to currently refund the Series of 2010 AA general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2016 to 2023. The bonds bear interest at rates ranging from 2.00% to 3.00%.
- (L) On July 28, 2016, the School District issued \$ 9,750,000 of general obligation bonds – Series of 2016A. The proceeds were used to partially advance refund the Series of 2011 general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on February 1, 2018 to 2037. The bonds bear interest at rates ranging from 1.40% to 3.00%. The defeased balance of the Series of 2011 general obligation bonds at June 30, 2018 was \$ 8,580,000.
- (M) On April 27, 2017, the School District issued \$ 9,935,000 of general obligation bonds – Series of 2017. The proceeds will be used for the acquisition, design and construction, furnishing and equipping of various capital projects for the School District’s existing facilities and pay the costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2017 to 2037. The bonds bear interest at rates ranging from 0.95% to 3.50%.

Subsequent Event

On October 25, 2018, the School District issued \$ 22,345,000 of general obligation bonds, Series of 2018. The proceeds were used to currently refund the School District’s general obligation bonds Series of 2009 and Series of 2011 and also pay the related costs of issuing the bonds.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The annual debt requirements for future general obligation bonds and notes, as of June 30, 2018, are as follows:

	Series of 2009		Series of 2011		Series of 2012		Series of 2013	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 5,000	\$ 978,950	\$ 5,000	\$ 78,455	\$ 670,000	\$ 127,494	\$ 5,000	\$ 310,300
2020	5,000	978,775	5,000	78,300	685,000	117,442	5,000	310,188
2021	5,000	978,588	5,000	78,145	705,000	104,600	5,000	310,075
2022	5,000	978,400	5,000	77,990	720,000	90,500	5,000	309,963
2023	5,000	978,200	5,000	77,790	745,000	76,100	5,000	309,850
2024 - 2028	25,000	4,887,963	25,000	385,940	3,060,000	61,200	25,000	1,547,190
2029 - 2033	8,910,000	4,289,307	1,765,000	182,850	-	-	7,755,000	1,203,757
2034 - 2037	11,000,000	1,413,250	-	-	-	-	2,095,000	73,325
	<u>\$ 19,960,000</u>	<u>\$ 15,483,433</u>	<u>\$ 1,815,000</u>	<u>\$ 959,470</u>	<u>\$ 6,585,000</u>	<u>\$ 577,336</u>	<u>\$ 9,900,000</u>	<u>\$ 4,374,648</u>

	Series of 2013 A		Series of 2014		Series of 2014 A		Series of 2014 AA	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 120,000	\$ 287,308	\$ 1,180,000	\$ 147,200	\$ 5,000	\$ 262,460	\$ 5,000	\$ 336,358
2020	120,000	284,908	1,230,000	100,000	5,000	262,390	5,000	336,274
2021	125,000	282,508	1,270,000	50,800	100,000	262,310	5,000	336,192
2022	125,000	280,008	-	-	145,000	260,310	5,000	336,050
2023	130,000	277,508	-	-	150,000	257,410	5,000	335,908
2024 - 2028	1,320,000	1,341,685	-	-	8,545,000	1,181,380	25,000	1,677,393
2029 - 2033	7,265,000	236,113	-	-	-	-	1,460,000	1,665,890
2034 - 2037	-	-	-	-	-	-	8,470,000	743,124
	<u>\$ 9,205,000</u>	<u>\$ 2,990,038</u>	<u>\$ 3,680,000</u>	<u>\$ 298,000</u>	<u>\$ 8,950,000</u>	<u>\$ 2,486,260</u>	<u>\$ 9,980,000</u>	<u>\$ 5,767,189</u>

	Series of 2015 A		Series of 2015 AA		Series of 2016		Series of 2016 A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,860,000	\$ 1,480,150	\$ -	\$ 417,406	\$ 955,000	\$ 143,925	\$ 5,000	\$ 274,265
2020	1,955,000	1,387,150	-	417,406	975,000	119,850	5,000	274,195
2021	2,055,000	1,289,400	-	417,406	1,000,000	100,100	5,000	274,125
2022	2,130,000	1,186,650	-	417,406	2,230,000	67,800	5,000	274,055
2023	2,220,000	1,080,150	-	417,406	2,275,000	22,750	5,000	273,960
2024 - 2028	19,515,000	2,910,212	-	2,087,030	-	-	155,000	1,368,360
2029 - 2033	5,820,000	675,090	3,300,000	1,913,284	-	-	3,550,000	1,263,382
2034 - 2037	-	-	7,550,000	779,826	-	-	6,015,000	457,175
	<u>\$ 35,555,000</u>	<u>\$ 10,008,802</u>	<u>\$ 10,850,000</u>	<u>\$ 6,867,170</u>	<u>\$ 7,435,000</u>	<u>\$ 454,425</u>	<u>\$ 9,745,000</u>	<u>\$ 4,459,517</u>

	Series of 2017		Totals	
	Principal	Interest	Principal	Interest
2019	\$ 510,000	\$ 280,364	\$ 5,325,000	\$ 5,124,635
2020	515,000	274,244	5,510,000	4,941,122
2021	530,000	258,794	5,810,000	4,743,043
2022	545,000	242,894	5,920,000	4,522,026
2023	560,000	226,544	6,105,000	4,333,576
2024 - 2028	2,780,000	935,138	35,475,000	18,383,491
2029 - 2033	2,195,000	580,351	42,020,000	12,010,024
2034 - 2037	2,040,000	181,475	37,170,000	3,648,175
	<u>\$ 9,675,000</u>	<u>\$ 2,979,804</u>	<u>\$ 143,335,000</u>	<u>\$ 57,706,092</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	\$ 220,296	\$ -	\$ -	\$ -	\$ 220,296
Inventories	84,998	-	-	-	84,998
Total Nonspendable	<u>305,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,294</u>
Restricted for:					
Tax appeals	332,106	-	-	-	332,106
Unspent donations and grants	42,989	-	-	-	42,989
Future capital projects	-	2,877,989	2,126,293	-	5,004,282
Total Restricted	<u>375,095</u>	<u>2,877,989</u>	<u>2,126,293</u>	<u>-</u>	<u>5,379,377</u>
Committed for:					
Future property tax relief	80,232	-	-	-	80,232
Student athletic programs	-	-	-	10,828	10,828
Total Committed	<u>80,232</u>	<u>-</u>	<u>-</u>	<u>10,828</u>	<u>91,060</u>
Assigned for:					
Property tax assessment appeals	595,002	-	-	-	595,002
Special education contingency funds	1,000,000	-	-	-	1,000,000
Act 93 iPad Bank	8,300	-	-	-	8,300
2018-2019 portion of budgeted use of fund balance	5,000,000	-	-	-	5,000,000
Total Assigned	<u>6,603,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,603,302</u>
Unassigned					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 7,363,923</u>	<u>\$ 2,877,989</u>	<u>\$ 2,126,293</u>	<u>\$ 10,828</u>	<u>\$ 12,379,033</u>

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both the retiree and spouse. The member is eligible until the employee reaches Medicare age. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage.

Retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

School District Plan (Continued)

In addition, the current superintendent, associate superintendent, and Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are detailed as follows:

Current Superintendent and Associate Superintendent

If the current Superintendent or Associate Superintendent has 10 years of service with the School District, they will be eligible for medical and prescription drug coverage until they are eligible for Medicare. This benefit is fully funded by the School District.

Act 93 Employees (Administrators)

For members as of December 31, 2009 that have at least 15 years of service with the School District, but less than 20 years, the School District will pay for 50% of the members' insurance premiums for medical and prescription drug coverage. If a member has at least 20 years, but less than 25 years of service with the School District, the School District will pay for 75% of the member's insurance premiums for medical and prescription drug coverage. If a member has 25 years of service or more, the School District will provide full medical and prescription drug coverage. This coverage is provided until the member is eligible for Medicare. For new members as of January 1, 2010 and after, employees are eligible with 30 years of service and age 60, one year of service and age 62, or 35 years of service regardless of age. These employees may purchase coverage until Medicare age by paying the premium that is determined for COBRA.

The administrators, superintendent, and associate superintendent have the option of waiving the above benefit and in lieu of receiving postemployment benefits, receive an annual amount paid into a 403b account maintained by the employee or a health savings account. Currently, 56 employees have elected to receive this benefit in lieu of the other postemployment benefits described above.

No assets are accumulated in a trust that meets the criteria of GASB standards.

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2018, there were no assumed future benefit increase to participating eligible retirees.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS (Continued)

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Plan Membership

Membership in the School District's plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Active participants	979
Vested former participants	0
Retired participants	<u>117</u>
Total	<u>1,096</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 448,462 for the year ended June 30, 2018.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2017, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2016 to July 1, 2017 based on an actuarial valuation as of July 1, 2016, which was based on census information as of March 2016. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2018, the School District reported a total OPEB liability of \$ 4,493,455.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$ 374,040.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PSERS

At June 30, 2018, the School District reported a liability of \$ 8,188,359 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.4019 percent, which was a decrease of 0.017 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$ 295,810.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB	
	Liability	OPEB Expense
School District Plan	\$ 4,493,455	\$ 374,040
PSERS	<u>8,188,359</u>	<u>295,810</u>
Total	<u>\$ 12,681,814</u>	<u>\$ 669,850</u>

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 3,961,182
Changes for the year:	
Service cost	296,170
Interest	103,960
Changes in assumptions	283,954
Benefit payments	<u>(151,811)</u>
Net changes	<u>532,273</u>
Ending Balance	<u>\$ 4,493,455</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Total OPEB Liability (Continued)

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

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	262,111	-	-	381,037	262,111	381,037
Net difference between projected and actual investment earnings	-	-	8,657	-	8,657	-
Changes in proportions - plan	-	-	-	313,867	-	313,867
Difference between employer contributions and proportionate share of total contributions	-	-	-	416	-	416
Contributions subsequent to the measurement date	180,076	-	451,866	-	631,942	-
	<u>\$ 442,187</u>	<u>\$ -</u>	<u>\$ 460,523</u>	<u>\$ 695,320</u>	<u>\$ 902,710</u>	<u>\$ 695,320</u>

The amount of \$ 631,942 is reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2019 related to the School District and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	School District		Total
	Plan	PSERS	
2019	\$ 21,843	\$ (114,069)	\$ (92,226)
2020	21,843	(114,069)	(92,226)
2021	21,843	(114,069)	(92,226)
2022	21,843	(114,069)	(92,226)
2023	21,843	(116,069)	(94,226)
Thereafter	<u>152,896</u>	<u>(114,318)</u>	<u>38,578</u>
Total	<u>\$ 262,111</u>	<u>\$ (686,663)</u>	<u>\$ (424,552)</u>

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

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

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.13%	3.13% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	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	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	100% of employees who qualify for enhanced benefits and 60% of employees who qualify for Act 110/43 benefits are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 5,213 for males and \$ 7,529 for females; 50-54, \$ 6,905 for males and \$ 8,510 for females; 55-59, \$ 8,410 for males and \$ 8,904 for females; and 60-64, \$ 10,974 for males and \$ 10,229 for females.	N/A

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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

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

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

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

Discount Rate

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

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

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.13%	3.13%	4.13%
School District Plan - Total OPEB liability	\$ 4,862,041	\$ 4,493,455	\$ 4,148,722
PSERS - School District's proportionate share of the net OPEB liability	\$ 9,308,000	\$ 8,188,359	\$ 7,258,000

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

School District Plan

	1% Decrease (5.0% decreasing to 2.9%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.9%)	1% Increase (7.0% decreasing to 4.9%)
School District Plan - Total OPEB Liability	\$ 3,909,215	\$ 4,493,455	\$ 5,205,398

PSERS

	1% Decrease (Between 4% to 7%)	Healthcare Cost Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 8,186,000	\$ 8,188,359	\$ 8,190,000

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2018, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2018, the School District had \$ 157,073 included in accrued salaries and benefits/withholdings liability, of which \$ 123,073 is for the contractually required contribution for the second quarter of 2018 and \$ 34,000 is related to the accrued payroll liability for wages incurred as of June 30, 2018.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 LEASES

The School District has entered into noncancelable leases for printers, copiers and centralized print servers. Rent expense for 2017-2018 was \$ 501,883. The School District has the following future minimum payments on long-term leases:

2018-2019	\$ 496,028
2019-2020	496,028
2020-2021	<u>496,028</u>
	<u>\$ 1,488,084</u>

Subsequent Event

The School District entered into two capital leases with effective dates of July 1, 2018. Both leases relate to computer equipment and will be amortized over a five-year period. The total capital lease obligation related to these capital leases is \$ 585,105.

NOTE 13 AFFILIATES

As explained in Note 1, the School District is affiliated with Lincoln Intermediate Unit #12, Franklin County Career and Technology Center, and Franklin Learning Center. Payments to fund the operating costs (excluding debt payments below) for the year ended June 30, 2018 were as follows:

Lincoln Intermediate Unit #12	\$ 5,586,456
Franklin County Career and Technology Center	2,035,047
Franklin Learning Center	<u>679,212</u>
	<u>\$ 8,300,715</u>

The Franklin County Career and Technology Center has a note in the original amount of \$ 2,360,000 to refinance a previous note that was issued for building improvements. The Center also has bonds in the original amount of \$ 14,090,000 to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district's share of debt payments is based on the district's ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Chambersburg Area School District's share of debt payments for 2017/2018 was \$ 532,089, which are excluded from the operating costs above. Based on the latest market valuation available, Chambersburg Area School District's share is 44.09%, which represents \$ 5,475,590 of the outstanding debt of the Tech Center as of June 30, 2018.

NOTE 14 PENSION PLAN

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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 of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 rights 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 by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefits 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.

NOTE 14 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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.

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District recognized as revenue by the pension plan were \$ 17,149,602 for the year ended June 30, 2018.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2018, the School District recognized revenue of \$ 9,448,985 as reimbursement for its current year pension payments.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 14 PENSION PLAN (CONTINUED)

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

At June 30, 2018, the School District reported a liability of \$ 198,491,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was 0.4019 percent, which was a decrease of 0.0170 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense as follows:

Governmental Activities	\$ 21,725,888
Business-Type Activities	\$ 749,947

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,071,349	\$ 1,199,402
Changes in assumptions	5,392,000	-
Net difference between projected and actual investment earnings	4,599,000	-
Changes in proportions - plan	7,020,110	6,176,939
Changes in proportions - governmental activities/business-type activities	490,563	490,563
Difference between employer contributions and proportionate share of total contributions	357,247	51,857
Contributions subsequent to the measurement date	<u>17,268,550</u>	<u>-</u>
	<u>\$ 37,198,819</u>	<u>\$ 7,918,761</u>

The \$ 17,268,550 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the 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:	
2019	\$ 4,572,740
2020	6,040,900
2021	3,534,232
2022	<u>(2,136,364)</u>
Total	<u>\$ 12,011,508</u>

NOTE 14 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases
- Mortality rates were based on 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-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 assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting and were effective beginning 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 expenses 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.

NOTE 14 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

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

NOTE 14 PENSION PLAN (CONTINUED)

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	<u>\$ 244,326,000</u>	<u>\$ 198,491,999</u>	<u>\$ 159,795,000</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2018, the School District had \$ 6,006,623 included in accrued salaries and benefits/withholdings liability of which \$ 4,706,411 is for the contractually required contribution for the second quarter of 2018 and \$ 1,300,212 that is related to the accrued payroll liability for wages incurred as of June 30, 2018.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Construction Projects

The following are details of construction projects in progress at June 30, 2018.

Secure Vestibules Project – The School District plans to spend approximately \$ 1,100,000 for this project and as of June 30, 2018, the total cost incurred was \$ 318,253.

Roof Restoration Projects – The School District plans to spend approximately \$ 445,000 for roof restorations and as of June 30, 2018, the total cost incurred was \$ 420,875.

South Hamilton Elementary School Renovation - The School District plans to spend approximately \$ 2,865,000 for this project and as of June 30, 2018, the total cost incurred was \$ 1,317,774.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Contingencies

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District. At June 30, 2018, the School District is involved in multiple real estate tax assessment appeals involving the valuation or claimed exemption of properties within the School District. The School District has assigned fund balance for one specific appeal, but cannot predict the total impact at this time.

The School District typically is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, and unemployment compensation. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Medical Insurance Fund

As of July 1, 2011, the School District implemented its own self-funded health care plan administered by Capital Blue Cross. This plan is a "cost plus" plan in which the School District pays Capital Blue Cross for actual claims and administering the plan. The School District has an internal service fund to account for the revenues and expense of the program. Transfers are made from the general fund and food service fund to the internal service fund based on actuarially determined rates. Other sources of revenue are proceeds from stop-loss insurance coverage, COBRA payments, and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop-loss coverage for claims greater than \$ 100,000 individually.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 16 RISK MANAGEMENT (CONTINUED)

Medical Insurance Fund (Continued)

The School District offers its employees a direct reimbursement for eye care and dental expenses. The School District has an agreement with a third-party administrator who determines the benefit amount to be paid. The maximum allowance is \$ 1,000 for each individual covered for dental coverage. Coverage for eye care is based on allowances for different services (i.e. – exam, frames, lenses, etc.). Payment for these services is once every two years for adults and once a year for dependents up to age 19. There is no carryover for unused funds and the allowances run on a calendar year.

Changes in the self-insured claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Liability Ending
2018	\$ 1,291,187	\$ 13,379,937	\$ 13,737,877	\$ 933,247
2017	913,764	13,515,328	13,137,905	1,291,187

The ending liability represents unpaid claims and the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2018. All expenditures for the School District's risk management are recorded in the internal service fund, general fund or food service fund.

NOTE 17 RESTATEMENT

During the year ended June 30, 2018, the School District adopted *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required the School District to report previously unreported information. The restatement of beginning balances does not include deferred inflows or deferred outflows with the exception of a deferred outflow for contributions subsequent to the measurement date. As a result, the beginning net position amount reflects the changes as of June 30, 2017 resulting from the addition of the previously unrecorded information.

	Governmental Activities	Business-Type Activities	Food Service Fund
Net position, as originally stated - June 30, 2017	\$(107,138,974)	\$ (3,244,974)	\$ (3,469,182)
Restatement for implementation of GASB 75	<u>(10,756,185)</u>	<u>(320,566)</u>	<u>(320,566)</u>
Net position, as restated - June 30, 2017	<u>\$(117,895,159)</u>	<u>\$ (3,565,540)</u>	<u>\$ (3,789,748)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHAMBERSBURG AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2018

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET
REVENUES				
Local Sources				
Taxes	\$ 85,751,550	\$ 85,751,550	\$ 82,746,965	\$ (3,004,585)
Investment earnings	32,024	32,024	138,585	106,561
Federal revenue from intermediate sources	1,296,687	1,296,687	1,578,881	282,194
Other	182,940	182,940	1,191,363	1,008,423
State sources	42,876,623	42,876,623	44,884,683	2,008,060
Federal sources	2,923,562	2,923,562	3,651,272	727,710
Total revenues	<u>133,063,386</u>	<u>133,063,386</u>	<u>134,191,749</u>	<u>1,128,363</u>
EXPENDITURES				
Instruction	80,915,269	82,456,901	83,350,762	(893,861)
Support services	39,910,445	40,071,769	39,519,437	552,332
Operation of noninstructional services	2,032,672	2,032,672	2,140,589	(107,917)
Debt service:				
Principal	4,910,000	4,910,000	4,910,000	-
Interest	5,295,000	5,295,000	5,252,075	42,925
Total expenditures	<u>133,063,386</u>	<u>134,766,342</u>	<u>135,172,863</u>	<u>(406,521)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,700	1,700
Interfund transfers	-	-	5,699	5,699
Budgetary reserve	(3,000,000)	(1,297,044)	-	1,297,044
Total other financing sources and (uses)	<u>(3,000,000)</u>	<u>(1,297,044)</u>	<u>7,399</u>	<u>1,304,443</u>
Net change in fund balances	<u>\$ (3,000,000)</u>	<u>\$ (3,000,000)</u>	<u>\$ (973,715)</u>	<u>\$ 2,026,285</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.4019%	\$ 198,491,999	\$ 53,502,339	371.00%	51.84%
2017	0.4189%	207,593,547	54,257,321	382.61%	50.14%
2016	0.4160%	173,954,281	51,673,821	336.64%	54.36%
2015	0.3975%	157,333,350	50,729,081	310.14%	57.24%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

Changes in Actuarial Assumptions

Effective for fiscal year 2016 - 2017:

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases
- Mortality rates were based on 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-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.

Effective for fiscal year 2017-2018:

- None

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Contributions - Public School Employees' Retirement
System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in relation to the contractually required contribution	Contribution Deficiency (Excess)	School District's Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 17,149,602	\$ 17,149,602	\$ -	\$ 54,587,870	31.42%
2017	15,411,152	15,411,152	-	53,502,339	28.80%
2016	13,346,121	13,346,121	-	54,257,321	24.60%
2015	10,335,827	10,335,827	-	51,673,821	20.00%
2014	7,980,962	7,980,962	-	50,729,081	15.73%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -
School District Plan

	2018
Total OPEB liability	
Service cost	\$ 296,170
Interest	103,960
Changes in assumptions	283,954
Benefit payments	<u>(151,811)</u>
Net change in total OPEB liability	532,273
Total OPEB liability - beginning	<u>3,961,182</u>
Total OPEB liability - ending	<u>\$ 4,493,455</u>
Covered employee payroll	\$ 47,608,687
Total OPEB liability as a percentage of covered employee payroll	9.44%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period is one year prior to the fiscal year end.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of the Net OPEB Liability - PSERS

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.4019%	\$ 8,188,359	\$ 53,502,339	15.30%	5.47%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's OPEB Contributions - PSERS

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 448,462	\$ 448,462	\$ -	\$ 54,587,870	0.83%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2017	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2018	Total Passed-Through to Subrecipients
U.S. Department of Education											
Impact Aid	D	84.041	N/A	N/A	N/A	\$ 429,678	\$ 0	\$ 429,678	\$ 429,678	\$ -	\$ -
Total direct funds						<u>429,678</u>	<u>-</u>	<u>429,678</u>	<u>429,678</u>	<u>-</u>	<u>-</u>
Passed through Pennsylvania Department of Education											
ESEA Title I	I	84.010	013-17-0076	July 18, 2016 - September 30, 2017	2,180,155	872,561	335,064	537,497	537,497	-	-
ESEA Title I	I	84.010	013-18-0076	August 10, 2017 - September 30, 2018	2,313,448	1,161,242	-	1,520,450	1,520,450	359,208	-
Prog Improv-Set Aside - School Impr - Reg	I	84.010	042-17-0076	April 14, 2016 - September 30, 2017	159,664	44,351	30,486	13,865	13,865	-	-
Prog Improv-Set Aside - School Impr - Reg	I	84.010	042-18-0076	July 7, 2017 - September 30, 2018	151,260	90,756	-	150,416	150,416	59,660	-
Title I						<u>2,168,910</u>	<u>365,550</u>	<u>2,222,228</u>	<u>2,222,228</u>	<u>418,868</u>	<u>-</u>
ESEA Title II Part A	I	84.367	020-17-0076	July 18, 2016 - September 30, 2017	330,462	87,531	67,595	19,936	19,936	-	-
ESEA Title II Part A	I	84.367	020-18-0076	August 10, 2017 - September 30, 2018	380,189	298,465	-	339,870	339,870	41,405	-
Title II						<u>385,996</u>	<u>67,595</u>	<u>359,806</u>	<u>359,806</u>	<u>41,405</u>	<u>-</u>
ESEA Title III	I	84.365	010-17-0076	July 18, 2016 - September 30, 2017	158,267	94,960	30,977	63,983	63,983	-	-
ESEA Title III	I	84.365	010-18-0076	August 10, 2017 - September 30, 2018	161,548	57,696	-	79,358	79,358	21,662	-
Title III						<u>152,656</u>	<u>30,977</u>	<u>143,341</u>	<u>143,341</u>	<u>21,662</u>	<u>-</u>
ESEA Title IV	I	84.424	144-18-0076	August 10, 2017 - September 30, 2018	53,608	30,633	-	37,272	37,272	6,639	-
Total - Pennsylvania Department of Education						<u>2,738,195</u>	<u>464,122</u>	<u>2,762,647</u>	<u>2,762,647</u>	<u>488,574</u>	<u>-</u>
Passed through Lincoln Intermediate Unit											
I.D.E.A.	I	84.027	N/A	July 1, 2017 - June 30, 2018	1,573,881	1,573,881	-	1,573,881	1,573,881	-	-
Total Lincoln Intermediate Unit						<u>1,573,881</u>	<u>-</u>	<u>1,573,881</u>	<u>1,573,881</u>	<u>-</u>	<u>-</u>
Passed through Lancaster-Lebanon Intermediate Unit											
PaTTAN	I	84.027	062-16-0-033	July 1, 2016 - June 30, 2017	50,000	16,885	16,885	-	-	-	-
PaTTAN	I	84.027	062-17-0-033	July 1, 2017 - June 30, 2018	50,000	16,569	-	47,455	47,455	30,886	-
PaTTAN	I	84.027	062-17-0-033	October 1, 2017 - June 30, 2018	5,000	1,420	-	5,000	5,000	3,580	-
Total Lancaster-Lebanon Intermediate Unit						<u>34,874</u>	<u>16,885</u>	<u>52,455</u>	<u>52,455</u>	<u>34,466</u>	<u>-</u>
Total Special Education Cluster						<u>1,608,755</u>	<u>16,885</u>	<u>1,626,336</u>	<u>1,626,336</u>	<u>34,466</u>	<u>-</u>
Total U.S. Department of Education						<u>4,776,628</u>	<u>481,007</u>	<u>4,818,661</u>	<u>4,818,661</u>	<u>523,040</u>	<u>-</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Grantor Program Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2017	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2018	Total Passed-Through to Subrecipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	July 1, 2017 - June 30, 2018	N/A	752,669	-	752,669	752,669	-	-
Summer Food	I	10.559	N/A	July 1, 2016 - June 30, 2017	N/A	20,871	20,871	-	-	-	-
Summer Food	I	10.559	N/A	July 1, 2017 - June 30, 2018	N/A	21,137	-	36,639	36,639	15,502	-
Total Summer Food Program						42,008	20,871	36,639	36,639	15,502	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2016 - June 30, 2017	N/A	11	11	-	-	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2017 - June 30, 2018	N/A	2,643,215	-	2,643,215	2,643,215	-	-
National School Lunch Program (after school snack)	I	10.555	N/A	July 1, 2017 - June 30, 2018	N/A	16,430	-	16,430	16,430	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program (commodities)	I (B)	10.555	N/A	July 1, 2017 - June 30, 2018	N/A	313,637	-	313,637	313,637	-	-
Total National School Lunch Program						2,973,293	11	2,973,282	2,973,282	-	-
Total Child Nutrition Cluster						3,767,970	20,882	3,762,590	3,762,590	15,502	-
Passed through Pennsylvania Department of Education											
At-Risk Supper	I	10.558	N/A	July 1, 2017 - June 30, 2018	N/A	4,822	-	4,822	4,822	-	-
Food Service Equipment Grant	I	10.579	N/A	April 10, 2018 - June 20, 2018	15,305	-	-	15,305	15,305	15,305	-
Total U.S. Department of Agriculture						3,772,792	20,882	3,782,717	3,782,717	30,807	-
U.S. Department of Public Welfare											
Passed through Pennsylvania Department of Welfare											
Medical Assistance	I	93.778	N/A	July 1, 2016 - June 30, 2017	N/A	10,794	10,794	-	-	-	-
Medical Assistance	I	93.778	N/A	July 1, 2017 - June 30, 2018	N/A	35,170	-	49,610	49,610	14,440	-
Total U.S. Department of Public Welfare						45,964	10,794	49,610	49,610	14,440	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Education											
Promote Adolescent Health Program	I	93.079	N/A	August 1, 2016 - July 31, 2017	6,300	-	(2,476)	906	906	(1,570)	-
Promote Adolescent Health Program	I	93.079	N/A	August 1, 2017 - July 31, 2018	5,600	5,600	-	-	-	(5,600)	-
Total U.S. Department of Health and Human Services						5,600	(2,476)	906	906	(7,170)	-
Total Expenditures of Federal Awards						\$ 8,600,984	\$ 510,207	\$ 8,651,894	\$ 8,651,894	\$ 561,117	\$ -

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(D) Direct Funding

(I) Indirect Funding

(B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as unearned revenue or a receivable, respectively.

Indirect Cost Rate

The School District has elected to not use the 10% de minimis indirect cost rate for its federal programs.



**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 Directors
Chambersburg Area School District
Chambersburg, 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 Chambersburg Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Chambersburg Area School District’s basic financial statements, and have issued our report thereon dated January 4, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Chambersburg Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "Smith & Elliott Deamo & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
January 4, 2019



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

Board of Directors
Chambersburg Area School District
Chambersburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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



Chambersburg, Pennsylvania
January 4, 2019

**CHAMBERSBURG AREA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for the major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? Yes No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
10.553	Child Nutrition Cluster: School Breakfast Program
10.555	School Lunch Program
10.559	Summer Food Program

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

Section II - Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

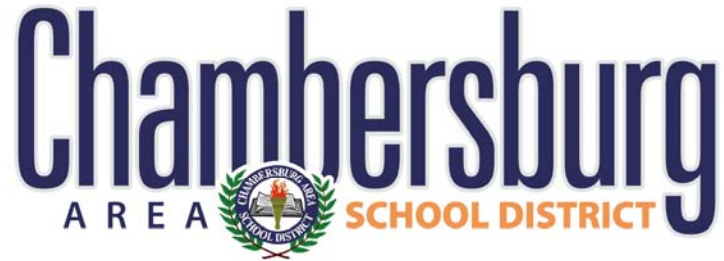
Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform guidance by 2 CFR Section 200.516.



Business Office
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Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Findings related to financial statements:

None

Findings related to federal awards:

None