

WEST SHORE SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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Greenawalt & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
West Shore School District
Lewisberry, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the fiduciary funds of West Shore School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the West Shore Foundation were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

To the Board of School Directors
West Shore School District

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, the aggregate discretely presented component unit, each major fund, and the fiduciary funds of West Shore School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter - change in accounting principle

As described in the notes to the financial statements titled *recent accounting standards*, the District implemented this new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MDA-1 through MDA-10, and other required supplementary information on pages ORSI-1 through ORSI-7, 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.

To the Board of School Directors
West Shore School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018 on our consideration of West Shore 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Shore School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Shore School District's internal control over financial reporting and compliance.


GREENAWALT & COMPANY, P.C.

November 2, 2018

Mechanicsburg, Pennsylvania

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of West Shore School District is pleased to present the following discussion and analysis of the District's financial position and financial activities. The purpose of this discussion is to provide a narrative summary in order to enhance the reader's understanding of the District's basic financial statements.

This format is in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 2018 and 2017. The MD&A also includes comparisons of current year financial activities to the previous year. The 2017 amounts are taken from our prior year MD&A and are otherwise not a part of the June 2018 financial statements. Dollar amounts in this summary are presented in millions to make it easier to read.

FINANCIAL HIGHLIGHTS

- During the 2017 - 2018 fiscal year, the district made three transfers from the General Fund to the Capital Reserve Fund. The first transfer in the amount of \$10,500,000 was to reduce the District's unreserved fund balance below the 8% requirement under Act 48. The second transfer in the amount of \$1,679,400 was the result of savings from Series 2009 GO Bond refunding in the amount of \$1,429,400 and the postponement of Red Land HS track improvements in the amount of \$250,000. The third transfer in the amount of \$4,441,706 was to reimburse the Capital Reserve Fund for all purchase made from it during the 2017-18 fiscal year. The Administration will be recommending another transfer to the Capital Reserve at the November 2018 Finance Committee Meeting in the amount of \$1 million. At June 30, 2018, the total governmental funds fund balance was \$33,686,309 up \$3,113,761 from the beginning of the year.
- During 2017-18 school year the District continued work to revitalize infrastructure and capital equipment. A walkway was replaced at Crossroads Middle School, design work for a new softball field at Lowther Field started, the property beside Crossroads Middle School was purchased, 21st Century learning furniture was purchased for schools across the district, a Performance Based Energy Savings Project was approved at Red Mill Elementary School which includes HVAC and lighting upgrades and considerable work has occurred as the district wide feasibility project proceeds. The first Act 34 Hearing for the new Rossmoyne Elementary School took place in October 2018.
- In accordance with governmental accounting requirements, the District is obligated to report other post-employment benefits (OPEB). This resulted in a recording of an obligation of \$13,425,249 as of June 30, 2018. The notes to the financial statements include both discussion and analysis of this liability.
- The District's net pension liability for year ended June 30, 2018 was \$180,910,001.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages FS-1 and FS-2) provide information about the activities of the District as a whole and present a longer-term view of the District's finances than fund statements. The financial statements include a column labeled "Component Unit" to present information related to the West Shore Foundation. This is discussed in the Notes to Financial Statements on page FS-12.

Fund financial statements are presented on pages FS-3, FS-5 and FS-7 through FS-11. For governmental activities, these statements tell how District services have been financed in the short run, as well as show the amount remaining for future spending. Proprietary fund statements provide information about non-governmental operations, in this case food services. Fiduciary funds statements report funds held in trust by the District for such things as scholarship grants and student activities.

The Reconciliation of the Governmental Funds Balance Sheet on page FS-4 connects governmental fund balance to the total net position balance from the Statement of Net Position. The reconciliation on page FS-6 shows the components of the changes in net position.

Reporting the District as a Whole

The statements present financial activities and the results of those activities in two categories, Governmental and Business-type. Capital assets (land, buildings, improvements, furniture and equipment) are presented with all other assets. Long-term debt is presented with all other liabilities. This is distinctly different from the Fund statements in which assets and liabilities are separated into various funds such as General and Capital Reserve.

The approach to measurement of revenue and expense is similar to that used in the private sector and is referred to as following the accrual basis of accounting. This is discussed further in the notes to the financial statements.

Reporting the District's Most Significant Funds

The funds statements provide financial information about the District's significant funds rather than the District as a whole. There are three fund types - Governmental, Proprietary and Fiduciary. The use of each type of fund is described in the notes to the financial statements. Unlike the financial statements that measure revenues on the accrual basis, the funds statements report revenues only to the extent cash has been received or is expected to be received in the near future.

The District as Trustee

The District acts as fiduciary for two funds, a Private Purpose Trust for scholarship monies and a Student Activities fund. In comparison to the Governmental Funds, the amounts held in the fiduciary funds are small. Fund balances and activity for the year are presented on pages FS-10 and FS-11.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE DISTRICT AS A WHOLE

Table A-1 summarizes and compares the 2018 Statement of Net Position from page FS-1 of the financial statements with the same measurements for 2017. We have not included the component unit column in Table A-1 and instead refer you directly to the financial statements. Within this and certain other schedules in our discussion, we have presented the dollar figures in millions, unless otherwise indicated, to make them easier to read. This has resulted in rounding differences, and some columns may not add within a schedule.

Table A-1
Net Position
June 30, 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 56.8	\$ 50.7	\$ 1.1	\$ 1.1	\$ 57.9	\$ 51.8
Capital assets	77.5	77.9	0.2	0.1	77.7	78.0
Total assets	134.3	128.6	1.4	1.2	135.6	129.8
Deferred charges on refunding	0.4	-	-	-	0.4	-
Deferred outflows for OPEB	1.2	-	0.0	-	1.2	-
Deferred outflows for pensions	32.2	30.2	0.6	0.6	32.8	30.7
Total deferred outflows of resources	33.8	30.2	0.6	0.6	34.4	30.7
Current and other liabilities	21.2	15.5	0.1	0.1	21.3	15.6
Long-term liabilities	222.7	213.7	3.5	3.3	226.3	216.9
Total liabilities	243.9	229.1	3.6	3.4	247.5	232.5
Deferred charges on refunding	-	0.1	-	-	-	0.1
Deferred inflows for OPEB	0.4	-	-	-	0.4	-
Deferred inflows for pensions	5.2	8.0	-	0.1	5.3	8.1
Total deferred inflows of resources	5.6	8.1	-	0.1	5.7	8.2
Prior period adjustment	-	(7.2)	-	(0.1)	-	(7.3)
Invested in capital assets (net of related debt)	44.0	41.5	0.2	0.1	44.2	41.6
Unrestricted (deficit)	(125.4)	(120.0)	(1.9)	(1.8)	(127.4)	(121.8)
Total net position (deficit)	(81.4)	(85.7)	(1.7)	(1.8)	(83.2)	(87.5)

Total net position is the difference between total assets plus total deferred outflows of resources, less total liabilities less total deferred inflows of resources. Total net position represents resources that can be used to pay for future operations and capital improvements. Most of the District's net position is invested in capital assets. These terms are discussed on pages FS-24 and FS-25.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of fiscal year 2017, the total net position for governmental activities was reported as \$(78,505,033). It was restated to reflect the cumulative adjustment related to the adoption of a new accounting standard, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This is discussed on page FS-28 of the footnotes accompanying the 2018 financial statements. The previously ending balance for Governmental and Business-type Activities of \$(80,222,115) was restated to be \$(87,592,960).

During 2018, the Governmental Activities balance increased by \$4,343,213 bringing it to \$(81,401,083) at the end of 2018. The change is analyzed in Table A-2.

Table A-2 summarizes and compares activity presented in the Statement of Activities (page FS-2). It shows the items that make up the \$4,343,213 operational increase in the total Primary Government net position balance.

Table A-2
Changes in Net Position
Year ended June 30, 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 0.7	\$ 0.7	\$ 1.3	\$ 1.5	\$ 2.0	\$ 2.1
Oper. grants and contributions	19.4	18.6	1.9	1.8	21.3	20.3
Capital grants and contributions	0.7	0.7	-	-	0.7	0.7
<i>General Revenues</i>						
Taxes	80.6	78.1	-	-	80.6	78.1
State general subsidies	14.9	14.6	-	-	14.9	14.6
Other	(0.8)	0.3	-	-	(0.8)	0.3
Total Revenues	115.5	113.0	3.2	3.3	118.7	116.3
Direct Expenses	111.2	101.8	3.2	3.1	114.4	104.9
Excess (Deficiency) before Transfers	4.3	11.2	-	0.2	4.3	11.4
Change in net position	\$ 4.3	\$ 11.2	\$ -	\$ 0.2	\$ 4.3	\$ 11.4

During 2018, total revenues for the governmental activities exceeded total direct expenses by \$4,343,213 compared with \$11,220,353 for 2017. The components of the direct expenses are presented in Table A-3. There were no significant changes to the Business-type activities.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

Table A-3 presents expense information from the Statement of Activities for governmental activities. The total cost of services represents the actual cost of providing the services, while the net cost represents the amount of cost not recovered through program revenues, user charges, grants and contributions. The total net cost of services of \$90,288,195 must be recovered through general revenues, primarily taxes and state subsidies. These general revenues for 2018 were \$94,631,408, exceeding the cost by \$4,343,213.

Table A-3
Governmental Activities
Year ended June 30, 2018

	Total Cost of Services		Less: Program Revenues		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Classroom instruction	\$ 75.0	\$ 69.4	\$ 15.3	\$ 14.6	\$ 59.7	\$ 54.8
Instructional student support (Note 1)	7.8	7.0	1.3	1.2	6.5	5.8
Administrative and financial support	11.6	9.8	1.0	0.9	10.6	8.9
Operation and maintenance of buildings	8.6	7.7	0.5	0.5	8.1	7.1
Student transportation	4.5	4.5	1.6	1.7	2.9	2.8
Extra-curricular student activities	1.9	1.6	0.4	0.4	1.5	1.2
Community services	0.2	0.2	0.0	0.0	0.2	0.2
Interest on long-term debt	1.0	1.1	0.7	0.7	0.3	0.4
Unallocated depreciation expense	0.5	0.5	-	-	0.5	0.5
Total governmental activities	\$ 111.1	\$ 101.7	\$ 20.8	\$ 20.0	90.3	81.7
Less state general subsidies					14.9	14.6
Total needs from taxes and other local sources					\$ 75.4	\$ 67.1

Note 1: This item represents such things as the library, school psychologist, etc.

The total costs of governmental activities for 2018 were 9.2% higher than 2017, primarily due to increases in the cost related to classroom instruction.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-Type Activities

Table A-4 is similar to the previous table, except it presents business-type service costs. For both years, the cost of food services was paid primarily by program revenues.

Table A-4
Business-Type Activities
Fiscal Year ended June 30, 2018

	Total Cost		Less: Program		Net Cost	
	of Services		Revenues		of Services	
	2018	2017	2018	2017	2018	2017
Food services	\$ 3.2	\$ 3.1	\$ 3.3	\$ 3.2	\$ (0.1)	\$ (0.1)
Less: Investment earnings					-	-
Total business type activities					\$ (0.1)	\$ (0.1)

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DISTRICT'S FUNDS

The information in Table A-5 summarizes and compares the Governmental Funds' Balance Sheets for June 30, 2018 and 2017.

Table A-5
Comparative Fund Balances

	2018	2017	2017- 2018 Change
General Fund			
Nonspendable			
Inventories	\$ 0.21	\$ 0.14	\$ 0.07
Prepaid expenses	0.49	0.52	\$ (0.03)
Committed to:			
Future retirement costs	0.50	0.50	-
Future medical costs	2.00	2.00	-
Assigned to:			
Athletics and concessions	0.03	0.04	0.01
Unassigned	10.48	19.72	(9.24)
Total General Fund	13.71	22.92	(9.21)
Capital Reserve Fund			
Committed to:			
Capital improvements and debt service	19.97	7.64	12.32
Total Capital Projects Fund	19.97	7.64	12.32
Debt Service Fund			
Assigned to:			
Reduction of long-term debt	0.01	0.01	-
Total - Debt Service Fund	0.01	0.01	-
Total Fund Balance	\$ 33.69	\$ 30.57	\$ 3.11

The basis of measurement for fund assets and liabilities is different than that used in the Statement of Net Position. The differences between the total governmental fund balance of \$33,686,309 and the total net position of \$(81,401,083) (see Table A-1) are itemized in the reconciliation presented within the financial statements on page FS-4. The most significant difference relates to the inclusion of the net pension liability of \$177,566,660 in the Statement of Net Position, but not the fund balance.

The Capital Reserve fund balance increased from \$12,323,418 at the end of fiscal year 2017 to \$19,966,583 at the end of 2018. The capital expenditures were primarily used for capital improvements and included a transfer in from the General Fund totaling \$16,621,106 in 2018.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

Table A-6 has been summarized from the comparative budget information presented on page ORSI-1 of the other required supplemental information.

Table A-6
Comparison of Budget to Actual
For the Years Ended June 30, 2018 and 2017

	Budget		Actual		Variance	
	2018	2017	2018	2017	2018	2017
Total revenues	\$ 114.1	\$ 109.8	\$ 116.7	\$ 112.8	\$ 2.6	\$ 3.0
Total expenditures	110.7	103.3	109.6	101.6	1.1	1.7
Revenues over (under) expenditures	3.5	6.5	7.1	11.2	3.7	4.7
Other financing sources (uses)	(3.6)	(6.6)	(16.3)	(6.5)	(12.7)	(0.1)
Net change in fund balances	\$ (0.1)	\$ (0.1)	\$ (9.2)	\$ 4.8	\$ (9.0)	\$ 4.9

The variance between actual and budgeted revenues over (under) expenditures for fiscal year 2018 was unfavorable at \$9,054,451. The beginning fund balance was \$22,920,370. The actual net change in the General fund balance was a decrease of \$9,209,657. Adding this to the beginning fund balance left an ending fund balance of \$13,710,713.

CAPITAL ASSETS

Table A-7 summarizes and compares the Capital Assets note to the financial statements on pages FS-32 and FS-33. Each year, for capital assets other than land and construction in progress, this amount is depreciated (reduced in value) to reflect usage.

Table A-7
Governmental Activities Capital Assets Comparison (net of accumulated depreciation)

	June 30	
	2018	2017
Land	\$ 3.0	\$ 2.7
Construction in progress	1.8	1.1
Buildings and improvements	69.8	71.9
Furniture and Equipment	2.9	2.2
Total Capital Assets, net of accumulated depreciation	\$ 77.5	\$ 77.9

Capital assets, net of accumulated depreciation, decreased by \$388,952 in 2018 over 2017.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DEBT ADMINISTRATION

Table A-8 summarizes the long-term liabilities note to the financial statements on pages FS-33 to FS-51 for 2018 and 2017. Most of the debt relates to general obligation bonds sold by the District to pay for capital improvements. Our ability to raise future funds through the issuance of debt depends on how well our existing bonds are rated by the investment community. Currently, the District is rated by Moody's Investor Services as Aa3. In the Moody's Investors Service Annual Comment on West Shore SD, they indicated that," The credit position for West Shore SD is strong, and its Aa3 rating is level with the median rating of Aa3 US school districts. The notable credit factors include a healthy financial position, a strong wealth and income profile and a healthy tax base. The credit position also reflects a light debt burden and a moderate pension liability.

Table A-8
Governmental Activities Long-Term Liability Comparison

	June 30	
	2018	2017
General obligation debt	\$ 31.1	\$ 35.7
Bond premium (discount)	1.9	0.3
Capital leases	0.1	0.2
Compensated absences	1.5	1.6
Net OPEB liability	13.2	5.0
Net pension liability	177.6	170.8
Total governmental long-term liabilities	\$ 225.4	\$ 213.7

Each year, the District pays down a portion of its debt. The scheduled redemptions for 2018 totaled \$3,995,000. The long-term liabilities balance at the end of each year reflects the prior year-end balance, plus new issues and less redemptions. Component changes to the general obligation debt, plus activity related to other components of long-term liabilities are presented in the notes to the financials on pages FS-33 through FS-51.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Table A-9 compares the 2019 budget, approved on June 14, 2018, to the final 2018 budget.

Table A-9
Comparison of Budgets
Years Ended June 30, 2019 and 2018

	2019	2018	Change in Dollars
Total revenues	\$ 118.4	\$ 114.1	\$ 4.3
Total expenditures	113.5	113.1	(0.4)
Revenues over (under) expenditures	5.0	1.0	4.0
Other financing sources (uses)	(5.0)	-	(5.0)
Net change in fund balances	\$ (0.0)	\$ 1.0	\$ 1.0

The budget for 2018-2019 represents a 3.8% increase in revenues and a 0.4% increase in expenditures from the 2017-2018 budgeted amounts. The increased revenue relates to local and state sources other than taxes.

CONTACTING THE DISTRICT

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office by mail at West Shore School District, 507 Fishing Creek Road, PO Box 803, New Cumberland, PA 17070, or by phone at (717) 938-9577. This audit report may also be viewed on our website located at www.wssd.k12.pa.us.

WEST SHORE SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 20,783,529	\$ 992,357	\$ 21,775,886	\$ 24,518
Investments	21,128,901	-	21,128,901	737,988
Taxes receivable (net of allowance for uncollectibles)	7,701,023	-	7,701,023	-
Internal balances	109,219	(109,219)	-	-
Due from other governments	5,331,218	191,025	5,522,243	-
Other receivables	85,387	546	85,933	-
Prepaid expenses	491,475	-	491,475	2,500
Inventories	209,347	64,531	273,878	-
Amounts receivable from life insurance contracts	950,345	-	950,345	-
Capital assets not being depreciated	4,780,529	-	4,780,529	-
Capital assets being depreciated, net	72,686,012	212,360	72,898,372	-
Total assets	134,256,985	1,351,600	135,608,585	765,006
Deferred outflows of resources				
Deferred charges on refunding	361,533	-	361,533	-
Deferred outflows for OPEB	1,219,860	30,635	1,250,495	-
Deferred outflows for pension	32,237,708	588,348	32,826,056	-
Total deferred outflows of resources	33,819,101	618,983	34,438,084	-
Liabilities				
Accounts payable	3,451,517	27,865	3,479,382	1,036
Payroll and benefits payable	14,528,933	-	14,528,933	-
Unearned revenues	414,863	68,296	483,159	-
Due to fiduciary funds	11,403	-	11,403	-
Accrued interest on bonds and capital leases payable	132,642	-	132,642	-
Long-term liabilities				
Due within one year	2,613,570	2,074	2,615,644	-
Due in more than one year, net	31,923,902	11,753	31,935,655	-
Net OPEB liability	13,245,086	180,163	13,425,249	-
Net pension liability	177,566,660	3,343,341	180,910,001	-
Total liabilities	243,888,576	3,633,492	247,522,068	1,036
Deferred inflows of resources				
Deferred inflows for OPEB	350,243	6,451	356,694	-
Deferred inflows for pension	5,238,350	80,770	5,319,120	-
Total deferred inflows of resources	5,588,593	87,221	5,675,814	-
Net position				
Invested in capital assets (net of related debt)	44,032,970	212,360	44,245,330	-
Temporarily restricted	-	-	-	27,560
Unrestricted (deficit)	(125,434,053)	(1,962,490)	(127,396,543)	736,410
Total net position (deficit)	\$ (81,401,083)	\$ (1,750,130)	\$ (83,151,213)	\$ 763,970

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental activities								
Instruction	\$ 74,966,052	\$ 326,745	\$ 14,983,894	\$ -	\$ (59,655,413)	\$ -	\$ (59,655,413)	
Instructional student support	7,824,699	-	1,315,135	-	(6,509,564)	-	(6,509,564)	
Administrative and financial support	11,566,431	-	1,030,880	-	(10,535,551)	-	(10,535,551)	
Operation and maintenance of plant	8,620,267	127,019	398,607	-	(8,094,641)	-	(8,094,641)	
Pupil transportation	4,521,817	-	1,549,770	-	(2,972,047)	-	(2,972,047)	
Student activities	1,916,351	230,933	151,196	-	(1,534,222)	-	(1,534,222)	
Community services	176,145	-	14,828	-	(161,317)	-	(161,317)	
Interest on long-term debt	990,230	-	-	653,029	(337,201)	-	(337,201)	
Unallocated depreciation expense	488,239	-	-	-	(488,239)	-	(488,239)	
Total governmental activities	<u>111,070,231</u>	<u>684,697</u>	<u>19,444,310</u>	<u>653,029</u>	<u>(90,288,195)</u>	<u>-</u>	<u>(90,288,195)</u>	
Business-type activities								
Food service	<u>3,189,240</u>	<u>1,349,963</u>	<u>1,932,483</u>	<u>-</u>	<u>-</u>	<u>93,206</u>	<u>93,206</u>	
Total primary government	<u>\$ 114,259,471</u>	<u>\$ 2,034,660</u>	<u>\$ 21,376,793</u>	<u>\$ 653,029</u>	<u>(90,288,195)</u>	<u>93,206</u>	<u>(90,194,989)</u>	
Component Unit								
West Shore Foundation	<u>\$ 141,302</u>	<u>\$ -</u>	<u>\$ 127,051</u>	<u>\$ -</u>				<u>\$ (14,251)</u>
General revenues								
Taxes								
Real estate taxes					61,357,054	-	61,357,054	-
Personal taxes					546,757	-	546,757	-
Earned income taxes					17,163,752	-	17,163,752	-
Other taxes					1,497,871	-	1,497,871	-
Investment earnings					292,606	4,740	297,346	54,364
Other local revenues					230,785	-	230,785	-
Gain on sale of capital assets					(1,335,978)	588	(1,335,390)	-
State general subsidies					14,878,561	-	14,878,561	-
Total general revenues					<u>94,631,408</u>	<u>5,328</u>	<u>94,636,736</u>	<u>54,364</u>
Changes in net position					4,343,213	98,534	4,441,747	40,113
Net position (deficit) - beginning					<u>(85,744,296)</u>	<u>(1,848,664)</u>	<u>(87,592,960)</u>	<u>723,857</u>
Net position (deficit) - ending					<u>\$ (81,401,083)</u>	<u>\$ (1,750,130)</u>	<u>\$ (83,151,213)</u>	<u>\$ 763,970</u>

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

WEST SHORE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General	Capital Reserve	Debt Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 14,212,799	\$ 6,561,717	\$ 9,013	\$ 20,783,529
Investments	11,071,916	10,056,985	-	21,128,901
Taxes receivable (net of allowance for uncollectibles)	7,701,023	-	-	7,701,023
Due from other funds	109,219	4,441,706	-	4,550,925
Due from other governments	5,331,218	-	-	5,331,218
Other receivables	85,387	-	-	85,387
Prepaid expenses	491,475	-	-	491,475
Inventories	209,347	-	-	209,347
Amounts receivable from life insurance contracts	950,345	-	-	950,345
Total assets	\$ 40,162,729	\$ 21,060,408	\$ 9,013	\$ 61,232,150
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 2,357,692	\$ 1,093,825	\$ -	\$ 3,451,517
Payroll and benefits payable	14,528,933	-	-	14,528,933
Due to other funds	4,453,109	-	-	4,453,109
Unearned revenues	414,863	-	-	414,863
Total liabilities	21,754,597	1,093,825	-	22,848,422
Deferred inflows of resources				
Unavailable tax revenue	4,697,419	-	-	4,697,419
Total deferred inflows of resources	4,697,419	-	-	4,697,419
Fund balances				
Nonspendable				
Inventories	209,347	-	-	209,347
Prepaid expenses	491,475	-	-	491,475
Committed to				
Future retirement costs	500,000	-	-	500,000
Future medical costs	2,000,000	-	-	2,000,000
Capital improvements and debt service	-	19,966,583	-	19,966,583
Assigned to				
Athletics and concessions	27,278	-	-	27,278
Reduction of long-term debt	-	-	9,013	9,013
Unassigned	10,482,613	-	-	10,482,613
Total fund balances	13,710,713	19,966,583	9,013	33,686,309
Total liabilities, deferred inflows of resources and fund balances	\$ 40,162,729	\$ 21,060,408	\$ 9,013	\$ 61,232,150

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

WEST SHORE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - Governmental funds \$ 33,686,309

Amounts presented for governmental activities in the statement of net position are different because:

Capital assets are not financial resources and therefore are not presented as assets in the governmental funds, but are reported in the governmental activities in the statement of net position. At year end, capital assets consist of:

Cost of assets	\$ 165,601,159	
Accumulated depreciation	<u>(88,134,618)</u>	77,466,541

Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures, and therefore are unavailable in the governmental funds. At year end, these taxes receivable consist of:

Real estate taxes	1,377,106	
Personal taxes	145,850	
Earned income taxes	<u>3,174,463</u>	4,697,419

Certain liabilities are not due and payable out of current economic resources, and therefore are not reported as liabilities in the governmental funds. At year end, these liabilities consist of:

Bonds and note payable	(31,074,000)	
Capital lease obligations	(87,856)	
Compensated absences	<u>(1,505,118)</u>	
Long-term and other liabilities	(32,666,974)	
Accrued interest on bonds and note payable	<u>(132,642)</u>	(32,799,616)

Bond discounts (premiums) are presented as expenditures in the governmental funds. At year end, the unamortized bond related costs remaining are:

Bond discounts (premiums)		(1,870,498)
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Refunding bonds issued by the District create deferred charges that are amortized to interest expense over the shorter life between the new and old bonds, are reported as deferred outflow of resources on the statement of net position.

361,533

Certain liabilities, such as net pension and net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds. At year end, these liabilities consist of:

Net pension liability		(177,566,660)
Net OPEB liability		(13,245,086)

Deferred outflows and inflows of resources related to pensions and OPEBs are applicable to future periods and, therefore, are not reported in the governmental funds. At year end these consists of:

Deferred outflows of resources related to pensions	32,237,708	
Deferred inflows of resources related to pensions	<u>(5,238,350)</u>	26,999,358

Deferred outflows of resources related to OPEBs	1,219,860	
Deferred inflows of resources related to OPEBs	<u>(350,243)</u>	869,617

Net position (deficit) - Governmental activities \$ (81,401,083)

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General	Capital Reserve	Debt Service	Total Governmental Funds
Revenues				
Local sources - taxes	\$ 80,662,964	\$ -	\$ -	\$ 80,662,964
Local sources - other	2,640,547	144,018	-	2,784,565
State sources	31,907,150	-	-	31,907,150
Federal sources	1,511,071	-	-	1,511,071
Total revenues	<u>116,721,732</u>	<u>144,018</u>	<u>-</u>	<u>116,865,750</u>
Expenditures				
Instruction	70,595,711	-	-	70,595,711
Support services	31,832,485	-	190,456	32,022,941
Noninstructional services	2,047,905	-	-	2,047,905
Capital outlay	167,570	4,441,706	-	4,609,276
Debt service	4,923,245	-	-	4,923,245
Refunds of prior year's revenues	2,154	-	-	2,154
Total expenditures	<u>109,569,070</u>	<u>4,441,706</u>	<u>190,456</u>	<u>114,201,232</u>
Excess (deficiency) of revenues over expenditures	<u>7,152,662</u>	<u>(4,297,688)</u>	<u>(190,456)</u>	<u>2,664,518</u>
Other financing sources (uses)				
Sale of fixed assets	258,787	-	-	258,787
Transfers from other funds	-	16,621,106	-	16,621,106
Transfers to other funds	(16,621,106)	-	-	(16,621,106)
Proceeds from refunding bonds	-	-	17,693,794	17,693,794
Debt service - refunded bonds	-	-	(17,503,338)	(17,503,338)
Total other financing sources (uses)	<u>(16,362,319)</u>	<u>16,621,106</u>	<u>190,456</u>	<u>449,243</u>
Net change in fund balances	(9,209,657)	12,323,418	-	3,113,761
Fund balances - beginning	<u>22,920,370</u>	<u>7,643,165</u>	<u>9,013</u>	<u>30,572,548</u>
Fund balances - ending	<u>\$ 13,710,713</u>	<u>\$ 19,966,583</u>	<u>\$ 9,013</u>	<u>\$ 33,686,309</u>

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

WEST SHORE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Total net change in fund balances - Governmental funds		\$ 3,113,761
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, and impairments of capital assets are recorded when the impairment becomes known. During the year, the amount by which capital outlays exceed depreciation expense and impairments is as follows:		
Capital outlays	\$ 6,226,516	
Depreciation expense	<u>(5,020,703)</u>	1,205,813
Capital assets-realized loss on sale, adjusted cost basis of the assets exceeded the amount of proceeds received resulting in recognized loss		(1,594,765)
Deferred inflows of resources that do not provide current financial resources in the governmental funds but are earned in the statement of activities. Deferred inflows of resources increased (decreased) during the year as follows:		
Real estate taxes	5,182	
Personal taxes	12,359	
Earned income taxes	<u>(131,715)</u>	(114,174)
Bonds and note proceeds and principal repayments are presented as other financing sources and expenditures (other financing uses if refunded bonds) in the governmental funds. In the statement of activities, proceeds and repayments do not effect net position.		
Proceeds from refunding note issue	(15,875,000)	
Principal repayments	<u>20,545,000</u>	4,670,000
Bond discounts (premiums) and the difference between new bonds and any related refunded bonds are presented as expenditures in the governmental funds, whereas these amounts are unearned and amortized in the statement of activities:		
Bond discounts (premiums) and deferred amount on refunding (Amortization) and accretion, net	(1,372,829)	
	<u>289,556</u>	(1,083,273)
Payments of capital lease obligation principal are presented as expenditures in the governmental funds. The principal repayment reduces the liability for capital leases in the statement of net position.		124,518
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds and note payable and capital leases decreased during the year.		31,314
Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences decreased during the year.		80,305
Payments of other postemployment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other postemployment benefits and changes in deferred inflows and outflows increased during the year.		(168,819)
Pension costs are presented as expenditures in the governmental funds. In the statement of activities, the changes in the unfunded pension obligation and changes in the deferred outflows and inflows related to pensions are reported as additional pension costs. The liability for net pension costs and changes in deferred inflows and outflows increased during the year.		<u>(1,921,467)</u>
Change in net position - Governmental activities		<u><u>\$ 4,343,213</u></u>

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Food Service</u>
Assets	
Cash and cash equivalents	\$ 992,357
Due from other governments	191,025
Other receivables	546
Inventories	<u>64,531</u>
Total current assets	1,248,459
Capital assets being depreciated, net	<u>212,360</u>
Total assets	<u>1,460,819</u>
Deferred outflows of resources	
Deferred outflows for OPEB	30,635
Deferred outflows for pension	<u>588,348</u>
Total deferred outflows of resources	<u>618,983</u>
Liabilities	
Current liabilities	
Accounts payable	27,865
Due to other funds	109,219
Unearned revenue	68,296
Current portion of compensated absences	<u>2,074</u>
Total current liabilities	<u>207,454</u>
Long-term liabilities	
Long term portion of compensated absences	11,753
Net OPEB liability	180,163
Net pension liability	<u>3,343,341</u>
Total long-term liabilities	<u>3,535,257</u>
Total liabilities	<u>3,742,711</u>
Deferred inflows of resources	
Deferred inflows for OPEB	6,451
Deferred inflows for pension	<u>80,770</u>
Total deferred inflows of resources	<u>87,221</u>
Net position	
Invested in capital assets (net of related debt)	212,360
Unrestricted	<u>(1,962,490)</u>
Total net position (deficit)	<u><u>\$ (1,750,130)</u></u>

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Food Service
Operating revenues - Food service revenue	\$ 1,349,963
Operating expenses	
Salaries	880,069
Employee benefits	510,417
Purchased property service	100,465
Other purchased services	1,429,883
Food and milk	204,332
Other supplies	29,396
Depreciation	32,154
Other operating expenses	2,524
Total operating expenses	3,189,240
Operating loss	(1,839,277)
Nonoperating revenues (expenses)	
Earnings on investments	4,740
Loss on disposal fixed assets	(588)
State sources - social security and retirement subsidies	172,582
State sources - meal subsidies	93,275
Federal sources - meal subsidies	1,464,878
Federal sources - donated commodities	202,924
Total nonoperating revenues (expenses)	1,937,811
Change in net position	98,534
Net position (deficit) - beginning, restated	(1,848,664)
Net position (deficit) - ending	\$ (1,750,130)

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Food Service
Operating activities	
Cash received from users	\$ 1,344,554
Cash payments to employees for services	(1,334,028)
Cash payments to suppliers for goods and services	(160,890)
Cash payments for other operating expenses	(1,417,226)
Net cash used for operating activities	(1,567,590)
Non-capital financing activities	
State sources	270,717
Federal sources	1,606,557
Net cash provided by non-capital financing activities	1,877,274
Capital and related financing activities	
Cash payment for equipment	(108,851)
Net cash used for capital and related financing activities	(108,851)
Investing activities	
Earnings on investments	4,740
Net cash provided by investing activities	4,740
Net change in cash and cash equivalents	205,573
Cash and cash equivalents - beginning	786,784
Cash and cash equivalents - ending	\$ 992,357
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (1,839,277)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	32,154
Donated commodities	202,924
Net change in other assets and other liabilities	
Other receivables	1,203
Inventories	(23,263)
Due to other funds	18,194
Accounts payable	12,657
Compensated absences	(2,510)
Unearned revenue	(6,611)
Net OPEB liability	1,961
Net pension liability	34,978
Total adjustments	271,687
Net cash used for operating activities	\$ (1,567,590)

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Private Purpose Trust</u>	<u>Student Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 23,389	\$ 497,057	\$ 520,446
Investments	32,027	-	32,027
Due from other funds	-	11,403	11,403
Total assets	<u>55,416</u>	<u>508,460</u>	<u>563,876</u>
Liabilities			
Due to student groups	<u>-</u>	<u>508,460</u>	<u>508,460</u>
Total liabilities	<u>-</u>	<u>508,460</u>	<u>508,460</u>
Net position - restricted	<u>\$ 55,416</u>	<u>\$ -</u>	<u>\$ 55,416</u>

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

WEST SHORE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
Additions	
Gifts and contributions	\$ 2,975
Interest income	271
Total additions	3,246
Deductions	
Scholarships and awards	4,031
Change in net position	(785)
Net position - beginning	56,201
Net position - ending	\$ 55,416

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Shore School District is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within the boundaries of the Cumberland County municipalities of Lemoyne Borough, Lower Allen Township, New Cumberland Borough and Wormleysburg Borough and the York County municipalities of Fairview Township, Goldsboro Borough, Lewisberry Borough and Newberry Township. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

Reporting entity

The GASB establishes criteria for determining the activities, organizations and functions of government to be included in the financial statement of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are:

Economic resources received or held by the separate organization are entirely for the direct benefit of the District or its constituents.

The District is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the District is entitled to (or has the ability to) access is significant to the District.

The District has included the West Shore Foundation (the Foundation) as a discretely presented component unit. The financial data of the Foundation is reported in the component unit column in the basic financial statements. This separate column is used to emphasize that the Foundation is legally separate from the District. The Foundation was formed in 1987 for the purpose of supporting projects related to educational programs and to create opportunities for development for the students, staff and community within the West Shore School District. The separate financial statements for the Foundation are available by contacting the District office.

Jointly - governed organizations

The District is a participant in four jointly-governed organizations, each of which is a separate legal entity that offers services to the District and its residents. Each of these entities serves several school districts and/or municipalities and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from the respective entity's administrative office.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Jointly - governed organizations (Cont'd.)

Cumberland County Tax Bureau provides earned income tax collection services.

Capital Area Intermediate Unit provides special education services and programs.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs.

Harrisburg Area Community College provides community college education services and programs.

Basis of presentation

The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) establishes U.S. generally accepted accounting principles for governments. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

Basis of presentation - District-wide financial statements

District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are presented separately from business-type activities which rely to a significant extent, on fees and charges for support.

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation), bonds and notes payable (net of unamortized discounts), net OPEB liability and net pension liability are presented in the statement of net position.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - District-wide financial statements (Cont'd.)

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

Basis of presentation - Fund financial statements

Fund financial statements are also provided for all governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual proprietary funds are presented as separate columns in the fund financial statements. Nonmajor funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund.

Governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are presented as nonoperating revenues and expenses.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

When both restricted and unrestricted resources are available, the District's general policy to use the restricted (primarily operating grants) resources first, then unrestricted resources as they are needed.

The District has the following types of funds:

Governmental Funds – These funds account for the activities through which most of the District's operations are provided.

Proprietary Funds – These funds account for the operations of the District that are financed and operated in a manner similar to private business enterprises.

Fiduciary Funds – These funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the District's own programs.

The District presents the following major governmental funds:

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

An operating budget is adopted prior to the beginning of each year on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. This process includes the publishing of notices by advertisement, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District, and that public hearings are held on the proposed operating budget which are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting (Cont'd.)

Legal budgetary control is maintained at the sub-function/major object level. The Board may approve transfers of funds appropriated to any particular item of expenditure in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval, provided it is not at a higher level than the Board adopted budget.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recognized. Unused encumbrances expire at the end of each year.

Included in the budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

The Capital Reserve Fund is maintained for amounts transferred from the General Fund and the expenditure of those funds for capital outlays or related debt service on capital reserve.

The Debt Service Fund, when applicable, accounts for the refinancing of existing debt.

The District presents the following proprietary fund:

The Food Service Fund accounts for the operations of the cafeterias.

The District presents the following fiduciary funds:

The Private Purpose Trust Fund accounts for assets held by the District in a trustee capacity which are used for various scholarship and award programs for students.

The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits (including pooled investments), and short-term investments with original maturities of three months or less from the date of acquisition.

The types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations.

Investments, including pooled investments, are reported at fair value.

Taxes and taxes receivable

Real estate and personal taxes are levied as of July 1 with a legal, enforceable claim against the property. Amounts not collected within six months (December 31) are considered delinquent and submitted to outside agencies/entities for collection actions.

Receivables and payables between funds

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are presented in the district-wide financial statements as "internal balances". Balances between funds are considered to be short-term items pending periodic repayments.

Inventories and prepaid expenses

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid expenses in both district-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are presented in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous groups with individual costs of less than \$ 5,000 as capital assets for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are presented at historical cost or estimated historical cost if purchased or constructed.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets (Cont'd.)

Major outlays for capital assets and improvements are capitalized when incurred. 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.

Upon sale or retirement, the cost and related accumulated depreciation, if applicable, are eliminated from the respective district-wide and proprietary accounts and any resulting gain or loss is reflected in those accounts.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	40	-
Building improvements and renovations	20 to 40	-
Site improvements	15 to 20	-
Transportation equipment	8	-
Furniture, fixtures and equipment	3 to 15	5 to 12
Library books	7	-
Computer equipment	3	3

Long-term liabilities

In district-wide financial statements, and in proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities. Bond discounts (premiums) and any charges on refundings are amortized over the life of the bonds using the effective interest method.

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (i.e. expense/expenditure) until then. The District has four items that qualify for reporting in this category. These are a deferred pension and OPEB contribution and deferred outflows of resources for pension and OPEBs which are reported in the government-wide statement of net position. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business type activities. These amounts are deferred and amortized over a closed five year period. Deferred changes in OPEB assumptions result from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the OPEB plan, or changes in the internal allocation of the net OPEB liability between governmental and business type activities. It relates to the difference between healthcare cost assumptions and actual experience. It is amortized over an appropriate actuarially determined period of time. Deferred charges on refundings, relates to the district-wide statement of net position. Charges on refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (i.e. revenue) until that time. The District has three types of items that qualify for reporting in this category. The first item, *deferred inflows of resources for pension*, relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over a closed five year period. The second item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources - property taxes and earned income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item, deferred changes in OPEB, results from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the OPEB plan. It relates to the difference between healthcare cost assumptions and actual experience. It is amortized over an appropriate actuarially determined period of time.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Unearned revenues

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

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 PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan description

PSERS is a governmental cost-sharing multiple employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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 one 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.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Benefits provided (Cont'd.)

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 benefits that would have been effective if the member had retired on the day before death.

Contributions

Member contributions:

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

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

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

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Contributions (Cont'd.)

Employer contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the District were \$ 15,679,548 for the year ended June 30, 2018.

Other postemployment benefits other than pensions

The District provides continuation of medical and dental benefits, including prescription drug coverage, to eligible retired employees with 15 years of service with the District and qualified spouses/beneficiaries until the retired employee reaches the age of sixty-five. In order to obtain coverage, retired employees must provide payment of 13.5% of the District premiums. The District pays 86.5% of the premiums.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

Other postemployment benefits - PSERS health insurance premium assistance

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

Benefits provided

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

General Information about the Health Insurance Premium Assistance Program (Cont'd.)

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$ 410,929 for the year ended June 30, 2018.

Net position

Net position (deficit) represents total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. In district-wide financial statements and proprietary fund financial statements, categories of net position are:

Invested in capital assets (net of related debt) - This category presents all capital assets into one component of net position. Accumulated depreciation and outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category presents the net position (deficit) of the District, which is not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

Temporarily restricted (component unit only) - This category presents external time and/or use restrictions imposed by donors.

Permanently restricted (component unit only) - This category presents donor-imposed stipulations that they be maintained permanently with only the income available for specified uses.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Governmental fund balances

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. The District's general policy is to first use restricted funds, if any, prior to using unassigned funds. The classifications of fund balance are:

Nonspendable - Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted - Amounts constrained to be used for a specific purpose as per: External parties, contributors or enabling legislation.

Committed - Amounts constrained to be used for a specific purpose as per: The District's highest level of decision making authority which is the Board of School Directors.

Assigned - Amounts intended to be used for a specific purpose as per: Committee or individual authorized by the Board of School Directors. Under the District's budgetary policies, the Director of Business Affairs may assign amounts for athletics and concessions.

Unassigned - Amounts available for any purpose (amounts that are not Nonspendable, Restricted, Committed or Assigned) in the General Fund.

Estimates

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards

The following reflects only those pronouncements effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for fiscal years beginning after June 15, 2017. The District has implemented GASB 75 in the current year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which the pension liability is measured as of a date other than the most recent fiscal year-end. In that circumstance, the effective date is June 15, 2017. The District has implemented GASB 82 in the current year.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 83 will have on the District's financial statements.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 84 will have on the District's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for reporting periods beginning after June 15, 2017, and earlier application is encouraged. The District has implemented GASB 85 in the current year.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 87 will have on the District's financial statements.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In April 2018, GASB issued Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 88 will have on the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District does not currently anticipate any significant impact on the District's financial statements from these pronouncements.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 2, 2018, the date the financial statements were available to be issued.

RESTATEMENT OF NET POSITION/RESTATEMENT OF BEGINNING BALANCES

The District restated its beginning net position as a result of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It changed the actuarial method of calculating OPEB obligation and includes the deferred outflow of resources entitled *deferred changes of OPEB* assumptions for governmental and business-type activities.

The financial impact of the implementation of GASB Statement No. 75 is as follows:

<u>Government-wide Statement of Net Position</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position (deficit), as previously reported at June 30, 2017	\$ (78,505,033)	\$ (1,717,082)	\$ (80,222,115)
Prior period adjustment			
Implementation of OPEB obligation Standard GASB 75	<u>(7,239,263)</u>	<u>(131,582)</u>	<u>(7,370,845)</u>
Net position (deficit), as restated, at June 30, 2017	<u>\$ (85,744,296)</u>	<u>\$ (1,848,664)</u>	<u>\$ (87,592,960)</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of District Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2018, the District's deposits totaled \$ 8,567,331 and the depository institution balances totaled \$ 10,787,908. Of the depository institution balances, \$ 645,064 was covered by federal depository insurance and \$ 10,142,844 was collateralized by pooled assets. The pooled assets collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

The District also has cash equivalents and investments with Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF) that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statutes for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of \$ 1 per share, but there can be no assurance that the net asset value will not vary from \$ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2018, District deposits in PLGIT and PSDLAF totaled \$ 32,263,948 and \$ 2,623,309, respectively, of these amounts, the investments are comprised of:

PLGIT Prime - a variable rate investment portfolio rated AAAm which requires no minimum balance, no minimum initial investment, and limits the redemptions or exchanges to two per calendar month. The fair value at year-end totals \$ 15,160,928 with no stated maturity date.

PLGIT Term - a fixed term investment portfolio of the Trust with maturity of up to one year. The District terms are 9 to 12 months. This requires a minimum balance of \$ 100,000, a minimum investment period of 60 days, and has a premature withdrawal penalty. The fair value at year-end totals \$ 6,000,000.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk. The weighted average maturity of the securities held by PLGIT and PSDLAF is generally less than 90 days.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy for credit risk. The District's deposits in PLGIT and PSDLAF were rated "AAA_m" by Standard & Poor's.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Cash on hand totaled \$ 2,672 at June 30, 2018.

Cash and cash equivalents are as follows:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Governmental activities	\$ 20,783,529	\$ 21,128,901
Business-type activities	992,357	-
Fiduciary funds	<u>520,446</u>	<u>32,027</u>
Total cash and cash equivalents	<u>\$ 22,296,332</u>	<u>\$ 21,160,928</u>

TAXES RECEIVABLE

Taxes receivable are as follows:

	<u>Taxes</u> <u>Receivable</u> <u>(Gross)</u>	<u>Allowance for</u> <u>Uncollectibles</u>	<u>Taxes</u> <u>Receivable</u> <u>(Net)</u>	<u>Unavailable</u> <u>Tax</u> <u>Revenue</u>
Real estate taxes	\$ 1,937,911	\$ 78,657	\$ 1,859,254	\$ 1,377,106
Personal taxes	338,000	186,759	151,241	145,850
Earned income taxes	<u>5,690,528</u>	<u>-</u>	<u>5,690,528</u>	<u>3,174,463</u>
General Fund	7,966,439	265,416	7,701,023	4,697,419
Full accrual adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,697,419)</u>
Governmental activities	<u>\$ 7,966,439</u>	<u>\$ 265,416</u>	<u>\$ 7,701,023</u>	<u>\$ -</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances were as follows:

Assets		Liabilities	
General Fund	\$ 109,219	\$ 109,219	Food Service Fund
Capital Reserve	4,441,706	4,441,706	General Fund
Fiduciary Fund	11,403	11,403	General Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
Capital Reserve Fund	\$ 16,621,106	\$ 16,621,106	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Governmental Activities	Business-type Activities	Total
Local sources - other taxes	\$ 169,199	\$ -	\$ 169,199
Local sources - other items	378,055	-	378,055
State sources	4,109,979	11,133	4,121,112
Federal sources	673,985	179,892	853,877
	\$ 5,331,218	\$ 191,025	\$ 5,522,243

AMOUNTS RECEIVABLE ON LIFE INSURANCE

The District provides its current and former administrative employees with life insurance coverage through the use of split-dollar endorsement insurance agreements. Under these agreements, the District pays the life insurance premiums and is reimbursed for a portion of the premiums by the employees, predominantly through payroll deductions. The premiums may continue after the employee's retirement under certain circumstances. The District is the owner of all the split-dollar endorsement insurance policies.

Upon the death or termination, other than retirement, of the employee, the District is entitled to receive the greater of the amount of the premiums paid by it toward the policy, or any excess death benefit provided by the policy after payment of death benefits. It has been the District's policy to record a receivable equal to the lesser of the net cash values of the policies or the total accumulated premiums paid, which totals \$ 950,345 at June 30, 2018.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,749,549	\$ 231,829	\$ -	\$ 2,981,378
Construction in progress	<u>1,064,447</u>	<u>1,735,289</u>	<u>(1,000,585)</u>	<u>1,799,151</u>
	<u>3,813,996</u>	<u>1,967,118</u>	<u>(1,000,585)</u>	<u>4,780,529</u>
Capital assets being depreciated				
Site improvements	6,906,889	107,444	(39,094)	6,975,239
Buildings and improvements	134,521,178	3,419,371	(4,145,288)	133,795,261
Furniture, fixtures and equipment	12,919,963	1,664,956	(228,091)	14,356,828
Library books	1,751,660	19,686	-	1,771,346
Transportation equipment	<u>3,873,430</u>	<u>48,526</u>	<u>-</u>	<u>3,921,956</u>
	<u>159,973,120</u>	<u>5,259,983</u>	<u>(4,412,473)</u>	<u>160,820,630</u>
Accumulated depreciation				
Site improvements	(4,815,684)	(228,929)	39,094	(5,005,519)
Buildings and improvements	(64,740,759)	(3,805,734)	2,550,523	(65,995,970)
Furniture, fixtures and equipment	(11,204,359)	(853,788)	228,091	(11,830,056)
Library books	(1,673,588)	(32,496)	-	(1,706,084)
Transportation equipment	<u>(3,497,233)</u>	<u>(99,756)</u>	<u>-</u>	<u>(3,596,989)</u>
	<u>(85,931,623)</u>	<u>(5,020,703)</u>	<u>2,817,708</u>	<u>(88,134,618)</u>
Capital assets being depreciated, net	<u>74,041,497</u>	<u>239,280</u>	<u>(1,594,765)</u>	<u>72,686,012</u>
Governmental activities capital assets, net	<u>\$ 77,855,493</u>	<u>\$ 2,206,398</u>	<u>\$ (2,595,350)</u>	<u>\$ 77,466,541</u>
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 828,731	\$ 108,850	\$ (19,385)	\$ 918,196
Accumulated depreciation				
Furniture and equipment	<u>(692,479)</u>	<u>(32,154)</u>	<u>18,797</u>	<u>(705,836)</u>
Business-type activities capital assets, net	<u>\$ 136,252</u>	<u>\$ 76,696</u>	<u>\$ (588)</u>	<u>\$ 212,360</u>

Included above in the governmental activities' furniture, fixtures and equipment is an asset being purchased under a capital lease obligation. The total cost of the asset and the related accumulated depreciation thereon at June 30, 2018 are \$ 348,212 and \$ 338,540 (net \$ 9,672), respectively.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

CAPITAL ASSETS (Cont'd.)

Depreciation expense was charged to functions/programs as follows:

Governmental activities		
Instruction	\$	2,902,786
Instructional student support		377,798
Administrative and financial support		940,197
Operation and maintenance of plant		177,004
Pupil transportation		120,639
Student activities		14,040
Unallocated depreciation expense		<u>488,239</u>
Total depreciation expenses – Governmental activities	\$	<u>5,020,703</u>
Business-type activities		
Food service	\$	<u>32,154</u>

LONG-TERM LIABILITIES

Changes in the following long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and note payable	\$ 35,744,000	\$ -	\$ (4,670,000)	\$ 31,074,000	\$ 2,350,000
Bond premium (discount)	341,260	1,818,794	(289,556)	1,870,498	-
Capital lease payable	212,374	-	(124,518)	87,856	87,856
Compensated absences	1,585,423	157,509	(237,814)	1,505,118	175,714
Net OPEB liability	12,883,860	1,069,270	(708,044)	13,245,086	-
Net pension liability	<u>170,818,241</u>	<u>34,799,465</u>	<u>(28,051,046)</u>	<u>177,566,660</u>	<u>-</u>
	<u>\$ 221,585,158</u>	<u>\$ 37,845,038</u>	<u>\$ (34,080,978)</u>	<u>\$ 225,349,218</u>	<u>\$ 2,613,570</u>
Business-type activities					
Compensated absences	\$ 16,337	\$ 2,785	\$ (5,295)	\$ 13,827	\$ 2,074
Net OPEB liability	163,794	24,651	(8,282)	180,163	-
Net pension liability	<u>3,225,900</u>	<u>639,345</u>	<u>(521,904)</u>	<u>3,343,341</u>	<u>-</u>
	<u>\$ 3,406,031</u>	<u>\$ 666,781</u>	<u>\$ (535,481)</u>	<u>\$ 3,537,331</u>	<u>\$ 2,074</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Bonds and note payable

Changes in bonds and note payable were as follows:

	<u>Beginning Balance</u>	<u>New Issue</u>	<u>Refunding</u>	<u>Scheduled Redemptions</u>	<u>Ending Balance</u>
Series of 2009 bond	\$ 17,755,000	\$ -	\$ (16,550,000)	\$ -	\$ 1,205,000
Series A of 2011 bond	3,140,000	-	-	(3,140,000)	-
Series of 2016 bond	9,555,000	-	-	(5,000)	9,550,000
Series A of 2016 note	5,294,000	-	-	(850,000)	4,444,000
Series A of 2017 bond	-	-	15,875,000	-	15,875,000
	35,744,000	-	(675,000)	(3,995,000)	31,074,000
Bond premium (discount)	341,260	-	1,818,794	(289,556)	1,870,498
	<u>\$ 36,085,260</u>	<u>\$ -</u>	<u>\$ 1,143,794</u>	<u>\$ (4,284,556)</u>	<u>\$ 32,944,498</u>

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Callable Date</u>	<u>Due Within One Year</u>
Series of 2009	2.00% to 5.00%	May 2029	May 2019	\$ 1,205,000
Series A of 2011	3.00% to 4.00%	November 2017	None	-
Series of 2016	1.65% to 2.00%	September 2028	September 2021	50,000
Series A of 2016	1.20% to 1.35%	August 2021	None	1,090,000
Series A of 2017	2.00% to 5.00%	November 2028	November 2023	5,000
				<u>\$ 2,350,000</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Bonds and note payable (Cont'd.)

Scheduled debt service requirements, payable by the General Fund, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,350,000	\$ 895,516	\$ 3,245,516
2020	2,430,000	818,801	3,248,801
2021	2,507,000	738,260	3,245,260
2022	2,592,000	653,664	3,245,664
2023	2,745,000	560,623	3,305,623
2024 to 2028	15,205,000	1,333,666	16,538,666
2029	<u>3,245,000</u>	<u>33,605</u>	<u>3,278,605</u>
	<u>\$ 31,074,000</u>	<u>\$ 5,034,135</u>	<u>\$ 36,108,135</u>

In August 2017, the District issued its 2017A Series of bonds, which is summarized as follows:

2017A Series of bonds issued	\$ 15,875,000
Payoff 2009 Series of bonds	(16,550,000)
Interest - 2009 Series of bonds	(953,338)
Original issue premium	1,818,794
Bond issue costs	<u>(190,456)</u>
 Amount available to the District	 <u><u>\$ -</u></u>

The advance refunding was to take advantage of favorable interest rates and to restructure future debt service. The advance refunding is expected to realize the District a net savings of approximately \$ 1,436,000 over the life of the new debt.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Capital lease payable

Effective August 1, 2014, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 150,000 of technology equipment. Payments of \$ 39,028 at an interest rate of 1.90% are due each August 1st through the year 2017.

Effective July 7, 2015, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 348,000 of technology equipment. Payments of \$ 89,526 at an interest rate of 1.90% are due each August 1st through the year 2018.

Changes in capital lease payables were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Apple, Inc., 1.90%, annual payments of \$ 39,028, due 8/1/2017	\$ 38,299	\$ -	\$ 38,299	\$ -
Apple, Inc., 1.90%, annual payments of \$ 89,526, due 8/1/2018	174,075	-	86,219	87,856
	\$ 212,374	\$ -	\$ 124,518	\$ 87,856

The future minimum lease obligations and the net present value of these lease payments at June 30, 2018 were as follows:

2018-19	\$ 89,525
Total minimum lease payments	89,525
Less: amounts representing interest	(1,669)
Present value of minimum lease payments	\$ 87,856

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Compensated absences

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for termination payments. The District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires. When an employee retires, the payout is as follows:

Vacation leave – Administrative employees may accumulate up to five days of unused vacation time per year, up to a maximum of 50 days for non-contracted administrators, with additional days granted to contracted administrators. Unused vacation days are paid at retirement based on the retiree's daily rate then in effect.

Sick leave – Teachers, support staff and administrators who retire with at least 15, 15 and 10 years full-time active service with the District, respectively, are eligible to receive a benefit based on the number of unused sick days they have accumulated to the date of retirement based on various options available to the retirees.

Net OPEB liability

District plan

OPEBs are presented in accordance with GASB Statement No. 75, which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

Plan description

Under the collective bargaining agreements with the District's teachers and with its support staff, the District provides for the continuance of medical, prescription drug and dental coverage for employees with 15 years of service with the District until the retiree becomes 65 years of age. The retiree will pay the active monthly contribution amount for each month of coverage. There are also provisions to allow deceased teachers' spouses to stay in the plan by paying the active contribution amount for a maximum of three years beyond the death of the retiree.

The District also provides for the continuance of medical, prescription drug and dental coverage for its retired administrators. The District pays 86.5% of the active contribution amount and the member pays the remaining 13.5%. Three retired administrators and their spouses are eligible to remain in the plan for their lifetimes. Other already retired administrators are eligible for the continuance of their medical prescription drug and dental coverage until age 65; spousal coverage for these other retired administrators ceases at the earlier of the retired member or spouse reaching age 65.

WEST SHORE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Plan description (Cont'd.)

Administrators retiring after July 1, 2006 with at least 15 years of service with the District are also eligible for the continuance of their medical and prescription drug coverage until reaching age 65. Spousal coverage for these administrators ceases at the earlier of the retired member or spouse reaching age 65. The District pays the full single contribution rate for the retired member until the earlier of 10 years after retirement or the member reaching age 65. If the spouse is on the plan, then the member must pay the difference between the single contribution rate and the two-party rate. After the ten years of the District paid benefit, the member and spouse can stay on the plan by paying the full contribution rate until age 65. In addition, administrators retiring after July 1, 2006 with at least 15 years of service to the District are eligible to continue their life insurance coverage for their lifetime. The life insurance coverage is based on the years of service to the District. The District pays the premiums in full, but the retiree is required to contribute the economic benefit value based on their age and amount of insurance coverage.

Retiree's premiums are less than the District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their dependents results in what is known as an "implicit rate subsidy," which creates an additional cost to the District.

Participant information	
Active participants	830
Vested former participants	0
Retired participants	<u>63</u>
	<u>893</u>

At retirement it is assumed that 95% of administrators, 45% of teachers and 25% of support staff are assumed to elect coverage.

Funding policy

The District funds Plan liabilities on a "pay-as-you-go" basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The District has no statutory or contractual obligation to fund the Plan and only does so at the District's discretion.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Actuarial cost method

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.

The changes in the District's total OPEB liability are as follows:

District service cost	\$ 345,878
Interest	141,233
Changes in assumptions	281,558
Benefit payments	(289,265)
Other changes	<u>-</u>
Net changes	479,404
Net OPEB obligation - beginning	<u>5,482,844</u>
 Net OPEB obligation - ending	 <u>\$ 5,962,248</u>

At June 30, 2018, the District reported an OPEB District plan liability of \$ 5,962,248. The District recognized OPEB expense of \$ 508,769. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 259,900	\$ -
Benefit payments subsequent to the measurement date	<u>292,988</u>	<u>-</u>
	<u>\$ 552,888</u>	<u>\$ -</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Actuarial cost method (Cont'd.)

In the year ended June 30, 2018, \$ 292,988 was reported as deferred outflows of resources related to OPEBs resulting from District benefit payments subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense for the year ended June 30 as follows:

2018	\$	21,658
2019		21,658
2020		21,658
2021		21,658
2022		21,658
Thereafter		151,610

Actuarial assumptions

Actuarial assumptions and methods used in the July 2016 actuarial valuation include the following:

Interest rate	3.13%
General inflation rate	2.50%
Wage increases	1% real growth, teachers and administrators a merit increase which varies by age from 2.75% and 0%.
Health care cost trend rate	6.00% in 2017 and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later

The rate of 3.13% is based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017.

Actuarial evaluations on an ongoing basis involve estimates of the reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

WEST SHORE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Net OPEB liability (Cont'd.)

District plan (Cont'd.)

Actuarial assumptions (Cont'd.)

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the District and plan members to that point in time.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities.

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to the financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable.

Sensitivity of the net OPEB liability to change in healthcare cost trend rates

The following presents the net OPEB liability of the District for June 30, 2017, calculated using current healthcare costs trends as well as what the net OPEB liability would be if health cost trends were 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 5,224,449	\$ 5,962,248	\$ 6,845,107

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.13%) or 1% point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Net OPEB liability	\$ 6,426,603	\$ 5,962,248	\$ 5,524,404

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance

At June 30, 2018, the District reported a liability of \$ 7,463,001 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .3663%, which was an increase of .0151 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$ 362,205. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 347,286
Net difference between projected and actual investment earnings	7,890	-
Changes in proportions	278,789	-
Difference between employer contributions and proportionate share of total contributions	-	9,408
Contributions subsequent to the measurement date	<u>410,928</u>	<u>-</u>
	<u>\$ 697,607</u>	<u>\$ 356,694</u>

In the year ended June 30, 2018, \$ 410,928 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

2018	\$ (9,000)
2019	(9,000)
2020	(9,000)
2021	(9,000)
2022	(11,000)
Thereafter	(13,607)

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Actuarial Assumptions

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

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

The following assumptions were used to determine the contribution rate:

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

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

WEST SHORE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Actuarial Assumptions (Cont'd.)

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	<u>23.6%</u>	1.5%
	<u>100%</u>	

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

Discount rate

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

WEST SHORE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

Sensitivity of the System and District's net OPEB liability to change in Healthcare Cost Trend Rates

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

The following presents the net OPEB liability for June 30, 2017, calculated using current healthcare cost trends as well as what the net OPEB liability would be if health cost trends were 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System net OPEB liability (in thousands)	\$ 2,036,880	\$ 2,037,412	\$ 2,037,839
District net OPEB liability	7,461,000	7,463,001	7,465,000

Sensitivity of the System and District's net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.13%) or 1% point higher (4.13%) than the current rate:

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
System net OPEB liability (in thousands)	\$ 2,315,996	\$ 2,037,412	\$ 1,805,991
District net OPEB liability	8,483,000	7,463,001	6,615,000

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

OPEB plan fiduciary net position

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

The combined OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to both OPEB plans are summarized below.

At June 30, 2018, the district reported a combined liability of \$ 13,425,249 for its net OPEB liability. The combined OPEB expense totaled \$ 870,974.

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

	<u>Deferred Outflows of Resources</u>		
	District	PSERS Health Insurance Premium Assistance	Total
	<u>Plan</u>	<u>Assistance</u>	<u>Total</u>
Changes in assumptions	\$ 259,900	\$ -	\$ 259,900
Net difference between projected and actual investment earnings	-	7,890	7,890
Changes in proportion	-	278,789	278,789
Difference between employer contributions and proportionate share of total contributions	-	-	-
Contributions/benefit payments subsequent to the measurement date	<u>292,988</u>	<u>410,928</u>	<u>703,916</u>
	<u>\$ 552,888</u>	<u>\$ 697,607</u>	<u>\$ 1,250,495</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)

OPEB plan fiduciary net position (Cont'd.)

	Deferred Inflows of Resources		
	District Plan	PSERS Health Insurance Premium Assistance	Total
Changes in assumptions	\$ -	\$ 347,286	\$ 347,286
Net difference between projected and actual investment earnings	-	-	-
Changes in proportion	-	-	-
Difference between employer contributions and proportionate share of total contributions	-	9,408	9,408
Contributions/benefit payments subsequent to the measurement date	-	-	-
	<u>\$ -</u>	<u>\$ 356,694</u>	<u>\$ 356,694</u>

In the year ended June 30, 2018, \$ 703,916 was reported as deferred outflows of resources related to OPEB resulting from District contributions/benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

	District Plan	PSERS Health Insurance Premium Assistance	Total
2018	\$ 21,658	\$ (9,000)	\$ 12,658
2019	21,658	(9,000)	12,658
2020	21,658	(9,000)	12,658
2021	21,658	(9,000)	12,658
2022	21,658	(11,000)	10,658
Thereafter	151,610	(13,607)	138,003

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

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 \$ 180,910,001 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 .3663%, which was a decrease of .0151 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$ 17,635,993. 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 projected and actual investment earnings	\$ 1,887,095	\$ -
Difference between expected and actual experience	4,192,242	1,093,160
Changes in assumptions	4,914,537	-
Changes in proportions	6,140,301	4,106,342
Difference between employer contributions and proportionate share of total contributions	12,332	119,618
Contributions subsequent to the measurement date	<u>15,679,548</u>	<u>-</u>
	<u>\$ 32,826,056</u>	<u>\$ 5,319,120</u>

In the year ended June 30, 2018, \$ 15,679,548 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2018	\$ 1,344,000
2019	4,989,000
2020	4,815,000
2021	786,673

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

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

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Actuarial assumptions (Cont'd.)

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)	<u>(20.0%)</u>	1.1%
	<u>100%</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.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

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% point lower (6.25%) or 1% point higher (8.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	\$ 222,684,000	\$ 180,910,001	\$ 145,640,000

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.

OPERATING LEASES

The District has entered into several operating lease agreements in which it has agreed to lease certain pieces of equipment (predominantly copy machines and fiber optic transmission systems) over various time periods. The copier agreements contain termination and "lease-up" trade-in provisions which could allow the District to effectively change the terms of the agreements. Total operating lease payments included in General Fund expenditures for the year ended June 30, 2018 approximated \$ 310,000. Minimum lease rental payments for future years, assuming no voluntary terminations, are expected to be as follows:

2018-19	\$ 265,103
2019-20	233,160
2020-21	230,042
2021-22	<u>13,021</u>
Total	<u>\$ 741,326</u>

The District subleases excess capacity (in the form of a royalty) in its Educational Broadband Station through September 2018 to a commercial entity. Under terms of the agreement, the District currently receives a royalty for the excess capacity in the amount of \$ 121,396 annually, increasing by 3% per year for the remaining term of the agreement.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

RISK MANAGEMENT

Health insurance

The District self-insures its employees' medical, dental and prescription drug benefits and retains independent claims companies to administer the plans. The District obtains reinsurance coverage for the medical and prescription drug benefits through a commercial insurance company, reinsuring claims in excess of \$ 205,000 specific (per person). The District does not reinsure its dental benefits which are subject to a \$ 1,000 per participant liability per year. A summary of the District transactions is as follows:

Cash balance - medical, dental and drug expenses, July 1		\$	4,549,128
District accruals through June 30 and employee co-share			8,234,582
Interest earned			26,895
Benefit claims paid, net of stop loss insurance proceeds	\$ (9,254,828)		
Stop loss insurance premiums	(419,479)		
Administrative and other fees, net	<u>(431,532)</u>		<u>(10,105,839)</u>
Cash balance - medical, dental and drug expenses, June 30			2,704,766
Additional cash available for the month of June			<u>927,538</u>
Total cash available		\$	<u>3,632,304</u>

The amount available for benefit claims was as follows:

Accrual for benefit claims		\$	962,559
Accrual for health insurance premiums on payroll payable			<u>1,855,448</u>
			2,818,007
Cash available for future benefit claims			<u>814,297</u>
Total cash available		\$	<u>3,632,304</u>

Management maintains the accrued medical, dental and drug expenses at a level it believes will be sufficient to pay the estimated amounts of claims that will be incurred but not reported (IBNR). In estimating the expense accrual, management considers advice from its independent claims companies and any extraordinary claims that have been incurred or are expected to be incurred and paid from expendable available financial resources.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

RISK MANAGEMENT (Cont'd.)

Other insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For State unemployment compensation laws, the District is self-insured, which is a common practice for local governmental units. Any unemployment claims are paid by the District on a quarterly basis as incurred.

COMMITMENTS AND CONTINGENCIES

The terms of the District's contract with its teaching staff expires June 2020. The District's contract with its support staff was renewed through December 2020.

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. The District entered into a contract for the Red Mill HVAC and other construction projects during 2018 for a total cost of \$ 4,342,935. For the year ended June 30, 2018, the District incurred approximately \$ 945,594 in costs. The outstanding commitment at June 30, 2018 for this contract totals \$ 3,397,341.

In May 2017, the District adopted the facilities and feasibility study option number one, the feeder school concept. The study was an in-depth review of the school facilities that resulted in a plan for ensuring schools meet the needs of the students. The construction and associated costs will be completed in various phases beginning in 2019-2020 and continuing beyond 2026. The total estimated costs are \$ 218.3 million to \$ 246.7 million. In addition, the District has entered into an agreement with an underwriter to fund up to \$ 118,000,000 in general obligation bonds to begin Phase I and 2 of this project.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and review by the grantor agencies; therefore, any findings or adjustments by the grantor agencies could have an effect on the recorded grants receivable and/or deferred grant revenues, and on the related grant revenues and expenditures.

The District is named as a defendant in various lawsuits, all in the ordinary course of business. The District intends to vigorously defend itself against these actions. Legal counsel for the District has advised that they cannot offer an opinion as to the probable outcome of all such actions. In the opinion of management, the ultimate liabilities, if any, resulting from these claims will not have a material adverse effect on the financial position of the District.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2018

SUBSEQUENT EVENTS

In August 2018, the District entered into a capital lease totaling \$ 119,100 to purchase computers. The lease term is 4 years requiring annual payments totaling \$ 30,838.

In October 2018, the Board of Directors approved a contract for a new roof for the Fairview Elementary School totaling \$ 229,720.

WEST SHORE SCHOOL DISTRICT
BUDGETARY COMPARISON INFORMATION - GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources - taxes	\$ 78,394,099	\$ 78,394,099	\$ 80,662,964	\$ 2,268,865
Local sources - other	2,241,514	2,241,514	2,640,547	399,033
State sources	32,062,423	32,062,423	31,907,150	(155,273)
Federal sources	1,419,207	1,419,207	1,511,071	91,864
Total revenues	114,117,243	114,117,243	116,721,732	2,604,489
Expenditures				
Regular programs	52,253,322	50,791,630	50,688,463	103,167
Special programs	15,903,131	17,607,282	16,803,844	803,438
Vocational programs	1,197,302	1,197,302	1,197,302	-
Other instructional programs	1,389,966	1,300,438	1,299,783	655
Non-public school program	-	2,245	2,245	-
Adult education programs	-	604,074	604,074	-
Community college programs	604,471	397	-	397
Pupil personnel	3,860,573	3,981,443	3,959,357	22,086
Instructional staff	1,298,077	1,460,281	1,432,255	28,026
Administration	6,949,513	6,861,675	6,817,244	44,431
Pupil health	1,781,771	1,921,264	1,897,157	24,107
Business	1,327,009	1,164,108	1,157,573	6,535
Operation and maintenance of plant	9,220,078	8,708,228	8,695,975	12,253
Student transportation	4,993,880	4,460,882	4,458,395	2,487
Support services - central	3,268,288	3,327,154	3,321,902	5,252
Other support services	92,827	92,827	92,626	201
Student activities	1,727,788	1,875,934	1,872,721	3,213
Community services	90,094	176,402	175,185	1,217
Capital outlay	844,640	188,527	167,570	20,957
Debt service (principal and interest)	6,337,609	4,923,246	4,923,245	1
Refunds of prior year's revenues	-	6,908	2,154	4,754
Total expenditures	113,140,339	110,652,247	109,569,070	1,083,177
Excess (deficiency) of revenues over expenditures	976,904	3,464,996	7,152,662	3,687,666
Other financing sources (uses)				
Sale of fixed assets	-	-	258,787	258,787
Transfers (in) out	(832,110)	(3,620,202)	(16,621,106)	(13,000,904)
Budgetary reserve	(300,000)	-	-	-
Net changes in fund balances	(155,206)	(155,206)	(9,209,657)	(9,054,451)
Fund balance - beginning	11,426,000	11,426,000	22,920,370	11,494,370
Fund balance - ending	\$ 11,270,794	\$ 11,270,794	\$ 13,710,713	\$ 2,439,919

Note: Separately budgeted expenditures for school sponsored athletics are reflected as part of the student activities budget amounts.

WEST SHORE SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
 LAST 10 FISCAL YEARS*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered- Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered- Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2018	0.3663%	\$ 7,463,001	\$ 48,769,224	15.30%	5.73%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2018	3.13%
------	-------

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 DISTRICT OPEB PLAN
 LAST 10 FISCAL YEARS*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered-Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered-Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2018	100.00%	\$ 5,962,248	\$ 43,556,499	13.69%	100.00%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2018	3.13%
------	-------

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
LAST 10 FISCAL YEARS*

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered- Employee Payroll
June 30, 2018	\$ 410,929	\$ 410,929	-	\$ 49,399,962	0.83%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2018	3.13%
------	-------

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
DISTRICT OPEB PLAN
LAST 10 FISCAL YEARS*

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered- Employee Payroll
June 30, 2018	\$ 292,988	\$ 292,988	\$ -	\$ 43,556,499	0.67%

Notes to Schedule

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2018	3.13%
------	-------

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Year Ended	District Proportion of the Net Pension Liability	District Proportionate Share of the Net Pension Liability	District's Covered Employee Payroll	District Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2018	0.3663%	\$ 180,910,001	\$ 48,769,224	370.95%	51.84%
June 30, 2017	0.3512%	174,044,141	45,486,864	382.63%	50.14%
June 30, 2016	0.3487%	151,039,699	44,867,367	336.64%	54.36%
June 30, 2015	0.3645%	144,271,714	46,514,777	310.16%	57.24%

Notes to Schedule

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Year Ended	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/ (Deficiency)	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2018	\$ 15,679,548	\$ 15,679,548	\$ -	\$ 49,399,962	31.74%
June 30, 2017	13,861,115	13,861,115	-	47,469,572	29.20%
June 30, 2016	11,178,595	11,178,595	-	44,714,380	25.00%
June 30, 2015	9,016,230	9,016,230	-	44,028,029	20.50%

Notes to Schedule

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.