

LINE MOUNTAIN SCHOOL DISTRICT
Herndon, Pennsylvania
A.U.N. No. 1-16-49-350-3
Financial Statements
For the Year Ended June 30, 2018

LINE MOUNTAIN SCHOOL DISTRICT

June 30, 2018

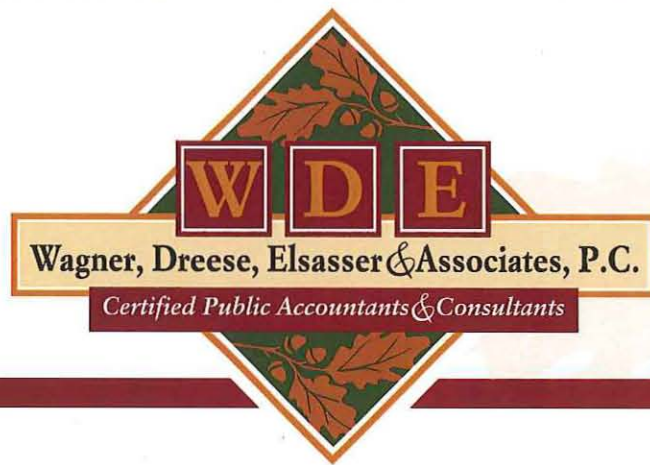
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LINE MOUNTAIN SCHOOL DISTRICT
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Line Mountain School District
Herndon, PA

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 Line Mountain School District, Herndon, Pennsylvania as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 19, the schedule of changes in net OPEB liability, the schedule of the district's proportionate share of the net pension liability and the schedule of the district's contributions on pages 67 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Line Mountain School District, Herndon, Pennsylvania'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 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 December 5, 2018, on our consideration of Line Mountain 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 Line Mountain School District's internal control over financial reporting and compliance.

Wagner, Drees, Elsasser & Associates, P.C.

WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 5, 2018

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Our discussion and analysis of the Line Mountain School District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements, which follow this section.

The Management Discussion & Analysis (MD&A) is Required Supplementary Information as specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2017 – 2018) and the prior year (2016 – 2017) is required to be presented in the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis, the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates as a business, such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

The Basic Financial Statements also include Notes to Financial Statements, which explain some of the information in the statements and provides additional details.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods that are similar to private-sector companies. The Statement of Net Position includes assets and liabilities. All of the current year's revenues and expenses are included in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report net position and how they have changed. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources.

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

- Governmental activities – Basic services are included here, such as regular education, special education, transportation, and administration.
- Business-type activities – Fees are charged to help cover the costs of certain services. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not the District as a whole. A fund is a fiscal and accounting entity, with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, or changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures, and fund equities is continually maintained.

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2018

The Line Mountain School District has three types of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on cash flows and year-end balances. These statements provide a detailed short-term view that helps to determine the available resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, we provide additional information with the governmental funds statements to explain the relationships between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported the same way as the district-wide financial statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. All the fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – Combined net position was (\$12,720,419) on June 30, 2018. See Table A-1.

Table A-1
Line Mountain School District
Net Position as of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		District Totals	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$6,616,485	\$7,103,145	\$263,399	\$327,403	\$6,879,884	\$7,430,548
Capital assets	32,973,727	31,813,493	137,553	123,175	33,111,280	31,936,668
Total Assets	\$39,590,212	\$38,916,638	\$400,952	\$450,578	\$39,991,164	\$39,367,216
Deferred Outflows of Resources	5,318,705	5,185,689	0	0	5,318,705	5,185,689
Current liabilities	1,398,109	1,396,249	38,103	67,523	1,436,212	1,463,772
Non-current liabilities	50,561,232	54,532,319	1,725	1,687	50,562,957	54,534,006
Total Liabilities	\$51,959,341	\$55,928,568	\$39,828	\$69,210	\$51,999,169	\$55,997,778
Deferred Inflows of Resources	1,996,343	1,266,867	10,298	8,679	2,006,641	1,275,546
Net Investment in Capital Assets	7,693,727	7,333,493	137,553	123,175	7,831,280	7,456,668
Restricted net assets	0	0	0	0	0	0
Unrestricted net assets	(16,740,494)	(20,426,601)	213,273	249,514	(16,527,221)	(20,177,087)
Total Net Position	(\$9,046,767)	(\$13,093,108)	\$350,826	\$372,689	(\$8,695,941)	(\$12,720,419)

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

Total Net Position – decreased by \$3,555,938 for year ending June 30, 2018. See Table A-2

**Table A-2
Line Mountain School District
Change in Net Position
Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		District Totals	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues						
Charges for services	\$27,146	\$28,256	\$281,298	\$278,058	\$308,444	\$306,314
Operating grants & contributions	4,669,220	4,790,648	374,238	377,671	5,043,458	5,168,319
Capital grants & contributions	0	0			0	0
General Revenues						
Property taxes	5,329,620	5,645,959			5,329,620	5,645,959
Other taxes	2,319,808	2,355,905			2,319,808	2,355,905
State formula aide	7,135,550	6,801,442			7,135,550	6,801,442
Investment earnings	56,857	78,687	1,711	2,109	58,568	80,796
Other	18,897	7,594	103	330	19,000	7,924
Sale of Fixed Assets	8,884	3,223			8,884	3,223
Total Revenues	\$19,565,982	\$19,711,714	\$657,350	\$658,168	\$20,223,332	\$20,369,882
Expenses						
Instruction	11,938,125	14,576,164			11,938,125	14,576,164
Instructional student support	1,387,293	1,270,429			1,387,293	1,270,429
Administration	1,991,602	2,180,557			1,991,602	2,180,557
Operation & maintenance of facilities	1,584,993	1,669,914			1,584,993	1,669,914
Pupil transportation	1,942,974	1,978,073			1,942,974	1,978,073
Student activities	405,562	454,432			405,562	454,432
Capital outlay	40,972	0			40,972	0
Interest on long-term debt	844,197	1,159,946			844,197	1,159,946
Food service			640,256	636,305	640,256	636,305
Total Expenses	\$20,135,718	\$23,289,515	\$640,256	\$636,305	\$20,775,974	\$23,925,820
Increase in Net Position	\$ (569,736)	\$(3,577,801)	\$17,094	\$21,863	(\$552,642)	\$(3,555,938)

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

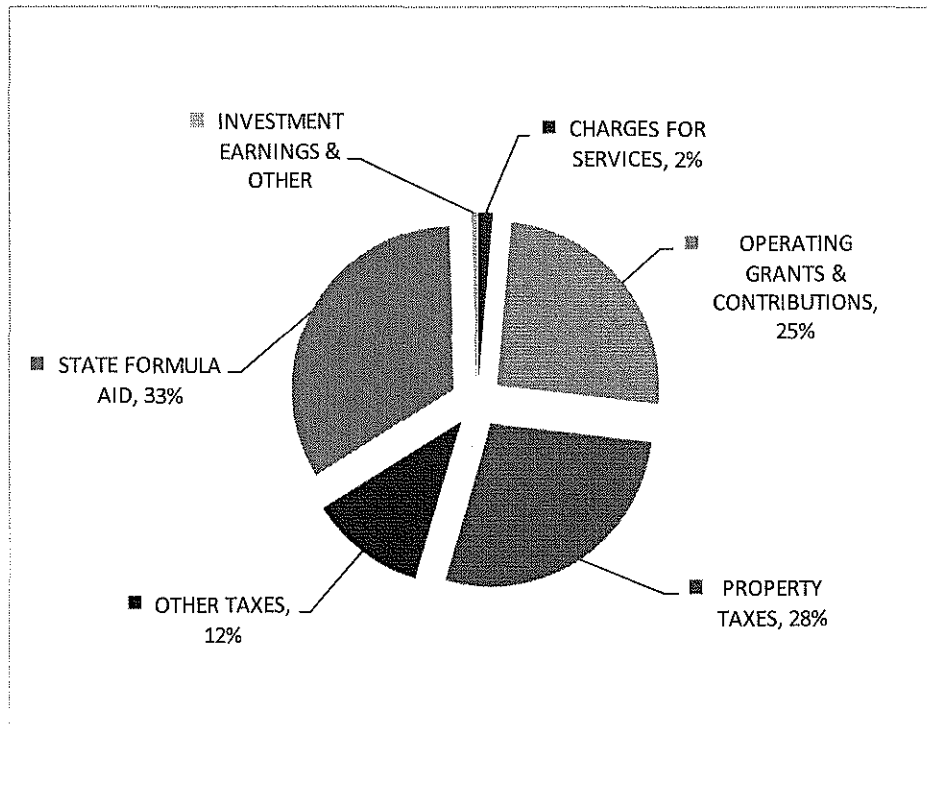
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

Revenues – The District's total revenues were \$20,369,882 for the year ended June 30, 2018. See Table A-2. Taxes and State Formula Aid made up 73% of total revenue for the year. Another 27% came from state and federal aid for specific programs (operating and capital grants) and the remainder from fees charged for services as well as other sources. See Figure A-1.

- Users of District programs paid \$306,314
- The federal and state governments subsidized certain programs with grants and contributions totaling \$5,168,319
- District taxpayers paid \$8,001,864.
- State taxpayers paid \$6,801,442.
- Investment earnings were \$80,796.
- Other revenue totaled \$11,147.

Figure A-1
Sources of Revenue for Fiscal Year 2017 – 2018



LINE MOUNTAIN SCHOOL DISTRICT

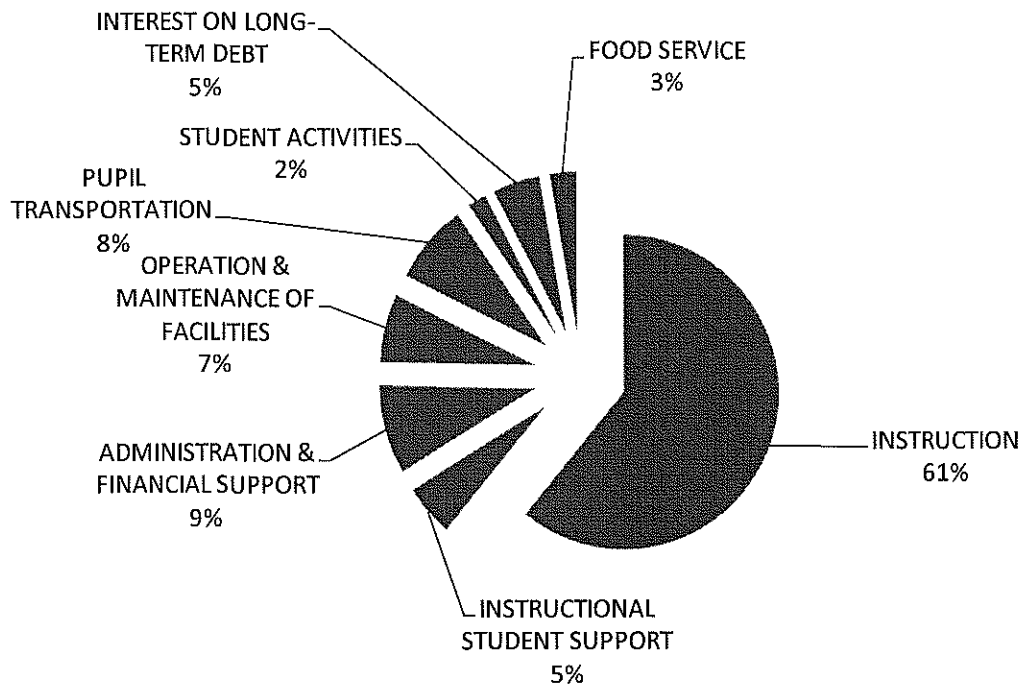
MANAGEMENT’S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

Expenditures - The total cost of all programs and services was \$23,925,820. Instruction related expenses (Instruction, Instructional student support, Pupil transportation, and Student activities) accounted for 76% of the expenses. The remainder of the expenses were Administrative costs of 9%, Operation of facilities of 7%, Food service of 3%, and Other costs at 5%.

- Instruction related expenses were \$16,301,025.
- Administration and financial support expenses were \$2,180,557.
- The cost of operating and maintaining the facilities was \$3,647,987.
- Food service operations cost \$636,305.
- Interest on long-term debt obligations was \$1,159,946.

Figure A-2
Expenditures for Fiscal Year 2017 – 2018



LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2018

Table A-3
Line Mountain School District
Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2017	2018	Change	2017	2018	Change
Instruction	\$11,938,125	\$14,576,164	22.10%	\$9,353,501	\$12,081,954	29.17%
Instructional student support	1,387,293	1,270,429	-8.42%	1,244,333	1,128,430	-9.31%
Administrative & financial support	1,991,602	2,180,557	9.49%	1,836,048	2,025,275	10.31%
Operation & maintenance of facilities	1,584,993	1,669,914	5.36%	1,425,217	1,510,418	5.98%
Pupil transportation	1,942,974	1,978,073	1.81%	316,668	138,412	-56.29%
Student activities	405,562	454,432	12.05%	378,416	426,176	12.62%
Community services			0.00%			0.00%
Interest on long-term debt	885,169	1,159,946	31.04%	885,169	1,159,946	31.04%
Food service	640,256	636,305	-0.62%	(15,280)	(19,424)	27.12%
Total expenses	\$20,775,974	\$23,925,820	15.16%	\$15,424,072	\$18,451,187	19.63%

The District's governmental funds reported a combined fund balance of \$5,236,681 which is a net increase of \$369,415 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2017 and June 30, 2018.

LINE MOUNTAIN SCHOOL DISTRICT				
GOVERNMENTAL FUNDS				
	Year Ended	Year Ended	Increase	Percent of
	June 30, 2017	June 30, 2018	(Decrease)	Change
General Fund Restricted	0	0	\$0	0.00%
General Fund Committed	\$1,534,765	\$1,581,067	\$46,302	3.02%
General Fund Unreserved	2,259,710	2,606,488	346,778	15.35%
Capital Committed	4,536	0	(4,536)	-100.00%
Capital Projects Assigned	1,068,255	1,049,126	(19,129)	-1.79%
Total Governmental Funds	4,867,266	5,236,681	369,415	7.05%

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

GENERAL FUND

GENERAL FUND

The following schedule provides a summary of General Fund revenues and Other Finance Sources.

	Year Ended June 30, 2017	Year Ended June 30, 2018	Increase (Decrease)	Percent of Change
Local sources				
Taxes	\$7,485,687	\$7,698,737	\$213,050	2.85%
Interest	48,020	64,287	16,267	33.88%
Other	257,878	232,750	(25,128)	-9.74%
State sources	11,418,433	11,247,829	(170,604)	-1.49%
Federal sources	386,336	344,261	(42,075)	-10.89%
Total Revenue	19,596,354	19,587,863	-8,491	-0.04%
Other sources-net	19,000	7,729,208	7,710,208	
Total Revenue and Other Sources	\$19,615,354	\$27,317,071	\$7,701,717	39.26%

Total General Fund revenue, exclusive of Other sources-net, decreased by \$8,491 or .04% from the previous year. Tax collections increased \$213,050 – increase of 2.85% from the previous year. Interest income increased by 16,267. Other, decreased by \$25,128.

The decrease in state funding \$170,604 is attributable to the state designating a portion of funds as federal appropriations which is driven by finance formula changes enacted by the state legislature to provide net funding increases for public school regular and special education programs.

Other sources-net increased due to the refinancing of General Obligation Bond Series of 2012 in the amount of 7,725,000

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2018

GENERAL FUND – continued

The following schedule provides a summary of General Fund expenditures:

GENERAL FUND – continued

The following schedule provides a summary of General Fund expenditures:

	Year Ended June 30, 2017	Year Ended June 30, 2018	Increase (Decrease)	Percent of Change
Salaries	\$8,795,840	\$7,437,973	(1,357,867)	-15.44%
Employee benefits	5,237,836	5,285,493	47,657	0.91%
Purchased services	4,094,955	4,404,982	310,027	7.57%
Supplies	393,608	371,411	(22,197)	-5.64%
Property	108,166	125,200	17,034	15.75%
Bond Principal and Interest	1,903,805	1,696,172	(207,633)	-10.91%
Refinancing of Bond	0	7,602,759	7,602,759	
Total Expenditures	\$20,534,210	\$26,923,991	\$6,389,781	31.12%

Total General Fund expenditures increased by \$6,389,781 from the previous year. Salaries decreased by \$1,357,866 or 15.44% due to contract settlement of previous year, which included salary increases and bonus payments to the teachers. Employee benefits increased \$47,657 or .91% due to employees retirement fund (PSERS) and medical insurance increases. Purchased service cost (transportation, heating, tuition payments and special education) increased by \$310,026. Instructional and maintenance supplies decreased by \$22,197. Property increased by a total of \$17,035. Bond principal and interest payments decreased by \$207,633. Refinancing of General Obligation Bond Series 2012 caused an increase of 7,602,759.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

General Fund – continued

General Fund Budget

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs.

CAPITAL ASSETS

The District has invested \$50,833,756 in a broad range of capital assets, including land, buildings, athletic facilities, furniture, computers, audio-visual equipment. Accumulated depreciation on these assets was \$18,897,088 at June 30, 2018. Depreciation expense for the year was \$1,324,236.

Current year purchases of capital assets totaled \$149,624. Detailed information concerning capital assets can be found in Notes to Financial Statements, Note 6.

**Table 4-A
LINE MOUNTAIN SCHOOL DISTRICT
CAPITAL ASSETS**

	Year Ended June 30, 2017	Year Ended June 30, 2018	Increase (Decrease)	Percent of Change
Governmental Activities:				
Land	\$410,066	\$410,066	0	0.00%
Buildings and Improvements	42,592,295	42,627,338	35,043	0.08%
Less Accumulated Depr.	(11,583,930)	(12,605,357)	(1,021,427)	8.82%
Furniture and Equipment	7,244,467	7,356,010	111,543	1.54%
Less Accumulated Depr.	(5,689,171)	(5,974,564)	(285,393)	5.02%
Construction in Process	0	0	0	100.00%
Governmental Activities (Net)	\$32,973,727	\$31,813,493	(1,160,234)	-3.52%
Business-type Activities:				
Furniture and Equipment	\$437,304	\$440,342	3,038	0.69%
Less Accumulated Depr.	(299,751)	(317,167)	(17,416)	5.81%
Business-type Activities (Net)	\$137,553	\$123,175	(14,378)	-10.45%

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2018

LONG-TERM LIABILITIES

At year-end, the District had \$24,829,584 in general obligation bonds and \$1,007,735 of accrued compensated absences plus Post-Employment Benefits and 28,695,000 Net Pension Liability. See Notes to Financial Statements, Note 8, and Table A-5.

**Table A-5
Outstanding Long-term Liabilities**

	Year Ended June 30, 2017	Year Ended June 30, 2018	Increase (Decrease)	Percent of Change
General Obligation Bonds	\$25,280,000	\$24,829,584	(\$450,416)	-1.78%
Accumulated Compensated Absences	268,420	270,996	2,576	0.96%
Post-Employment Benefits	234,812	736,739	501,927	213.76%
Net Pension Liability	24,778,000	28,695,000	3,917,000	15.81%
Total	\$50,561,232	\$54,532,319	\$3,971,087	7.85%

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

There are several major factors that will have a significant influence on the District's financial future. During the 2007-08 fiscal year, Act 1 of 2006 was passed which limits future real estate tax increases to an inflation factor each year. The District plans to raise real estate taxes to the Act 1 index amount in order to cover decreasing state funding and future renovation projects.

The Public School Employee's Retirement System funding crisis will make future fiscal years challenging. Current projections of state subsidies reflect significant decreases that will adversely affect the educational process statewide. Line Mountain is preparing for this by reviewing all expenditures for upcoming fiscal years. Health Care with Highmark Blue Shield anticipates an overall increase between 10 to 24 percent.

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions concerning this report, or require any additional financial information, please contact the Line Mountain School District, Business Office, 185 Line Mountain Road, Herndon, PA 17830.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,204,536	\$ 2,306	\$ 4,206,842
Investments	1,425,039	316,418	1,741,457
Taxes Receivable, Net	843,386	-	843,386
Intergovernmental Receivables	456,964	-	456,964
Other Receivables	29,965	-	29,965
Inventories	-	8,679	8,679
Prepaid Expenses	143,255	-	143,255
	<u>7,103,145</u>	<u>327,403</u>	<u>7,430,548</u>
Total Current Assets			
Capital Assets:			
Land	410,066	-	410,066
Building and Building Improvements, Net	30,021,981	-	30,021,981
Furniture and Equipment, Net	1,381,446	123,175	1,504,621
	<u>31,813,493</u>	<u>123,175</u>	<u>31,936,668</u>
Total Capital Assets			
TOTAL ASSETS	<u><u>\$ 38,916,638</u></u>	<u><u>\$ 450,578</u></u>	<u><u>\$ 39,367,216</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension Plan in Current Year	\$ 2,398,396	\$ -	\$ 2,398,396
Pension Deferral	2,473,617	-	2,473,617
Postemployment Benefit Deferral	42,982	-	42,982
Deferred Gain on Refinancing	270,694	-	270,694
	<u>5,185,689</u>	<u>-</u>	<u>5,185,689</u>
Total Deferred Outflows of Resources	<u><u>\$ 5,185,689</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,185,689</u></u>

	Governmental Activities	Business - Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 105,398	\$ 42,437	\$ 147,835
Accrued Salaries and Benefits	1,211,041	13,378	1,224,419
Other Current Liabilities	79,810	11,708	91,518
Long-Term Liabilities			
Due Within One Year:			
Bonds Payable	1,150,000	-	1,150,000
Due in More Than One Year:			
Bonds Payable	23,679,584	-	23,679,584
Compensated Absences	270,996	1,687	272,683
Other Postemployment Benefits	736,739	-	736,739
Net Pension Liability	28,695,000	-	28,695,000
TOTAL LIABILITIES	\$ 55,928,568	\$ 69,210	\$ 55,997,778
DEFERRED INFLOWS OF RESOURCES			
Pension Deferral	\$ 1,266,867	\$ -	\$ 1,266,867
Deferred Donated Commodities	-	8,679	8,679
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,266,867	\$ 8,679	\$ 1,275,546
NET POSITION			
Net Investment in Capital Assets	\$ 7,333,493	\$ 123,175	\$ 7,456,668
Restricted	-	-	-
Unrestricted	(20,426,601)	249,514	(20,177,087)
TOTAL NET POSITION	\$ (13,093,108)	\$ 372,689	\$ (12,720,419)

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM	
	Expenses	Charges for Services
<u>Governmental Activities:</u>		
Instruction	\$ 14,576,164	\$ -
Instructional Student Support	1,270,429	-
Administrative & Financial Support Services	2,180,557	-
Operation & Maintenance of Plant Services	1,669,914	-
Pupil Transportation	1,978,073	-
Student Activities	454,432	28,256
Capital Outlay	-	-
Interest on Long-Term Debt	1,159,946	-
Total Governmental Activities	<u>23,289,515</u>	<u>28,256</u>
<u>Business-Type Activities:</u>		
Food Services	<u>636,305</u>	<u>278,058</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 23,925,820</u></u>	<u><u>\$ 306,314</u></u>

General Revenues:

Income:

Transfers In (Out)

Taxes:

Property Taxes, Levied for General Purposes, Net

Earned Income Tax, Net

Public Utility, Realty, Transfer and Miscellaneous

Taxes Levied for General Purposes, Net

Grants, Subsidies & Contributions Not Restricted

Investment Earnings

Gain or Loss on Sale of Fixed Assets

Miscellaneous Income

Total General Revenues and Special Items

Change in Net Position

Net Position - July 1, 2017

Prior Period Adjustment

Net Position - June 30, 2018

REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	Total
\$ -	\$ 2,494,210	\$ (12,081,954)	\$ -	\$ (12,081,954)
-	141,999	(1,128,430)	-	(1,128,430)
-	155,282	(2,025,275)	-	(2,025,275)
-	159,496	(1,510,418)	-	(1,510,418)
-	1,839,661	(138,412)	-	(138,412)
-	-	(426,176)	-	(426,176)
-	-	-	-	-
-	-	(1,159,946)	-	(1,159,946)
-	<u>4,790,648</u>	<u>(18,470,611)</u>	-	<u>(18,470,611)</u>
-	377,671	-	19,424	19,424
<u>\$ -</u>	<u>\$ 5,168,319</u>	<u>(18,470,611)</u>	<u>19,424</u>	<u>(18,451,187)</u>
		(330)	330	-
		5,645,959	-	5,645,959
		855,201	-	855,201
		1,500,704	-	1,500,704
		6,801,442	-	6,801,442
		78,687	2,109	80,796
		3,223	-	3,223
		7,924	-	7,924
		<u>14,892,810</u>	<u>2,439</u>	<u>14,895,249</u>
		(3,577,801)	21,863	(3,555,938)
		(9,046,767)	350,826	(8,695,941)
		(468,540)	-	(468,540)
		<u>\$ (13,093,108)</u>	<u>\$ 372,689</u>	<u>\$ (12,720,419)</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,204,536	\$ -	\$ 4,204,536
Investments	369,343	1,055,696	1,425,039
Taxes Receivable, Net	843,386	-	843,386
Intergovernmental Receivables	456,964	-	456,964
Other Receivables	29,965	-	29,965
Prepaid Expenses	143,255	-	143,255
TOTAL ASSETS	<u>\$ 6,047,449</u>	<u>\$ 1,055,696</u>	<u>\$ 7,103,145</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<u>Liabilities:</u>			
Accounts Payable	\$ 98,828	\$ 6,570	\$ 105,398
Accrued Salaries and Benefits	1,211,041	-	1,211,041
Total Liabilities	<u>1,309,869</u>	<u>6,570</u>	<u>1,316,439</u>
<u>Deferred Inflows of Resources:</u>			
Unavailable Revenue - Property Taxes	550,025	-	550,025
Total Deferred Inflows of Resources	<u>550,025</u>	<u>-</u>	<u>550,025</u>
<u>Fund Balances:</u>			
Non-spendable	-	-	-
Restricted	-	-	-
Committed	1,581,067	-	1,581,067
Assigned	-	1,049,126	1,049,126
Unassigned	2,606,488	-	2,606,488
Total Fund Balances	<u>4,187,555</u>	<u>1,049,126</u>	<u>5,236,681</u>
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,047,449</u>	<u>\$ 1,055,696</u>	<u>\$ 7,103,145</u>

The accompanying notes are an integral part of these financial statements.

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 5,236,681
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of capital assets is \$50,393,414, and the accumulated depreciation is \$18,579,921.</p>		31,813,493
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Bonds payable	(24,480,000)	
Compensated absences	(270,996)	
Postemployment Benefits	(736,739)	
Net Pension Liability	(28,695,000)	(54,182,735)
<p>Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.</p>		550,025
<p>Governmental funds report debt issuance premiums and discounts as another financing source or use at the time of issuance. Premiums, discounts, and deferred charges are reported as an unamortized asset or liability in the District-wide financial statements.</p>		(78,890)
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>		(79,810)
<p>Contributions to the pension plan and pension deferrals are deferred outflows of resources on the statement of net position but are not reported in the governmental funds.</p>		4,872,013
<p>Other postemployment benefit plan deferrals are deferred outflows of resources on the statement of net position but are not reported in the governmental funds.</p>		42,982
<p>Pension deferrals are deferred inflows of resources on the statement of net position but are not reported in the governmental funds.</p>		(1,266,867)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ (13,093,108)

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Capital Projects Funds	Total Governmental Funds
REVENUES			
Local Revenues	\$ 7,995,773	\$ 14,402	\$ 8,010,175
State Program Revenues	11,247,829	-	11,247,829
Federal Program Revenues	344,261	-	344,261
Total Revenues	19,587,863	14,402	19,602,265
EXPENDITURES			
Instruction	10,599,645	-	10,599,645
Support Services	6,621,859	-	6,621,859
Operation of Non-Instruction Services	431,042	-	431,042
Capital Outlay	-	33,529	33,529
Debt Service (Principal & Interest)	1,668,686	-	1,668,686
Total Expenditures	19,321,232	33,529	19,354,761
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	266,631	(19,127)	247,504
OTHER FINANCING SOURCES (USES)			
Fund Transfers	4,208	(4,538)	(330)
Proceeds from Bond Refunding	7,725,000	-	7,725,000
Bond Refunding Payments	(7,539,794)	-	(7,539,794)
Net Premium (Discount) Bond Refunding	(62,965)	-	(62,965)
Total Other Financing Sources (Uses)	126,449	(4,538)	121,911
NET CHANGES IN FUND BALANCE	393,080	(23,665)	369,415
FUND BALANCE - JULY 1, 2017	3,794,475	1,072,791	4,867,266
FUND BALANCE - JUNE 30, 2018	\$ 4,187,555	\$ 1,049,126	\$ 5,236,681

The accompanying notes are an integral part of these financial statements.

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

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 369,415
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(1,160,234)
The issuance of long-term debt provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. this amount is the net effect on these differences in the treatment of long-term debt and related items.	
Principal repayments	8,525,000
Issuance of Bonds	(7,725,000)
In the Statement of Activities, interest in accrued on outstanding bonds, whereas, in governmental funds, an interest expenditure is reported when due.	9,324
Because some property and earned income taxes will not be collected for several months after the District's year-end, they are not considered as available revenues in the governmental funds.	109,781
Deferred gains on bond refunding and original issue discounts are capitalized and amortized.	(422,824)
Changes in the proportionate share of collective net pension liability does not require the use of or provide current financial resources and is not reported in the governmental funds.	(3,290,282)
Postemployment Benefit Expense	9,595
Change in Compensated Absences	(2,576)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (3,577,801)</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds
For the Year Ended June 30, 2018

	<u>GENERAL FUND</u>			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	(Budgetary Basis)	
REVENUES				
Local Revenues	\$ 7,784,170	\$ 7,784,170	\$ 7,995,773	\$ 211,603
State Revenues	10,943,873	10,943,873	11,247,829	303,956
Federal Revenues	330,000	330,000	344,261	14,261
Total Revenues	<u>19,058,043</u>	<u>19,058,043</u>	<u>19,587,863</u>	<u>529,820</u>
EXPENDITURES				
Regular Programs	7,823,225	7,828,524	7,627,935	200,589
Special Programs	2,333,312	2,333,312	2,582,355	(249,043)
Vocational Programs	338,469	338,469	334,004	4,465
Other Instructional Programs	204,356	204,356	55,351	149,005
Pupil Personnel Services	634,086	629,086	640,911	(11,825)
Instructional Staff Services	358,288	360,988	363,861	(2,873)
Administrative Services	1,301,031	1,298,032	1,389,989	(91,957)
Pupil Health	204,718	204,718	182,122	22,596
Business Services	383,138	383,138	375,776	7,362
Operation and Maintenance of Plant Services	1,505,149	1,505,149	1,562,978	(57,829)
Student Transportation Services	1,829,554	1,829,554	1,841,730	(12,176)
Central and Other Support Services	266,480	266,480	264,492	1,988
Student Activities	482,130	482,130	431,042	51,088
Building Improvements	-	-	-	-
Debt Services (Principal and Interest)	1,798,101	1,798,101	1,668,686	129,415
Total Expenditures	<u>19,462,037</u>	<u>19,462,037</u>	<u>19,321,232</u>	<u>140,805</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>(403,994)</u>	<u>(403,994)</u>	<u>266,631</u>	<u>670,625</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds - continued
For the Year Ended June 30, 2018

GENERAL FUND

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Net Fund Transfers	-	-	4,208	4,208
Proceeds from Bond Refunding	-	-	7,725,000	7,725,000
Bond Refunding Payments	-	-	(7,539,794)	(7,539,794)
Net Premium (Discount) Bond Refunding	-	-	(62,965)	(62,965)
Total Other Financing Sources (Uses)	-	-	126,449	126,449
NET CHANGE IN FUND BALANCE	(403,994)	(403,994)	393,080	797,074
FUND BALANCE - JULY 1, 2017	3,523,899	3,523,899	3,794,475	270,576
FUND BALANCE - JUNE 30, 2018	<u>\$ 3,119,905</u>	<u>\$ 3,119,905</u>	<u>\$ 4,187,555</u>	<u>\$ 1,067,650</u>

The School District does not formally adopt a budget for its Special Revenue Funds.

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Enterprise Fund Food Service</u>
ASSETS	
<u>Current Assets</u>	
Cash	\$ 2,306
Investments	316,418
Inventories	8,679
Total Current Assets	<u>327,403</u>
<u>Noncurrent Assets</u>	
Furniture and Equipment, Net	<u>123,175</u>
Total Noncurrent Assets	<u>123,175</u>
Total Assets	<u>450,578</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	42,437
Accrued Salaries and Benefits	13,378
Other Current Liabilities	11,708
Total Current Liabilities	<u>67,523</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	<u>1,687</u>
Total Liabilities	<u>69,210</u>
<u>Deferred Inflows of Resources</u>	
Deferred Donated Commodities	8,679
Total Deferrred Inflows of Resources	<u>8,679</u>
TOTAL ASSETS LESS LIABILITIES AND DEFERRED INFLOWS	<u><u>\$ 372,689</u></u>
NET POSITION	
Net Investment in Capital Assets	\$ 123,175
Unrestricted	<u>249,514</u>
TOTAL NET POSITION	<u><u>\$ 372,689</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund <u>Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ 278,058
Total Operating Revenues	<u>278,058</u>
 OPERATING EXPENSES	
Salaries	151,500
Employee Benefits	81,543
Purchased Professional and Technical Services	559
Equipment Repairs and Maintenance	5,927
Other Purchased Service	323,334
Supplies	56,026
Depreciation Expense	17,416
Total Operating Expenditures	<u>636,305</u>
 OPERATING LOSS	 <u>(358,247)</u>
 NONOPERATING REVENUES (EXPENSES)	
Transfer from General Fund	330
Earnings on Investments	2,109
State Sources	50,574
Federal Sources	327,097
Total Nonoperating Revenues (Expenses)	<u>380,110</u>
 CHANGES IN NET POSITION	 21,863
 TOTAL NET POSITION - JULY 1, 2017	 <u>350,826</u>
 TOTAL NET POSITION - JUNE 30, 2018	 <u><u>\$ 372,689</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Statements of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 283,703
Cash Payments to Employees for Services	(232,960)
Cash Payments to Suppliers for Goods and Services	<u>(356,548)</u>
Net Cash Used for Operating Activities	<u>(305,805)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	330
State Sources	50,574
Federal Sources	<u>327,097</u>
Net Cash Provided by Noncapital Financing Activities	<u>378,001</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sale (Purchase) of Fixed Assets	<u>(3,038)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,038)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of Investments	(69,962)
Earnings on Investments	<u>2,109</u>
Net Cash Used by Investing Activities	<u>(67,853)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,305
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,001</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 2,306</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Statements of Cash Flows - continued
 Proprietary Fund
 For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (358,247)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation Expense	17,417
(Increase) Decrease in Other Receivable	5,645
(Increase) Decrease in Inventories	1,619
Increase (Decrease) in Accounts Payable	28,971
Increase (Decrease) in Accrued Salaries/Benefits	121
Increase (Decrease) in Other Liabilities	326
Increase (Decrease) in Deferred Revenues	(1,619)
Increase (Decrease) in Compensated Absences	<u>(38)</u>
Total Adjustments	<u>52,442</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (305,805)</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	<u>Private Purpose Trusts</u>	<u>Student Activity</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and Cash Equivalents	<u>\$ 27,101</u>	<u>\$ 55,820</u>	<u>\$ 82,921</u>
Total Assets	<u><u>\$ 27,101</u></u>	<u><u>\$ 55,820</u></u>	<u><u>\$ 82,921</u></u>
LIABILITIES			
Due to Students	<u>\$ -</u>	<u>\$ 55,820</u>	<u>\$ 55,820</u>
Total Liabilities	<u>-</u>	<u>55,820</u>	<u>55,820</u>
TOTAL ASSETS LESS LIABILITIES	<u><u>\$ 27,101</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,101</u></u>
NET POSITION			
Net Position Held in Trust for Scholarships	<u>\$ 27,101</u>		<u>\$ 27,101</u>
TOTAL NET POSITION	<u><u>\$ 27,101</u></u>		<u><u>\$ 27,101</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS:	
Gifts and Contributions	\$ 17,150
Investment Income	11
Total Additions	17,161
DEDUCTIONS:	
Scholarships Awarded	21,019
Total Deductions	21,019
CHANGE IN NET POSITION	(3,858)
TOTAL NET POSITION - JULY 1, 2017	30,959
TOTAL NET POSITION - JUNE 30, 2018	\$ 27,101

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the School District is considered a "primary government". The School District is governed by a nine member board to which each member is elected by the citizens of each defined district.

For financial reporting purposes, Line Mountain School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The School District participates in a jointly governed organization. The organization is the Northumberland County Career and Technology Center. The organization is presented in Note 11 to the basic financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Positions is reported in three categories:

1. Net Investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net positions result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

B. Government-wide and Fund Financial Statements - continued

3. Unrestricted net positions consist of net positions not meeting the definition of the two preceding categories. Unrestricted net positions often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - This is used to account for financial resources to be used for capital improvements, and the construction, replacements, additions, and maintenance to facilities, and purchase of school buses.

Additionally, the school district reports the following fund types:

PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the School District has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary and Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Property taxes are levied by the School District upon an assessed value times an approved millage rate. See Note 3 for further details.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The effect on inter-fund activity has been eliminated from the government-wide statements.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014, issued by the U.S. Department of Education.

D. Basis of Accounting

1. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

2. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

E. Budgetary Process

The operating budget is prepared in accordance with generally accepted accounting principles. An annual budget prepared by function and object is formally adopted for the General Fund. Project-length financial plans are used for Capital Projects Fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified by the Business Manager. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended budget issued during the fiscal year 2017-2018.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

G. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Investments consist of repurchase agreements and funds invested in the PA Treasury Investment Program and are stated at cost, which approximates market value. This is in accordance with Section 440.1 of the School Code.

H. Taxes Receivable and Deferred Inflows

Taxes receivable consist of delinquent real estate taxes due at June 30, 2018, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Deferred revenue consists of the amount of taxes receivable at June 30, 2018, less the amount actually collected and remitted to the School District in July and August 2018.

I. Due From/To Other Funds

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

J. Inventories

The District's inventory of supplies in the General Fund is not significant in amount and is therefore not included in the financial statements.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2018. The inventory consisted of government donated commodities which were valued using USDA values, and other cafeteria supplies valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2018 are reported as deferred revenue.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than: equipment - \$1,500, vehicles - \$10,000, and building improvements - \$25,000, and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with a long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Description	Estimated Lives
Land	Not Depreciated
Land Improvements	12 Years
Buildings and Building Improvements	40 Years
Vehicles	5 - 15 years
Furniture and Equipment	12 Years

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

L. Long-Term Liabilities

In the government-wide financial statements and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

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

M. Estimates

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

N. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of a resolution for a specific purpose.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Business Manager pursuant to authorization established by the board.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

N. Fund Balances - continued

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Governmental Fund Balances

Governmental Fund Balances consist of the following at June 30, 2018:

	General Fund	Capital Projects Fund	Total
Non Spendable:	\$ -	\$ -	\$ -
Restricted:			
Access Funds	-	-	-
Committed:			
Capital Improvements	-	-	-
Pension Obligation	530,000	-	530,000
Lease Obligations	201,067	-	201,067
Medical Insurance	850,000	-	850,000
Assigned:			
Capital Improvements	-	1,049,126	1,049,126
Unassigned:			
Unassigned	2,606,488	-	2,606,488
Total Fund Balances	<u>\$ 4,187,555</u>	<u>\$ 1,049,126</u>	<u>\$ 5,236,681</u>

Although the board restricts the use of the Capital Projects Fund assets for construction, additions and equipment, Fixed Assets can be purchased out of the General Fund if the items are budgeted for in the annual budget.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

O. Definition of Cash and Cash Equivalents

For the purpose of the statement of cash flows, the term cash and cash equivalents includes cash in bank and short-term, highly liquid investments with a maturity of ninety days or less at the date of purchase.

P. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and the various rates stated in the labor contracts. The School District records a liability for accumulated unused sick leave for all employees.

The entire compensation absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

Q. Other Post-Employment Benefits

Substantially all employees of the School District are covered under one of two currently applicable labor agreements. In addition to the pension benefits described in Note 9, post-employment benefits are mandated by these labor agreements. See Note 10 for details of the post-employment benefits.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – continued

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

S. Operating and Nonoperating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the first item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, Deferred Bond Premiums on debt is deferred and amortized over the life of the debt.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 2 - Legal Compliance Budgets

All principals at each educational level of the School District submit requests for appropriation to the superintendent and business administrator. A tentative budget is prepared. It includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The proposed budget is presented to the School Board at public meetings for their review.

Tentative adoption of the budget must be made 30 days prior to final adoption to allow for public review. Final adoption of the budget must occur on or before June 30. Budget transfers are typically made by the business administrator at year end with Board approval.

Note 3 - Real Estate Tax and Deferred Revenue

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate For the Year Ended December 31, 2017 was 74.91 mills for Northumberland County residents as levied by the School Board. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-Levy date
July 1 - August 31	-2% discount period
September 1 - October 31	-Face payment period
November 1 - December 31	-10% penalty period
December 31	- Delinquent Date

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

The balances at June 30, 2018 are as follows:

	Gross Taxes <u>Receivable</u>	Allowance for Uncollectible <u>Taxes</u>	Net Estimated to be <u>Collectible</u>	Tax Revenue <u>Recognized</u>	Deferred <u>Taxes</u>
Real Estate	\$ <u>1,538,154</u>	\$ <u>(694,768)</u>	\$ <u>843,386</u>	\$ <u>293,361</u>	\$ <u>550,025</u>

The deferred revenue balance in the General Fund is \$ 550,025

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2018, there were \$83,784 due from other governmental units.

Note 5 - Cash and Cash Equivalents and Investments

The School District's cash deposits and investments are restricted by statute to United States Treasury bills, short-term obligations of the United States Government and certain obligations of the United States, Commonwealth of Pennsylvania or its political subdivisions which are backed by the full faith and credit of those governmental entities. Additionally, the School District may invest in shares of a properly registered investment fund whose investments consist of the securities listed above. Deposits in banks and other financial institutions must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund. Deposits in excess of the maximum insurable amounts must be collateralized by securities held by that institution, in accordance with the provisions of law. Pool pledging in accordance with P.L. 281, No. 72, (Act 72), is permissible.

Risk Categories - Deposits

All deposits are carried at cost. There are three categories of credit risk that may apply to the School District's deposits.

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
3. Uncollateralized.

Balances held in each investment category at June 30, 2018, are as follows:

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 5 - Cash and Cash Equivalents and Investments - continued

Risk Categories – Deposits - continued

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Credit Risk</u>
Insured Deposits (FDIC)	\$ 294,834	\$ 288,812	1
Uninsured Deposits:			
Collateral held by Federal Reserve Bank in School District's Name	-	-	2
Uncollateralized	<u>4,311,347</u>	<u>4,311,586</u>	3
Total Fund Balances	<u>\$ 4,606,181</u>	<u>\$ 4,600,398</u>	

The amounts listed as uncollateralized have been secured by pool pledging in accordance with Act 72.

Balances held in each investment category at June 30, 2018, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Credit Risk</u>
Investments in Pools Managed by Other Governments	<u>\$ 1,425,039</u>	<u>\$ 1,725,499</u>	1
Total Investments	<u>\$ 1,425,039</u>	<u>\$ 1,725,499</u>	

Concentration of Credit Risk - The school places no limit on the amount the School may invest in any one user. Certificates of deposit and pooled pledged accounts comprise 100% of the School's total investments.

Interest Rate Risk - The School does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The School has no investment policy that would limit its investment choices to certain credit ratings. The certificates and pooled pledged accounts are not rated.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

Note 6 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENT ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 410,066	\$ -	\$ -	\$ 410,066
Total Capital Assets Not Being Depreciated	<u>410,066</u>	<u>-</u>	<u>-</u>	<u>410,066</u>
Capital Assets Being Depreciated				
Buildings and Improvements	42,592,295	35,043	-	42,627,338
Furniture and Equipment	<u>7,244,467</u>	<u>111,543</u>	<u>-</u>	<u>7,356,010</u>
Total Assets Being Depreciated	<u>49,836,762</u>	<u>146,586</u>	<u>-</u>	<u>49,983,348</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	11,583,930	1,021,427	-	12,605,357
Furniture and Equipment	<u>5,689,171</u>	<u>285,393</u>	<u>-</u>	<u>5,974,564</u>
Total Accumulated Depreciation	<u>17,273,101</u>	<u>1,306,820</u>	<u>-</u>	<u>18,579,921</u>
Total Capital Assets Being Depreciated, Net	<u>32,563,661</u>	<u>(1,160,234)</u>	<u>-</u>	<u>31,403,427</u>
Governmental Activities, Capital Assets, Net	<u>\$ 32,973,727</u>	<u>\$(1,160,234)</u>	<u>\$ -</u>	<u>\$ 31,813,493</u>
BUSINESS - TYPE ACTIVITIES				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 437,304	\$ 3,038	\$ -	\$ 440,342
Total Capital Assets, Being Depreciated	<u>437,304</u>	<u>3,038</u>	<u>-</u>	<u>440,342</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	299,751	17,416	-	317,167
Total Accumulated Depreciation	<u>299,751</u>	<u>17,416</u>	<u>-</u>	<u>317,167</u>
Total Capital Assets Being Depreciated, Net	<u>137,553</u>	<u>(14,378)</u>	<u>-</u>	<u>123,175</u>
Business - Type Activities Capital Assets, Net	<u>\$ 137,553</u>	<u>\$(14,378)</u>	<u>\$ -</u>	<u>\$ 123,175</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6 – Changes in Capital Assets - continued

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

GOVERNMENT ACTIVITIES

Instruction:

Regular	\$ 593,820
Special	191,172

Support Services:

Pupil	60,630
Instructional Staff	26,937
Administration	150,300
Pupil Transportation	136,343
Operation and Maintenance Plant	115,708

Operation of Noninstructional Services:

Student Activities	31,910
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Total Depreciation Expense - Governmental Activities	<u>\$ 1,306,820</u>
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BUSINESS - TYPE ACTIVITIES

Food Service Fund	\$ 17,416
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Total Depreciation Expense - Business - Type Activities	<u>\$ 17,416</u>
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LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7 – Operating Lease Activity

In 2015, the School District entered into a copier equipment lease agreement with Toshiba. The agreement qualified as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease was a 63 month contract beginning October 2015 for a total fee of \$36,837 with a monthly payment of \$585. In June 2018, the School District entered into a new lease agreement with Toshiba that included a buyout provision of the 2015 agreement. The existing lease agreement was terminated in June 2018. Rental expense for the year ended June 30, 2018 was \$7,017.

In 2015, the School District entered into a copier equipment lease agreement with Toshiba. The agreement qualified as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease was a five year contract beginning June 2015 for a total fee of \$9,185 with a monthly payment of \$153. In June 2018, the School District entered into a new lease agreement with Toshiba that included a buyout provision of the 2015 agreement. The existing lease agreement was terminated in June 2018. Rental expense for the year ended June 30, 2018 was \$1,837.

In 2016, the School District entered into a copier equipment lease agreement with Toshiba. The agreement qualified as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease was a 63 month contract beginning June 2016 for a total fee of \$96,507 with a monthly payment of \$1,532. In June 2018, the School District entered into a new lease agreement with Toshiba that included a buyout provision of the 2016 agreement. The existing lease agreement was terminated in June 2018. Rental expense for the year ended June 30, 2018 was \$18,382.

In 2015, the School District entered into a copier equipment lease agreement with Toshiba. The agreement qualified as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease was a 63 month contract beginning December 2015 for a total fee of \$65,842 with a monthly payment of \$1,045. In June 2018, the School District entered into a new lease agreement with Toshiba that included a buyout provision of the 2015 agreement. The existing lease agreement was terminated in June 2018. Rental expense for the year ended June 30, 2018 was \$12,541.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7 - Operating Lease Activity - continued

In June 2018, the School District entered into a new copier equipment lease agreement with Toshiba for the purpose of replacing and upgrading their existing equipment. The existing lease agreements were terminated and replaced with a new agreement for 5 new copiers.. This lease is a 63 month contract beginning July 2018 to September 2023. The total contract is for \$201,067 with monthly payments of \$3,191. The agreement qualifies as an operating lease for accounting purposes and therefore, will be recorded as an expense in the statement of activities for the 2018-19 fiscal year. No payments were made under this new lease agreement as of June 30, 2018.

The future minimum lease payments over the life of the contract are shown below:

	Total
June 30, 2019	\$ 38,298
June 30, 2020	38,298
June 30, 2021	38,298
June 30, 2022	38,299
June 30, 2023	38,299
June 30, 2024	9,575
Total	\$ 201,067

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 – General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Bonds Payable:				
General Obligation Bonds, Series of 2014A	\$ 5,615,000	\$ -	\$ 325,000	\$ 5,290,000
General Obligation Bonds, Series of 2014B	760,000	-	470,000	290,000
General Obligation Bonds, Series of 2013	9,070,000	-	300,000	8,770,000
General Obligation Bonds, Series of 2012	9,835,000	-	7,430,000	2,405,000
General Obligation Bonds, Series of 2017	-	7,725,000	-	7,725,000
Subtotal	25,280,000	7,725,000	8,525,000	24,480,000
Bond Premiums	-	349,584	-	349,584
Total	25,280,000	8,074,584	8,525,000	24,829,584
Other Liabilities:				
Compensated Absences	268,420	2,576	-	270,996
Postemployment Benefits	234,812	501,927	-	736,739
Pension Liability	24,778,000	3,917,000	-	28,695,000
Total Other Liabilities	25,281,232	4,421,503	-	29,702,735
Total Governmental Activities Long-Term Liabilities	<u>\$ 50,561,232</u>	<u>\$ 12,496,087</u>	<u>\$ 8,525,000</u>	<u>\$ 54,532,319</u>
Business - Type Activity Compensated Absences	<u>\$ 1,725</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 1,687</u>

2014A General Obligation Bonds Payable

On March 20, 2014 the School issued a \$6,250,000 Series of 2014A General Obligation Bonds payable for the refunding of the 2009A General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2014A Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.30% to 3.70%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2030.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 – General-Long Term Debt – continued

2014A General Obligation Bonds Payable – continued

Payment Date	Principal	Interest		Debt Service	Fiscal Year	Fiscal Debt Service
		Rate	Interest		Ended 6/30	
11/15/18	\$ 350,000	1.20%	\$ 78,229	\$ 428,229		
05/15/19			72,979	72,979	2019	\$ 501,208
11/15/19	360,000	1.60%	72,979	432,979		
05/15/20			69,379	69,379	2020	502,358
11/15/20	370,000	2.00%	69,379	439,379		
05/15/21			65,679	65,679	2021	505,058
11/15/21	380,000	2.25%	65,679	445,679		
05/15/22			61,499	61,499	2022	507,178
11/15/22	385,000	2.55%	61,499	446,499		
05/15/23			56,686	56,686	2023	503,185
11/15/23	395,000	2.75%	56,686	451,686		
05/15/24			50,761	50,761	2024	502,447
11/15/24	405,000	2.90%	50,761	455,761		
05/15/25			44,686	44,686	2025	500,447
11/15/25	410,000	3.00%	44,686	454,686		
05/15/26			38,536	38,536	2026	493,222
11/15/26	420,000	3.20%	38,536	458,536		
05/15/27			31,921	31,921	2027	490,457
11/15/27	435,000	3.35%	31,921	466,921		
05/15/28			24,744	24,744	2028	491,665
11/15/28	445,000	3.50%	24,744	469,744		
05/15/29			17,068	17,068	2029	486,812
11/15/29	460,000	3.60%	17,068	477,068		
05/15/30			8,787	8,787	2030	485,855
11/15/30	475,000	3.75%	8,787	483,787		
05/15/31					2031	483,787
Total	<u>\$ 5,290,000</u>		<u>\$ 1,163,679</u>	<u>\$ 6,453,679</u>		<u>\$ 6,453,679</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 – General Long-Term Debt - continued

2014B General Obligation Bonds Payable

On March 20, 2014 the School District issued a \$1,795,000 Series of 2014B General Obligation Bonds payable for the refunding of the 2009AA and 2007 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2014B Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.30% to 3.00%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2018.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/18	\$ 290,000	1.20%	\$ 4,350	\$ 294,350		
05/15/19				-	2019	\$ 294,350
Total	<u>\$ 290,000</u>		<u>\$ 4,350</u>	<u>\$ 294,350</u>		<u>\$ 294,350</u>

2013 General Obligation Bonds Payable

On May 14, 2013 the School District issued a \$9,310,000 Series of 2013 General Obligation Bonds payable for the construction additions/renovations to the High School and Trevorton Elementary School, and to pay the costs related to issuing and insuring the 2013 Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.45% to 3.10%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2034.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 – General Long-Term Debt – continued

2013 General Obligation Bonds Payable - continued

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year	Fiscal Debt
					Ended 6/30	Service
11/15/18	\$ 305,000	2.00%	\$ 117,346	\$ 422,346		
05/15/19			114,296	114,296	2019	\$ 536,642
11/15/19	310,000	2.00%	114,296	424,296		
05/15/20			111,196	111,196	2020	535,492
11/15/20	315,000	2.00%	111,196	426,196		
05/15/21			108,046	108,046	2021	534,242
11/15/21	320,000	2.00%	108,046	428,046		
05/15/22			104,846	104,846	2022	532,892
11/15/22	330,000	2.00%	104,846	434,846		
05/15/23			101,546	101,546	2023	536,392
11/15/23	335,000	2.00%	101,546	436,546		
05/15/24			98,196	98,196	2024	534,742
11/15/24	345,000	2.15%	98,196	443,196		
05/15/25			94,488	94,488	2025	537,684
11/15/25	350,000	2.30%	94,488	444,488		
05/15/26			90,463	90,463	2026	534,951
11/15/26	360,000	2.45%	90,463	450,463		
05/15/27			86,053	86,053	2027	536,516
11/15/27	370,000	2.55%	86,053	456,053		
05/15/28			81,335	81,335	2028	537,388
11/15/28	380,000	2.65%	81,335	461,335		
05/15/29			76,300	76,300	2029	537,635
11/15/29	385,000	2.75%	76,300	461,300		
05/15/30			71,006	71,006	2030	532,306
11/15/30	400,000	3.00%	71,006	471,006		
05/15/31			65,006	65,006	2031	536,012
11/15/31	840,000	3.00%	65,006	905,006		
05/15/32			52,406	52,406	2032	957,412
11/15/32	860,000	3.00%	52,406	912,406		
05/15/33			39,506	39,506	2033	951,912
11/15/33	1,005,000	3.05%	39,506	1,044,506		
05/15/34			24,180	24,180	2034	1,068,686
11/15/34	1,560,000	3.10%	24,181	1,584,181		
05/15/35			-	-	2035	1,584,181
Total	<u>\$ 8,770,000</u>		<u>\$ 2,755,085</u>	<u>\$ 11,525,085</u>		<u>\$ 11,525,085</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 – General Long-Term Debt - continued

2012 General Obligation Bonds Payable

On August 23, 2012 the School District issued a \$9,860,000 Series of 2012 General Obligation Bonds Payable for the refunding of the 2007 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2012 Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 1.00% to 3.75%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2033.

On October 31, 2017, the School District issued a \$7,725,000 Series of 2017 General Obligation Bonds to partially refinance the 2012 General Obligations Bonds Payable. Net proceeds of \$7,425,000 was applied as principal payment on the 2012 Series General Obligation Bonds Payable. The remaining principal balance as of June 30, 2018 is \$2,405,000. The new scheduled maturity date is November 15, 2022.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/18	\$ 200,000	2.000%	\$ 26,841	\$ 226,841		
05/15/19			24,841	24,841	2019	\$ 251,682
11/15/19	535,000	2.000%	24,841	559,841		
05/15/20			19,491	19,491	2020	579,332
11/15/20	545,000	2.250%	19,491	564,491		
05/15/21			13,359	13,359	2021	577,850
11/15/21	555,000	2.375%	13,359	568,359		
05/15/22			6,768	6,768	2022	575,127
11/15/22	570,000	2.375%	6,768	576,768		
05/15/23					2023	576,768
Total	<u>\$ 2,405,000</u>		<u>\$ 155,759</u>	<u>\$ 2,560,759</u>		<u>\$ 2,560,759</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8 - General Long-Term Debt - continued

2017 General Obligation Bonds Payable

On October 31, 2017, the School District issued General Obligation Bonds, Series of 2017 in the amount of \$7,725,000. The Bonds were used for the current refunding of the District's General Obligation Bonds, Series of 2012, and paying the costs associated with issuance of the Bonds. The bonds mature on November 15, of each year through 2033 and bear interest at rates ranging from 1.00% to 3.00%. Interest is payable semiannually on May 15 and November 15.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year	Fiscal Debt
					Ended 6/30	Service
11/15/18	\$ 5,000	1.000%	\$ 92,474	\$ 97,474		
05/15/19			92,449	92,449	2019	\$ 189,923
11/15/19	35,000	1.100%	92,449	127,449		
05/15/20			92,256	92,256	2020	219,705
11/15/20	35,000	1.250%	92,256	127,256		
05/15/21			92,037	92,037	2021	219,293
11/15/21	35,000	1.350%	92,037	127,037		
05/15/22			91,801	91,801	2022	218,838
11/15/22	35,000	1.500%	91,801	126,801		
05/15/23			91,539	91,539	2023	218,340
11/15/23	620,000	2.000%	91,539	711,539		
05/15/24			85,339	85,339	2024	796,878
11/15/24	630,000	2.000%	85,339	715,339		
05/15/25			79,039	79,039	2025	794,378
11/15/25	645,000	2.000%	79,039	724,039		
05/15/26			72,589	72,589	2026	796,628
11/15/26	655,000	2.050%	72,589	727,589		
05/15/27			65,875	65,875	2027	793,464
11/15/27	670,000	2.150%	65,875	735,875		
05/15/28			58,672	58,672	2028	794,547

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 8 - General Long-Term Debt - continued

2017 General Obligation Bonds Payable – continued

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/28	685,000	2.200%	58,672	743,672		
05/15/29			51,137	51,137	2029	794,809
11/15/29	700,000	2.375%	51,137	751,137		
05/15/30			42,825	42,825	2030	793,962
11/15/30	720,000	2.500%	42,825	762,825		
05/15/31			33,825	33,825	2031	796,650
11/15/31	780,000	3.000%	33,825	813,825		
05/15/32			22,125	22,125	2032	835,950
11/15/32	805,000	3.000%	22,125	827,125		
05/15/33			10,050	10,050	2033	837,175
11/15/33	670,000	3.000%	10,051	680,051		
05/15/34					2034	680,051
Total	\$ 7,725,000		\$ 2,055,591	\$ 9,780,591		\$ 9,780,591

Aggregate Maturities of All Long Term Debt

The aggregate maturities of all long-term borrowings for the next five years and to maturity are:

Year	Principal	Interest	Total
2019	\$ 1,150,000	\$ 623,805	\$ 1,773,805
2020	1,240,000	596,887	1,836,887
2021	1,265,000	571,443	1,836,443
2022	1,290,000	544,035	1,834,035
2023	1,320,000	514,685	1,834,685
2024 thru 2028	7,045,000	2,090,414	9,135,414
2029 thru 2033.	7,935,000	1,095,277	9,030,277
2034 thru 2035	3,235,000	97,918	3,332,918
Total	\$ 24,480,000	\$ 6,134,464	\$ 30,614,464

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan description

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

Benefits provided

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 in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan - continued

Benefits provided - continued

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

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

Contributions

Members 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 the 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%.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan – continued

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,398,396 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$28,695,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was .0581 percent, which was an increase of .0081 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,290,282. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 224,250	\$ 129,750
Changes in Assumptions	23,750	-
Net Difference Between Projected and Actual		
Investment Earnings	(91,250)	-
Changes in Proportion	2,268,750	1,089,000
Difference Between Employer Contributions and		
Proportionate Share of Total Contributions	48,117	48,117
Contributions Subsequent to the Measurement Date	2,398,396	-
	<u>\$ 4,872,013</u>	<u>\$ 1,266,867</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan – continued

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

\$1,651,871 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>		
2018	\$	(34,000)
2019		(34,000)
2020		259,000
2021		76,000
Total	\$	<u>267,000</u>

3. 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 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment 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 or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan – continued

3. 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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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

The above was the 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.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 9 - Pension Plan- continued

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 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	\$ 35,321,000	\$ 28,695,000	\$ 23,100,000

Pension plan fiduciary net position

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan Description: Line Mountain School District provides access to retiree medical, vision, and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses and their dependents. The plan also provides for retirement benefits outlined in employment contracts. This is a single employer defined benefit plan administered by Line Mountain School District. The plan does not issue a separate stand-alone financial statement.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – continued

General Information about the OPEB Plan - continued

Benefits Provided: The Plan provides medical, prescription drug, dental and visions benefits for retirees and their dependents, spouse included.

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

ACT 110/43 Coverage & Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. Spouse coverage ceases at the later of the member's or their own Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined by the District plan.

PSERS Superannuation Retirement

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

Coordination with Medicare benefits: Medicare pays primary. The District plan pays secondary.

Contributions: The OPEB Expense and Net OPEB Liability figures that are provided in the valuation are based on estimated contributions. Because the plan is unfunded, the estimated contributions are simply equal to the estimated benefit payments which are \$36,645. Employees are not required to contribute to the OPEB plan.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – continued

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

At June 30, 2018, the District reported a liability of \$736,739 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$66,077. At June 30, 2018, the District reported deferred outflows of resources related to OPEB in the amount of \$42,982. Of the total, \$39,027 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. The remaining deferred outflows of \$3,955 from changes of assumptions will be recognized in the District’s OPEB expense over a 10 year period at an annual rate of \$395.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Interest Rate: 3.13% Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.

Salary: An assumption for salary increases is used only 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%.

Withdrawal: Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

WITHDRAWAL

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

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.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – continued

Actuarial Assumptions - continued

Disability: No disability was assumed.

Retirement: Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

RETIREMENT

<u>Age</u>	<u>Age 55 & 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

Percent of Eligible Retirees Electing Coverage in Plan: 65% of teachers and administrators and 20% of the support staff are assumed to elect coverage.

Percent Married at Retirement: 30% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age: Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost: Making use of weighted averages for various plan designs, 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. Dental and vision costs are assumed to not vary with age or gender.

The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Males</u>	<u>Females</u>
45-49	\$ 5,600	\$ 8,088
50-54	\$ 7,417	\$ 9,141
55-59	\$ 9,033	\$ 9,564
60-64	\$ 11,788	\$ 10,987

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – continued

Actuarial Assumptions - continued

Retiree Contributions: Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate: 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets: Equal to the Market Value of Assets.

Actuarial Cost Method – Entry Age Normal: Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data: Based on census information as of July 2017. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2017-2018 school year.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.13 percent. The discount rate changed from 2.49% to 3.13%. The trend assumption was updated.

Sensitivity of the School's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the School's net OPEB liability, as well as what the School's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
District's Net OPEB Liability	\$ 655,632	\$ 736,739	\$ 833,885

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued report.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 11 - Jointly Governed Organizations

The School District participates in the Northumberland County Career and Technology Center (NCCTC) which is governed by a joint operating committee. The committee is composed of seven members, two appointed annually from each Mount Carmel and Line Mountain School Districts, and three appointed annually from Shamokin School District. The NCCTC provides vocational and technical education for students of the three member school districts. Each member school district pays tuition to the NCCTC based upon its relative enrollment percentage at the school. The member school districts approve the budget of the NCCTC.

This joint venture does not meet the criteria for inclusion within the reporting entity because the NCCTC is separately chartered from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the NCCTC, and the NCCTC is maintained as a separate operating unit.

For the year ended June 30, 2018, the member school districts and the percentage of tuition received from each member school district were as follows:

Shamokin	62.45%
Mount Carmel	28.46%
Line Mountain	9.09%
	<u>100.00%</u>

The School District's share of the joint venture is not determinable. The most recent NCCTC financial information for the year ended June 30, 2018 is available by contacting the Executive Director, Northumberland County Career and Technology Center, Coal Township, PA.

The School District made tuition payments, debt service payments and administrative costs payments to NCCTC of \$118,929 for the year ended June 30, 2018 and received a refund of excess funds from NCCTC of \$34,636 for a net cost of \$84,293. No amounts were due to/from NCCTC at June 30, 2018.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 12 - Commitments and Contingencies

The School District receives federal and state grants and subsidies that are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant.

The School District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 - Risk Management

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

Note 14 – Prior Period Adjustment

The School District had an unfunded OPEB actuarial liability that was not previously reflected in the Statement of Net Position as of June 30, 2017. A prior period adjustment of \$468,540 has been made to adjust the single employer OPEB obligation and to restate the Net Position as of June 30, 2017.

	Governmental Activities
Net Position at June 30, 2017, as Previously Stated	<u>\$(9,046,767)</u>
Prior Period Adjustment to Adjust Single Employer OPEB Obligation to Reflect Unfunded Actuarial Liability	<u>(468,540)</u>
Net Position at June 30, 2017, as Restated	<u><u>\$(9,515,307)</u></u>

Note 15 – Subsequent Event

The School District has evaluated subsequent events through December 5, 2018, which is the date the audited financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the accompanying financial statements

REQUIRED SUPPLEMENTARY INFORMATION

LINE MOUNTAIN CHOOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the District's Proportionate Share of Net Pension Liability
 Last Five Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's Proportion of the Net Pension Liability	0.0581%	0.0500%	0.0551%	0.0558%	0.0549%
School's Proportionate Share of the Net Pension Liability	\$28,695,000	\$24,778,000	\$23,866,000	\$22,086,000	\$22,474,000
School's Covered - Employee Payroll	\$ 7,731,819	\$ 6,476,582	\$ 7,094,303	\$ 7,120,584	\$ 7,040,642
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	371.13%	382.58%	336.41%	310.17%	319.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%

LINE MOUNTAIN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the District's Contributions- Pension Plan
 Last Five Fiscal Years

	2018	2017	2016	2015
Contractually Required Contribution	2,398,396	\$ 2,286,428	\$ 1,651,871	\$ 1,431,000
Contributions in Relation to the Contractually Required Contribution	2,398,396	2,286,428	1,651,871	1,431,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,731,819	\$ 6,476,582	\$ 7,094,303	\$7,120,584
Contributions as a Percentage of Covered-Employee Payroll	31.02%	35.30%	23.28%	20.10%

LINE MOUNTAIN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Changes in Net OPEB Liability
 June 30, 2018

Fiscal Year Ending*	2018
Total OPEB Liability	
Service Cost	\$ 47,481
Interest	18,201
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	4,350
Benefit Payments	(36,645)
Other Changes	-
Net Change	33,387
Total OPEB Liability - Beginning	703,352
Total OPEB Liability - Ending	\$ 736,739

Covered Employee Payroll \$ 7,163,551

Total OPEB Liability as a % of Covered-Employee Payroll 10.28%

*This information is shown for the last 10 years if available

Changes of Assumptions

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions. The marriage assumption was lowered to 30%.

Changes of Benefits Terms

Each year's loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future. These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

SUPPLEMENTARY INFORMATION

LINE MOUNTAIN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal Source Code	CFDA Number	Grantor's Pass Thru Number	Program or Award Amt.	Grant Period Beginning/ Ending Date	Total Received For Year	Accrued or (Deferred) 7/1/2017	Revenue Recognized	Expenditures	Accrued or (Deferred) 6/30/2018
US DEPARTMENT OF EDUCATION										
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:										
E.S.E.A. Title I	I	84.010	013-17-0229	327,094	07/01/16-09/30/17	\$ 43,842	\$ 43,842	\$ -	\$ -	\$ -
E.S.E.A. Title I	I	84.010	013-18-0229	299,063	07/01/17-09/30/18	234,978	-	283,518	283,518	48,540
TOTAL TITLE I						<u>278,820</u>	<u>43,842</u>	<u>283,518</u>	<u>283,518</u>	<u>48,540</u>
Title II - Improv. Teachers	I	84.367	020-17-0229	50,144	07/01/17-09/30/18	50,623	-	50,144	50,144	(479)
TOTAL TITLE II						<u>50,623</u>	<u>-</u>	<u>50,144</u>	<u>50,144</u>	<u>(479)</u>
Title IV - Student Support & Academic Enrichment	I	84.424	144-18-0229	10,000	07/01/17-09/30/18	8,571	-	9,920	9,920	1,349
TOTAL TITLE IV						<u>8,571</u>	<u>-</u>	<u>9,920</u>	<u>9,920</u>	<u>1,349</u>
PASSED THROUGH CENTRAL SUSQUEHANNA INTERMEDIATE UNIT:										
IDEA - 619	I	84.173	131-16-0016	1,874	07/01/16-06/30/17	562	562	-	-	-
IDEA - 611	I	84.027	062-16-0016	173,562	07/01/17-06/30/18	97,564	-	173,562	173,562	75,998
TOTAL CSIU IDEA CLUSTER						<u>98,126</u>	<u>562</u>	<u>173,562</u>	<u>173,562</u>	<u>75,998</u>
TOTAL DEPARTMENT OF EDUCATION						<u>436,140</u>	<u>44,404</u>	<u>517,144</u>	<u>517,144</u>	<u>125,408</u>
U.S. DEPARTMENT OF AGRICULTURE										
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:										
School Breakfast Program	I	10.553	N/A	N/A	07/01/17-06/30/18	59,316	-	59,316	59,316	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/17-06/30/18	217,756	-	217,756	217,756	-
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/17-06/30/18	50,024	(10,298)	51,643	51,643	(8,679)
TOTAL NUTRITION CLUSTER						<u>327,096</u>	<u>(10,298)</u>	<u>328,715</u>	<u>328,715</u>	<u>(8,679)</u>
TOTAL DEPARTMENT OF AGRICULTURE						<u>327,096</u>	<u>(10,298)</u>	<u>328,715</u>	<u>328,715</u>	<u>(8,679)</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE						<u>\$ 763,236</u>	<u>\$ 34,106</u>	<u>\$ 845,859</u>	<u>\$ 845,859</u>	<u>\$ 116,729</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Line Mountain School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

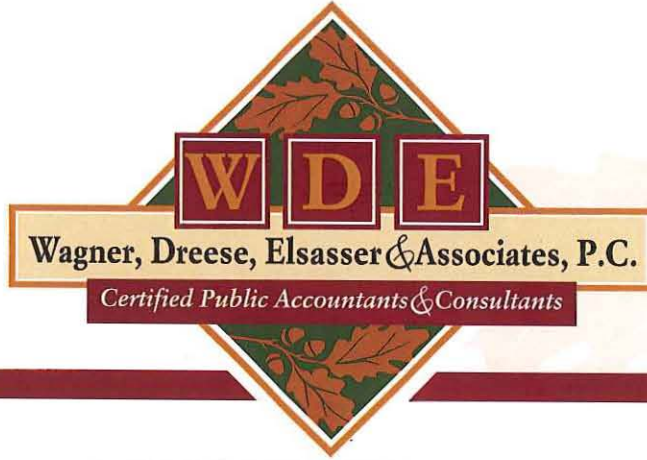
Note 2 – Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the School District's general purpose financial statements as follows:

General Fund	\$ 344,261
Cafeteria Fund	328,715
Total per Financial Statements	<u>672,976</u>
Access Reimbursements Not Included on the Schedule of Expenditures of Federal Awards	(679)
IDEA Funds are Coded to Local Funds but Included on the Schedule of Expenditures of Federal Awards	<u>173,562</u>
Total Federal Revenue per Schedule of Expenditures of Federal Awards	<u><u>\$ 845,859</u></u>

Note 3 – USDA Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the organization had food commodities totaling \$8,679 in inventory.



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

Members of the Board
Line Mountain School District
Herndon, PA

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 Accounting 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 Line Mountain School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Line Mountain School District's basic financial statements, and have issued our report thereon dated December 5, 2018.

Internal Control Over Financial Reporting

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

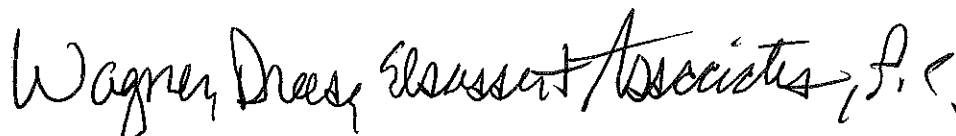
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Line Mountain School District's financial statements are free of 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.



WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 5, 2018



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

Members of the Board
Line Mountain School District
Herndon, PA

Report on Compliance for Each Major Federal Program

We have audited Line Mountain 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 Line Mountain School District's major federal programs for the year ended June 30, 2018. Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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.

Wagner, Drees, Elsassert Associates, P.C.

WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 5, 2018

LINE MOUNTAIN SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified Opinion

Internal Control over Financial Reporting:
 Significant Deficiencies Identified? _____ Yes X None Reported

Noncompliance Material to Financial Statements Noted? _____ Yes X No

Federal Awards

Internal Control over Major Programs:
 Significant Deficiencies Identified? _____ Yes X None Reported

Type of Auditor's Report Issued on Compliance
 for Major Program: Unmodified Opinion

Any Audit Findings Disclosed that are Required to
 be Reported in Accordance with 2 CFR Section 200.516(a) _____ Yes X No

Identification of Major Programs:

CFDA Number	Name of Federal Program
84.027	IDEA

Dollar Threshold used to Distinguish Between
 Type A and Type B Programs: \$750,000

Auditee Qualified as Low - Risk Auditee: X Yes _____ No

Section II - Financial Statement Findings

There are no Findings to be Reported

Section III - Federal Award Findings and Questioned Costs

There are no Findings to be Reported

LINE MOUNTAIN SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2018

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