

Summary of Audit Results for:

Gettysburg Area School District June 30, 2018



GETTYSBURG AREA SCHOOL DISTRICT
A Great Place To Learn



December 28, 2018

To the Board of School Directors
Gettysburg Area School District

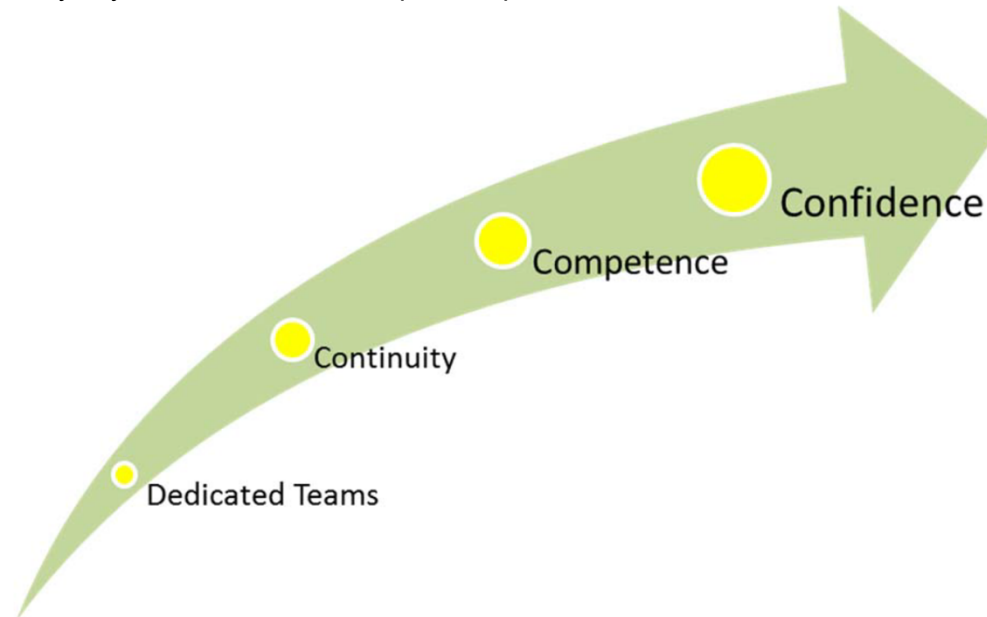
We have audited the financial statements of Gettysburg Area School District for the year ended June 30, 2018, and have issued our report thereon dated December 28, 2018. Professional standards require that we communicate certain matters relating to our audit. We are pleased to present the results of our audit in this communications package.

As always, we appreciate the opportunity to continue our relationship and value your confidence in us. To maintain this confidence, we continue to develop our business model to deliver both value-added industry insight and strong technical service.

This information is intended solely for the use of the Board of School Directors and management of Gettysburg Area School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Stambaugh Ness, Inc.



Contents

- Responsibilities - Ours and Yours
- Audit Scope and Results
- Other Required Communications
- Financial Review
- Matters of Internal Control
- Client Service Team

Responsibilities

We are responsible for:

- Performing an audit in accordance with Generally Accepted Auditing Standards (GAAS)
- Forming and expressing an opinion about whether the financial statements prepared by management:
 - Are materially correct
 - Are fairly presented
 - Conform with U.S. GAAP
- Communicating significant matters to you

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve management or those charged with governance from your responsibilities.

Responsibilities

You are responsible for:

- Preparing and fairly presenting the financial statement in accordance with U.S. GAAP
- Designing, implementing, evaluating and maintaining effective internal control over financial reporting
- Providing us with unrestricted access to all persons and information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies and material weaknesses
- Informing us of subsequent events
- Providing us with certain written representations

Audit Scope

Planning, Risk Assessment and Materiality

- GAAS requires that we consider the District's internal control as a basis for designing our auditing procedures.
- Materiality is a measure of an error or omission that likely would influence a "reasonable person's" interpretation of the financial statements. We have used revenues and expenses as benchmarks for setting materiality.

Adjustments - professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balance or disclosures, and the financial statements as a whole.

- Recorded adjustments (Fund Level) - None
- Recorded adjustments (Government-wide Level) - Assisted with GASB 65, 68 and 75 entries
- Unrecorded adjustments - One adjustment for the 60 Day Rule for tax revenue
- Omitted disclosures - None

Audit Scope

Areas of Audit Emphasis

- Internal control over financial reporting
- Consideration of fraud in accordance with AU-C Section 240
- Payroll related transactions
- Operating revenues and expenses
- Capital projects
- Fund Balance designations
- Compliance with Uniform Guidance (federal grants)

Audit Results

- The auditors' report expresses an unmodified opinion on the financial statements of the District.
- No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
- The auditors' report on compliance for the major federal awards program for the District expresses an unmodified opinion.

Required Communications

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2017-2018. No matters have come to our attention that would require us, under professional standards, to inform you about:

- the methods used to account for significant unusual transactions and,
- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Required Communications

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements in our opinion were:

- Useful lives of fixed assets for calculation of depreciation
- Management's consideration of an allowance for uncollectible taxes
- Calculations of future liabilities for compensated absences and other post-employment benefit liabilities
- Measurement of PlanCon subsidy receivables

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

Required Communications

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements in our opinion relate to:

- Note D - Taxes Receivable and Deferred Tax Revenues - Page 50
- Note H - General Obligation Bonds/Notes - Pages 51 - 52
- Note J - Defined Benefit Pension Plan - Pages 54 - 59
- Note K - Other Post-Retirement Health Benefits - Pages 60 - 64
- Note O - Lincoln Benefit Trust - Page 66

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or auditors' report. No such disagreements arose during the course of the audit.

Required Communications

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated December 28, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Financial Highlights - June 30, 2018

Budget vs. Actual - General Fund (modified accrual)

(Amounts summarized from the audited financial statements)

	Budgeted Amounts		Actual (Budgetary Basis)	Variance w/ Final Budget Positive (Negative)
	Original	Final		
Total revenues	\$ 59,976,944	\$ 59,976,944	\$ 61,251,282	\$ 1,274,338
Total expenditures	61,890,202	62,376,837	59,618,474	2,758,363
Excess (deficit) of revenues over expenditures	(1,913,258)	(2,399,893)	1,632,808	4,032,701
Total other financing sources (uses)	(2,802,558)	(2,315,923)	(1,942,442)	373,481
Net change in fund balances	\$ (4,715,816)	\$ (4,715,816)	(309,634)	\$ 4,406,182
FUND BALANCE - BEGINNING			23,716,554	
FUND BALANCE - ENDING			\$ 23,406,920	

Financial Highlights - June 30, 2018

Fund Balance Designations - General Fund (modified accrual)

(Amounts summarized from the audited financial statements)

FUND BALANCES

Nonspendable:

Inventories	\$ 76,004
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Prepaid expenses	284,465
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Restricted:

Lincoln Benefit Trust	3,773,496
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Committed:

Capital improvements	1,700,000
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Retirement/PSERS	4,669,151
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18/19 Budgetary reserve	3,388,591
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Unassigned:

General fund	<u>9,515,213</u>
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Total fund balances	<u><u>\$ 23,406,920</u></u>
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Financial Highlights - June 30, 2018

Trend Analysis - General Fund (modified accrual)

(Amounts summarized from the audited financial statements)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
REVENUES					
Local revenues	\$ 42,037,205	\$ 41,140,472	\$ 40,133,076	\$ 39,253,636	\$ 37,959,066
State program revenues	18,169,840	17,638,867	16,689,911	15,878,810	14,944,504
Federal program revenues	<u>1,044,237</u>	<u>1,069,469</u>	<u>1,209,899</u>	<u>1,166,243</u>	<u>866,937</u>
Total revenues	<u>\$ 61,251,282</u>	<u>\$ 59,848,808</u>	<u>\$ 58,032,886</u>	<u>\$ 56,298,689</u>	<u>\$ 53,770,507</u>

Financial Highlights - June 30, 2018

Trend Analysis - General Fund (modified accrual)

(Amounts summarized from the audited financial statements)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
EXPENDITURES					
Regular programs	\$ 24,662,727	\$ 23,433,506	\$ 23,364,233	\$ 21,399,720	\$ 20,562,135
Special programs	7,400,446	7,244,549	6,606,101	6,124,372	5,595,234
Vocational programs	3,127,230	3,032,589	3,014,952	2,971,725	2,744,872
Other instructional programs	647,158	715,383	789,533	707,571	813,596
Nonpublic school programs	16,533	19,711	25,283	38,744	28,326
Pupil personnel services	1,548,649	1,489,354	1,544,383	1,389,087	1,550,667
Instructional staff services	1,641,793	1,585,117	1,439,734	1,283,362	905,167
Administrative services	3,353,310	3,318,636	3,190,216	3,030,592	2,721,820
Pupil health	604,227	608,554	570,952	536,466	489,316
Business services	756,896	768,741	760,170	718,676	720,862
Operation and maintenance of plant services	5,433,072	5,322,593	5,584,846	5,017,796	4,590,851
Student transportation services	3,177,410	3,068,590	3,073,782	3,071,475	3,080,907
Central and other support services	956,035	1,029,324	1,013,954	862,673	957,472
Other support services	39,443	58,764	58,480	65,851	68,138
Student activities	1,178,720	1,123,817	1,060,279	1,058,049	1,023,083
Community services	31,232	14,718	17,413	11,463	10,849
Architect & engineering services	-	3,000	-	-	-
Debt service	5,035,423	5,380,740	5,436,006	5,448,939	5,445,365
Refund of prior year receipts	8,170	8,121	1,449	104,256	34,432
Total expenditures	<u>\$ 59,618,474</u>	<u>\$ 58,225,807</u>	<u>\$ 57,551,766</u>	<u>\$ 53,840,817</u>	<u>\$ 51,343,092</u>

Financial Highlights - June 30, 2018

Trend Analysis - General Fund (modified accrual)

(Amounts summarized from the audited financial statements)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	\$ 25,472	\$ 1,892	\$ 7,846	\$ 5,360	\$ 100
Interfund transfers in	-	-	-	-	24,973
Interfund transfers out	<u>(1,967,914)</u>	<u>(744,713)</u>	<u>(109,751)</u>	<u>(1,263,136)</u>	<u>(6,108,432)</u>
Total other financing sources (uses)	<u>\$ (1,942,442)</u>	<u>\$ (742,821)</u>	<u>\$ (101,905)</u>	<u>\$ (1,257,776)</u>	<u>\$ (6,083,359)</u>

Financial Highlights - June 30, 2018

Trend Analysis - Food Service Fund (full accrual)

(Amounts summarized from the audited financial statements)

	June 30, 2018	June 30, 2017	June 30, 2016
Operating Revenues	\$ 599,915	\$ 624,280	\$ 631,890
Operating Expenses	<u>1,781,498</u>	<u>1,704,339</u>	<u>1,809,280</u>
Operating Loss	(1,181,583)	(1,080,059)	(1,177,390)
Nonoperating Revenues (Expenses)	<u>1,249,920</u>	<u>1,237,419</u>	<u>1,173,517</u>
Change in Net Position	<u>\$ 68,337</u>	<u>\$ 157,360</u>	<u>\$ (3,873)</u>

Matters of Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Definitions

- 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 **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.
- 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.

Client Service Team

Team Member	Role	Contact Information
Krista Gardner	Principal	kgardner@stambaughness.com
Rick Hogentogler	Technical Reviewer	rhogentogler@stambaughness.com
Terry Thomas	Manager	tthomas@stambaughness.com
Erin Fike	Advisor	efike@stambaughness.com
Charles Hawk	Staff	chawk@stambaughness.com

About Stambaugh Ness

Vision: “To be our clients most trusted and consulted Advisor”

- **Industry Groups** - established to provide industry insight and enhance the value of service
- **Technical Service Teams** - responsible for high-level competencies
- **SN Business Solutions** - provides complementary technology solutions
- **BDO** - the “Best of Both Worlds”, adds flexibility and scalability to our technical competencies
- **Strategic Partners** - complementary services for various business needs

