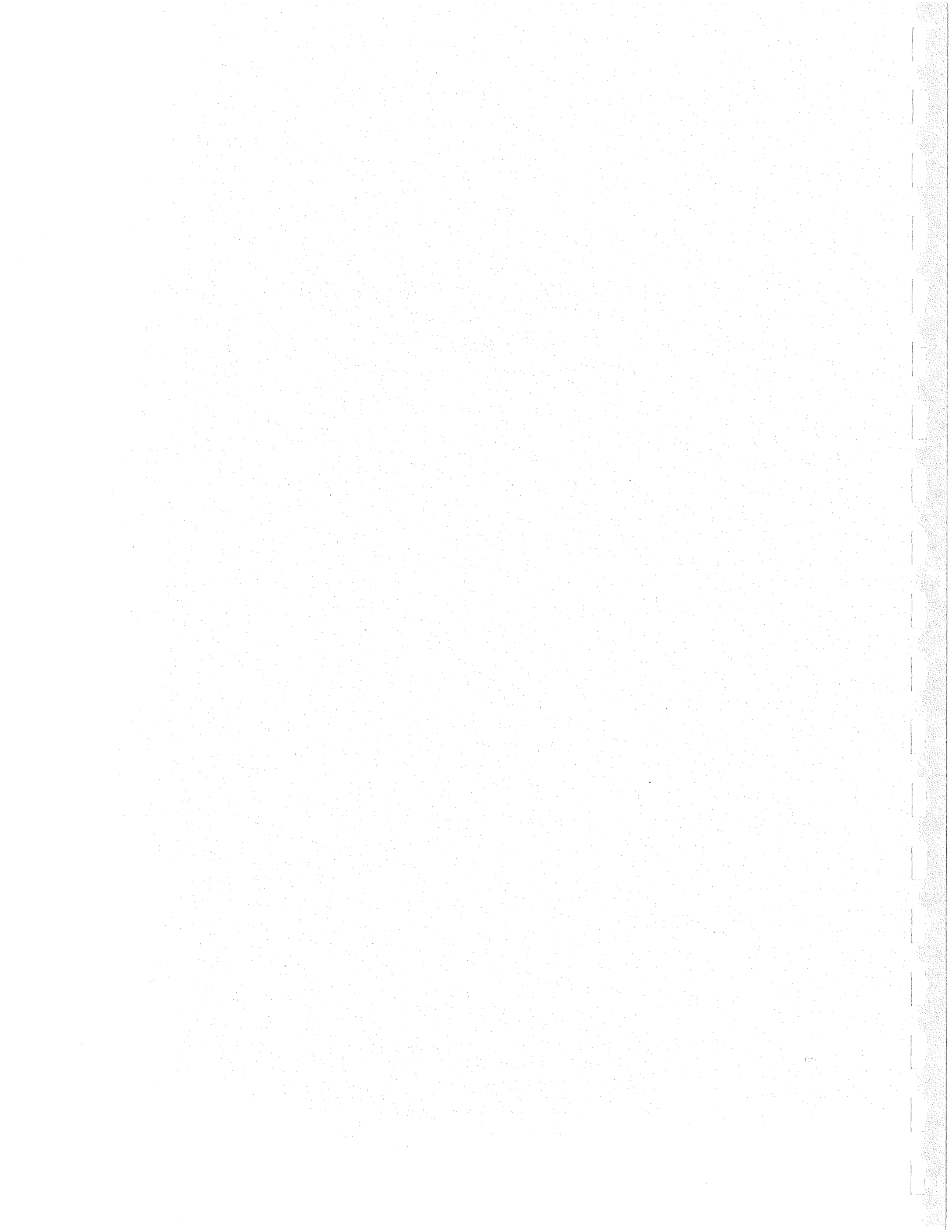


***LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
SINGLE AUDIT
For the year ended June 30, 2008***

***FORGETT & KERSTETTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
10 DEDAY ALLEY
SELINGROVE, PA 17870***



FORGETT & KERSTETTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10 Deday Alley
Selinsgrove, PA 17870
Telephone: (570) 743-4460
Fax: (570) 743-4666

Susan Forgett Rheam, CPA
E-Mail: sforgett@ptd.net

Laura M. Kerstetter, CPA
E-Mail: lauraker@ptd.net

INDEPENDENT AUDITOR'S REPORT

To The Members of the Board of Directors
of the Lewisburg Area School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewisburg Area School District, Lewisburg, Pennsylvania, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lewisburg Area School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lewisburg Area School District, Lewisburg, Pennsylvania as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 8, 2008, on our consideration of the Lewisburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages III through XIV and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewisburg Area School District, Lewisburg, Pennsylvania basic financial statements. The combining nonmajor governmental funds financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor governmental funds financial statement and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

October 8, 2008

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
For The Year Ended June 30, 2008

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
<i>BASIC FINANCIAL STATEMENTS:</i>	
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</i>	
STATEMENT OF NET ASSETS	1
STATEMENT OF ACTIVITIES	2
<i>FUND FINANCIAL STATEMENTS:</i>	
BALANCE SHEET - GOVERNMENTAL FUNDS	3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	5
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	6
STATEMENT OF NET ASSETS – PROPRIETARY FUND	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS – PROPRIETARY FUND	8
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	9

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
For The Year Ended June 30, 2008

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS	10
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND	11
NOTES TO FINANCIAL STATEMENTS	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND	30
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
<u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	33
<u>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</u>	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37
LIST OF REPORT DISTRIBUTION	38

Discussion and Analysis for the
Fiscal Year Ended June 30, 2008
(Unaudited)

The discussion and analysis of Lewisburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review any notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007-08 are as followed:

The Net Change in the Fund Balance for Governmental Funds increased by \$496,409. Total Governmental Fund revenues were \$25,796,936 compared to expenditures and other financing sources in the amount of \$25,300,527.

General fund revenues were \$25,425,743 with other funds having total revenues of \$371,193. General fund revenues consist of 69.8% local revenue, 24.0% state revenue, 0.9% federal revenues and 5.3% from proceeds of extended term financing. Other revenue funds consist of the Food Service Fund with revenues of \$709,966.

The School District had \$24,488,766 in general fund expenses that include \$416,184 for expenses that were reimbursed to the district with federal grants. Debt service and capital outlay expenditures included within the general fund were \$3,687,789 or 15.1% of the total expenses.

Major renovations were completed follows:

- High School – Guaranteed energy saving performance contract costing \$1,340,953
- Kelly Elementary modular classrooms at a cost of \$118,072.
- District wide Area Network Infrastructure upgrade in the amount of \$237,617.
- Classroom equipment and computers in the amount of \$243,256
- High School Hallway replacement in the amount of \$47,300.

The district also completed updates and additions on our district WAN (wide are network) system at a cost of \$243,256. Future plans for capital improvements are to renovate the Donald H. Eichhorn Middle School gym floor, bleachers, locker room lockers and resurface the outdoor track located at the Pawling Athletic Complex.

The district's fund equity includes reserves established by Board policy at an amount equal to 6% of the district's budgeted expenses, in addition to compensated absences, and post retirement benefits. Any excess surplus above this criteria is used as a fund balance transfer in the next years budget to eliminate or to have a minimum tax increase.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lewisburg Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also looks at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Lewisburg Area School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007-2008" These statements include all assets and liabilities using the accrual basis of accounting for expenses and modified accrual basis for revenues, which is similar to the accounting methods used by most private-sector companies.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. The School District's major funds are the general fund, capital reserve fund, and food service fund.

General Fund – The general fund accounts for all financial resources of the district except those that are specifically required by law to be accounted for in another fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. The general fund information will help you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Special Revenue Funds – Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Lewisburg Area School District maintains a Capital Reserve Fund that is restricted to capital improvement expenditures.

Capital Projects Fund – Accounts for financial resources to acquire or construct major capital facilities. All fund proceeds for Capital Projects should be accounted for in this fund. The sale of general obligation bonds is the most common source of revenue. The Lewisburg Area School District no longer maintains a Capital Projects Fund since all major renovations have been completed.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities. This fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the expenses of providing the goods or services are recovered through fees and user charges rather than taxes. The district Food Service Fund is considered a proprietary fund and should operate as self-funded with no support from local taxpayers.

Fiduciary Funds – Account for funds held by the district purely in a trustee capacity. The district currently is trustee of the A C Slifer Fund that is used to support and enhance the High School rose garden and any other shrubs that may enhance the landscaping of the district. The district also maintains several other scholarships funds. Student Activity Funds that are controlled by various student organizations and funded by student fundraisers.

FINANCIAL STATEMENTS

**Governmental Funds
Balance Sheet
Ending June 30th**

	General Fund	Capital Reserve Fund	Nonmajor Funds	2008		Nonmajor Funds	2007 Total Governmental Funds
				Total Governmental Funds	General Fund		
ASSETS							
Cash & Cash Equivalents	\$4,039,825	\$876,947	\$4,056	\$4,920,828	\$2,389,326	\$1,645,536	\$4,034,862
Taxes Receivable (Net)	\$748,711	\$0	\$0	\$748,711	\$1,030,359	\$0	\$1,030,359
Due from Other Funds	\$335,993	\$78,183	\$23,002	\$437,178	\$195	\$12,572	\$12,767
Due From Other Gov't	\$320,214	\$0	\$0	\$320,214	\$238,992	\$0	\$238,992
Other Receivables	\$163,910	\$0	\$0	\$163,910	\$93,956	\$0	\$93,956
TOTAL ASSETS	\$5,608,653	\$955,130	\$27,058	\$6,590,841	\$3,752,828	\$1,658,108	\$5,410,936
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$541,550	\$71,171	\$0	\$612,721	\$65,247	\$437,076	\$502,323
Due to Other Funds	\$253,476	\$0	\$130,553	\$384,029	\$12,572	\$0	\$12,572
Accrued Salaries/Benefits	\$1,342,892	\$0	\$0	\$1,342,892	\$1,135,302	\$0	\$1,135,302
Deferred Revenues	\$8,734	\$0	\$0	\$8,734	\$14,684	\$0	\$14,684
TOTAL LIABILITIES	\$2,146,652	\$71,171	\$130,553	\$2,348,376	\$1,227,805	\$437,076	\$1,664,881
FUND BALANCES							
Res. for Post Empl. Benefits	\$652,375	\$0	\$0	\$652,375	\$739,215	\$0	\$739,215
Reserve for prepaid Exp.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved-Designated	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved-Undesignated	\$2,809,626	\$883,959	-\$103,495	\$3,590,090	\$0	\$0	\$0
General Fund	\$0	\$0	\$0	\$0	\$1,785,808	\$0	\$1,785,808
Special Revenue Fund	\$0	\$0	\$0	\$0	\$0	\$39,604	\$39,604
Capital Projects	\$0	\$0	\$0	\$0	\$0	\$1,181,428	\$1,181,428
TOTAL FUND BALANCES	\$3,462,001	\$883,959	-\$103,495	\$4,242,465	\$2,525,023	\$1,221,032	\$3,746,055
TOTAL LIABILITIES AND FUND BALANCES	\$5,608,653	\$955,130	\$27,058	\$6,590,841	\$3,752,828	\$1,658,108	\$5,410,936

STATEMENT OF ACTIVITIES
Fiscal Year End June 30th

	Governmental Activities	Business-type Activities	2008 Total	Governmental Activities	Business-type Activities	2007 Total
Revenues						
Program Revenues:						
Charges for services	\$149,558	\$412,680	\$562,238	\$233,769	\$417,096	\$650,865
Operating grants and contributions	\$3,716,428	\$281,385	\$3,997,813	\$3,340,360	\$268,345	\$3,608,705
Capital grants and contributions	\$0	\$0	\$0	\$0	\$0	\$0
General revenues:						
Property taxes	\$11,869,340	\$0	\$11,869,340	\$10,742,775	\$0	\$10,742,775
Other taxes	\$5,084,765	\$0	\$5,084,765	\$5,178,577	\$0	\$5,178,577
Grants	\$2,890,112	\$0	\$2,890,112	\$2,833,446	\$0	\$2,833,446
Subsidies and contrib., unrestricted	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$529,789	\$15,901	\$545,690	\$539,536	\$26,761	\$566,297
Total revenues	\$24,239,992	\$709,966	\$24,949,958	\$22,868,463	\$712,202	\$23,580,665
Expenses						
Instruction	\$13,944,052	\$0	\$13,944,052	\$13,408,636	\$0	\$13,408,636
Instructional student support	\$2,222,715	\$0	\$2,222,715	\$2,089,722	\$0	\$2,089,722
Administrative and financial support	\$1,560,796	\$0	\$1,560,796	\$1,550,442	\$0	\$1,550,442
Operation and maintenance of plants	\$3,264,082	\$0	\$3,264,082	\$1,929,323	\$0	\$1,929,323
Pupil transportation	\$1,207,597	\$0	\$1,207,597	\$1,218,581	\$0	\$1,218,581
Student activities	\$554,743	\$0	\$554,743	\$508,173	\$0	\$508,173
Community services	\$28,849	\$0	\$28,849	\$102,711	\$0	\$102,711
Facilities Improvements	\$0	\$0	\$0	\$293,598	\$0	\$293,598
Interest and Fiscal Charges	\$709,842	\$0	\$709,842	\$819,009	\$0	\$819,009
Food services	\$0	\$808,467	\$808,467	\$0	\$784,899	\$784,899
Total Expenses	\$23,492,676	\$808,467	\$24,301,143	\$21,920,195	\$784,899	\$22,705,094
Increase (decrease) in net assets	\$747,316	-\$98,501	\$648,815	\$948,268	-\$72,697	\$875,571

Net Assets
Fiscal Year End June 30th

	Governmental Activities	Business-type Activities	2008 Total	Governmental Activities	Business-type Activities	2007 Total
Current and other assets	\$6,253,658	\$387,756	\$6,641,414	\$5,398,364	\$311,983	\$5,710,347
Capital assets	<u>\$10,266,088</u>	<u>\$214,887</u>	<u>\$10,480,975</u>	<u>\$10,365,150</u>	<u>\$284,581</u>	<u>\$10,649,731</u>
Total Assets	<u>\$16,519,746</u>	<u>\$602,643</u>	<u>\$17,122,389</u>	<u>\$15,763,514</u>	<u>\$596,564</u>	<u>\$16,360,078</u>
Current and other liabilities	\$3,888,227	\$104,088	\$3,992,315	\$3,482,916	\$1,487	\$3,484,403
Long-term liabilities	<u>\$17,770,906</u>	<u>\$1,979</u>	<u>\$17,772,885</u>	<u>\$18,167,301</u>	<u>\$0</u>	<u>\$18,167,301</u>
Total Liabilities	<u>\$21,659,133</u>	<u>\$106,067</u>	<u>\$21,765,200</u>	<u>\$21,650,217</u>	<u>\$1,487</u>	<u>\$21,651,704</u>
Net Assets Invested in capital assets, net of related debt	(\$8,880,792)	\$214,887	(\$8,665,905)	(\$9,136,503)	\$284,581	(\$8,851,922)
Unrestricted	<u>\$3,741,405</u>	<u>\$281,689</u>	<u>\$4,023,094</u>	<u>\$3,249,800</u>	<u>\$310,496</u>	<u>\$3,560,296</u>
Total Net Assets	<u>(\$5,139,387)</u>	<u>\$496,576</u>	<u>(\$4,642,811)</u>	<u>(\$5,886,703)</u>	<u>\$595,077</u>	<u>(\$5,291,626)</u>

Governmental Activities
Capital Assets – Net of Depreciation
Fiscal Year End June 30th

	2008	2007
Land & Site Improvements	\$368,276	\$408,520
Building and Building Improvements	\$8,931,861	\$9,161,876
Furniture & Equipment	\$965,951	\$794,754
Total	<u>\$10,266,088</u>	<u>\$10,365,150</u>

CHANGE IN NET ASSETS

June 30, 2008

Revenues:

Program Revenues:

Charge For Services	\$ 149,558
Operating Grants and Contributions	<u>\$ 3,716,428</u>
Total Program Revenues	<u>\$ 3,865,986</u>

General Revenues:

Real Property Taxes	\$11,869,340
Other Taxes Levied For General Purposes	\$ 5,084,765
Grants, Subsidies, And Contributions	\$ 2,890,112
Investments Earnings	\$ 325,961
Transfers	\$ - 0 -
Miscellaneous Income	<u>\$ 203,828</u>
Total General Revenues	<u>\$24,239,992</u>

Program Expenses:

Instructional	\$13,944,052
Instructional Student Support	\$ 2,222,715
Administration and Financial Support	\$ 1,560,796
Operations and Maintenance of Plant Services	\$ 3,264,082
Pupil Transportation	\$ 1,207,597
Student Activities	\$ 554,743
Community Services	\$ 28,849
Facilities Improvements	\$ - 0 -
Interest and Financial Charges	<u>\$ 709,842</u>

Total Expenses \$23,492,676

Change In Net Assets \$ 747,316

Net Assets – July 1, 2007 -\$ 5,886,703

Net Assets – June 30, 2008 -\$ 5,139,387

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

Total Fund Balance - Governmental Funds		\$4,242,464
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$22,523,333 and the accumulated depreciation is \$12,257,245.</p>		\$10,266,088
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Bonds/Notes payable	-\$19,146,880	
Accrued interest on bonds/notes	-\$ 180,312	
Compensated Absences	-\$ <u>320,747</u>	-\$19,647,939
Change In Net Assets of Governmental Activities		<u><u>-\$ 5,139,387</u></u>

LEWISBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
For The Year Ended June 30, 2008

	General Fund	Capital Reserve Fund	NonMajor Funds	Total Governmental Funds
REVENUES				
Local Sources				
Real Estate Taxes	\$11,830,803	\$0	\$0	\$11,830,803
Other Taxes	\$5,123,301	\$0	\$0	\$5,123,301
Interest	\$325,961	\$74,475	\$1,072	\$401,508
Revenue From Intermediate Sources	\$251,563	\$0	\$0	\$251,563
Tuition and Fees	\$73,505	\$0	\$0	\$73,505
Revenue From Student Activities	\$23,710	\$0	\$52,343	\$76,053
Other Revenue	\$111,779	\$0	\$16,507	\$128,286
Total Local Sources	\$17,740,622	\$74,475	\$69,922	\$17,885,019
State Sources	\$6,090,714	\$0	\$10,431	\$6,101,145
Federal Sources	\$253,831	\$0	\$0	\$253,831
TOTAL REVENUES	\$24,085,167	\$74,475	\$80,353	\$24,239,995
EXPENDITURES				
Current				
Instruction	\$13,646,022	\$198,814	\$0	\$13,844,836
Support Services	\$6,788,076	\$0	\$0	\$6,788,076
Operation of Noninstructional Services	\$139,852	\$0	\$419,517	\$559,369
Total Current Expenditures	\$20,573,950	\$198,814	\$419,517	\$21,192,281
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	\$1,340,953	\$193,430	\$0	\$1,534,383
Debt Service	\$2,346,836	\$0	\$0	\$2,346,836
TOTAL EXPENDITURES	\$24,261,739	\$392,244	\$419,517	\$25,073,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$176,572)	(\$317,769)	(\$339,164)	(\$833,505)
OTHER FINANCING SOURCES (USES)				
Proceeds of Debt	\$1,340,577	\$0	\$0	\$1,340,577
Interfund Transfers	(\$227,027)	\$20,300	\$196,065	(\$10,662)
TOTAL OTHER FINANCING SOURCES (USES)	\$1,113,550	\$20,300	\$196,065	\$1,329,915
Net Change in Fund Balances	\$936,978	(\$297,469)	(\$143,099)	\$496,410
Fund Balance - July 1,2007	\$2,525,023	\$1,181,428	\$39,604	\$3,746,055
Fund Balance - June 30,2008	\$3,462,001	\$883,959	(\$103,495)	\$4,242,465

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

Net Change in Fund Balance – Total Governmental Funds \$ 496,410

Amounts reported for governmental activities in the statements of net assets are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation	-\$578,558	
Capital outlays	<u>\$479,495</u>	-\$ 99,063

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest increased by this amount this year. -\$1,464

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on the net assets.

Increased Compensated Absences	-\$3,340	
Note Proceeds	-\$1,340,577	
Repayment of Debt Principal	<u>\$1,695,350</u>	\$351,433

Change in Net Assets of Government Activities \$747,316

Governmental Activities

When the need for additional operating funds became apparent, the Board placed a .66 mill levy on real estate taxes. This levy had set the real estate taxes at 13.06 mills of the assessed value. The levy was anticipated to raise \$579,994 in revenue during 2007-2008 fiscal year.

The school districts dependent upon property taxes are hampered by a lack of revenue growth and will regularly need to increase local taxes or eliminate staff and programs. Local taxes and revenues made up 69.4 percent of revenues for Lewisburg Area School District in fiscal year 2007-2008. Revenues are provided from the following sources:

Local Revenues	\$17,740,621
State Revenues	\$ 6,090,714
Federal Revenues	\$ 253,831
Other Revenues	\$ <u>1,340,577</u>
Total Revenues	\$25,425,743

Expenses consisted of the following:

Salaries	46.0%
Benefits	17.7%
Contracted Professional Services	3.8%
Contracted Property Services	7.6%
Transportation / Other Services	8.6%
Supplies	3.8%
Equipment Property	0.2%
Due, Fees, Debt Service Interest	2.9%
Other, Bond Principal Payments	9.4%

The above expenditures were used to support the following:

Instructional Programs	\$13,647,620
Support Services	\$ 6,788,076
Non-Instructional Services	\$ 139,852
Building Improvements	\$ 1,340,953
Debt Service / Other	\$ 2,346,836
Transfers & Miscellaneous	\$ 227,027

The dependence upon local tax revenue is apparent. State subsidies accounted for 24.0% of the district's total revenue for the 2007-2008 school year. The community as a whole is by far the primary supporter for Lewisburg Area School District students.

The School District's Funds

Information about the School District's major funds are stated within our Independent Auditors Report. These funds are accounted for using the modified accrual basis of accounting. The most significant net change is in the General Fund Balance which increased by \$936,978.

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2007-2008 the School District had to amend its general fund budget numerous times, however none were significant. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the School District had \$10,266,088 invested in land, buildings, and equipment net of accumulated depreciation. The primary building improvements for the 2007-2008 fiscal year was a Guaranteed Energy Saving Performance Contract that upgraded lighting fixtures, variable speed pumps, and Heating Ventilation and Air Conditioning Controls.

Debt

As of June 30, 2008 the School District had a total debt of \$19.5 million in bonds and notes net of any interest. Below is a summary of debt for the district's two outstanding bond issues and bank note:

Bond Issue Date	Outstanding Principal
1991 *	\$ 2,110,000
2003 Note	\$ 1,899,894
2005	\$13,840,000
2008 Lease	\$ 1,296,986
Total	<u>\$19,501,652</u>

* The 1991 bond issue was Capital Appreciation Bonds that are not subject to optional or mandatory redemption prior to their stated maturity date.

For the Future

Lewisburg Area School District is strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of a .66 mill-operating levy and collection beginning in July 2007 the School District was able to continue its education programs. However, financially the future is not without a challenge.

While the School District was successful in increasing its tax revenue base by \$579,994 annually, this increase is a one-time increase. Thus management must diligently plan expenses, staying carefully within the School District's five-year plan. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year plan.

Lewisburg Area School District has not anticipated any meaningful growth in State revenue. The concern is with \$73 of every \$100 paid in taxes for the School District coming from local revenues could have a significant impact on the School District's residential taxpayers. This will require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, Lewisburg School District has committed itself to financial excellence for many years. The School District has received outstanding audit reports since 1998 from the Department of The Auditor General and the district's local auditors. Copies are available upon request from the Business Office.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School District's finances, and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ronald Kabonick, Director of Administrative Services at Lewisburg Area School District, 1951 Washington Avenue, Department C.O., Lewisburg, Pa 17837. Or E-Mails to Kabonick_R@dragon.pa.k12.us.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
For The Year Ended June 30, 2008

ASSETS	GOVERNMENTAL		BUSINESS-TYPE
	ACTIVITIES	ACTIVITIES	TOTAL
Current Assets			
Cash and Cash Equivalents	\$ 4,920,828	324,847	5,245,675
Investments	0	0	0
Taxes Receivable, net	748,711	0	748,711
Due From Other Governments	320,214	6,824	327,038
Due From Other Funds	99,995	46,846	146,841
Other Receivables	163,910	0	163,910
Inventories	0	9,239	9,239
Total Current Assets	6,253,658	387,756	6,641,414
Noncurrent Assets			
Land and Site Improvements (Net of Accumulated Depreciation)	368,276	214,887	583,163
Building & Building Improvements (Net of Accumulated Depreciation)	8,931,861	0	8,931,861
Furniture & Equipment (Net of Accumulated Depreciation)	965,951	0	965,951
Total Noncurrent Assets	10,266,088	214,887	10,480,975
TOTAL ASSETS	\$ 16,519,746	602,643	17,122,389
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 612,721	4,093	616,814
Due to Other Funds	46,846	99,995	146,841
Current Portion of Long-Term Debt	1,750,885	0	1,750,885
Accrued Salaries and Benefits	1,342,892	1,979	1,344,871
Deferred Revenues	8,734	0	8,734
Other Current Liabilities	180,313	0	180,313
Total Current Liabilities	3,942,391	106,067	4,048,458
Noncurrent Liabilities			
Bonds and Notes Payable	17,395,995	0	17,395,995
Long-Term Portion of Compensated Absences	320,747	0	320,747
Total Noncurrent Liabilities	17,716,742	0	17,716,742
TOTAL LIABILITIES	21,659,133	106,067	21,765,200
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted	(8,880,792)	214,887	(8,665,905)
Unrestricted	0	0	0
	3,741,405	281,689	4,023,094
TOTAL NET ASSETS	(5,139,387)	496,576	(4,642,811)
TOTAL LIABILITIES AND NET ASSETS	\$ 16,519,746	602,643	17,122,389

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

**BASIC
FINANCIAL STATEMENTS**

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 13,944,052	73,505	2,186,102	0	(11,684,445)	0	(11,684,445)
Instructional Student Support	2,222,715	0	436,248	0	(1,786,467)	0	(1,786,467)
Administrative and Financial Support Services	1,560,796	0	73,604	0	(1,487,192)	0	(1,487,192)
Operation and Maintenance of Plant Services	3,264,082	0	38,130	0	(3,225,952)	0	(3,225,952)
Pupil Transportation	1,207,597	0	706,595	0	(501,002)	0	(501,002)
Student Activities	554,743	76,053	5,479	0	(473,211)	0	(473,211)
Community Services	28,849	0	0	0	(28,849)	0	(28,849)
Interest and Fiscal Charges	709,842	0	270,270	0	(439,572)	0	(439,572)
Total Governmental Activities	23,492,676	149,558	3,716,428	0	(19,626,690)	0	(19,626,690)
Business-type activities:							
Food Service	808,467	412,680	281,385	0	0	(114,402)	(114,402)
Total primary government	\$ 24,301,143	562,238	3,997,813	0	(19,626,690)	(114,402)	(19,741,092)
General revenues:							
Taxes:							
					11,869,340	0	11,869,340
					5,084,765	0	5,084,765
					2,890,112	0	2,890,112
					401,505	15,901	417,406
					128,284	0	128,284
					20,374,006	15,901	20,389,907
					747,316	(98,501)	648,815
					(5,886,703)	595,077	(5,291,626)
					\$ (5,139,387)	496,576	(4,642,811)

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>NONMAJOR FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 4,039,825	876,947	4,056	4,920,828
Taxes Receivable (net)	748,711	0	0	748,711
Due From Other Governments	320,214	0	0	320,214
Due From Other Funds	335,993	78,183	23,002	437,178
Other Receivables	163,910	0	0	163,910
TOTAL ASSETS	\$ 5,608,653	955,130	27,058	6,590,841
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 541,550	71,171	0	612,721
Accrued Salaries and Benefits	1,342,892	0	0	1,342,892
Deferred Revenue	8,734	0	0	8,734
Due to Other Funds	253,476	0	130,553	384,029
TOTAL LIABILITIES	2,146,652	71,171	130,553	2,348,376
FUND BALANCES				
Reserve For Post Employment Benefits	652,375	0	0	652,375
Unreserved - Undesignated				
General Fund	2,809,626	0	0	2,809,626
Special Revenue	0	883,959	(103,495)	780,464
Unreserved - Designated	0	0	0	0
TOTAL FUND BALANCES	3,462,001	883,959	(103,495)	4,242,465
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,608,653	955,130	27,058	6,590,841

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2008

Total Fund Balances - Governmental Funds **\$ 4,242,465**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 22,523,333, and the accumulated depreciation is \$ 12,257,245. 10,266,088

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds/Notes payable	\$ (19,146,880)	
Accrued interest on bonds/notes	\$ (180,313)	
Compensated Absences	\$ <u>(320,747)</u>	<u>(19,647,940)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ (5,139,387)**

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>NONMAJOR FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources				
Real Estate Taxes	\$ 11,830,803	0	0	11,830,803
Other Taxes	5,123,301	0	0	5,123,301
Interest	325,961	74,475	1,072	401,508
Revenue From Intermediate Sources	251,563	0	0	251,563
Tuition and Fees	73,505	0	0	73,505
Revenue From Student Activities	23,710	0	52,343	76,053
Other Revenue	111,779	0	16,507	128,286
Total Local Sources	<u>17,740,622</u>	<u>74,475</u>	<u>69,922</u>	<u>17,885,019</u>
State Sources	6,090,714	0	10,431	6,101,145
Federal Sources	253,831	0	0	253,831
TOTAL REVENUES	<u>24,085,167</u>	<u>74,475</u>	<u>80,353</u>	<u>24,239,995</u>
EXPENDITURES				
Current				
Instruction	13,646,022	198,814	0	13,844,836
Support Services	6,788,076	0	0	6,788,076
Operation of Noninstructional Services	139,852	0	419,517	559,369
Total Current Expenditures	<u>20,573,950</u>	<u>198,814</u>	<u>419,517</u>	<u>21,192,281</u>
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	1,340,953	193,430	0	1,534,383
Total Capital Outlay	<u>1,340,953</u>	<u>193,430</u>	<u>0</u>	<u>1,534,383</u>
Debt Service	<u>2,346,836</u>	<u>0</u>	<u>0</u>	<u>2,346,836</u>
TOTAL EXPENDITURES	<u>24,261,739</u>	<u>392,244</u>	<u>419,517</u>	<u>25,073,500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(176,572)	(317,769)	(339,164)	(833,505)
OTHER FINANCING SOURCES (USES)				
Proceeds of Debt	1,340,577	0	0	1,340,577
Interfund Transfers	(227,027)	20,300	196,065	(10,662)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,113,550</u>	<u>20,300</u>	<u>196,065</u>	<u>1,329,915</u>
Net Change in Fund Balances	936,978	(297,469)	(143,099)	496,410
Fund Balance - July 1, 2007	<u>2,525,023</u>	<u>1,181,428</u>	<u>39,604</u>	<u>3,746,055</u>
Fund Balance - June 30, 2008	<u>\$ 3,462,001</u>	<u>883,959</u>	<u>(103,495)</u>	<u>4,242,465</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 496,410**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation	\$ (578,558)	
Capital outlays	\$ <u>479,495</u>	(99,063)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest increased by this amount this year. (1,464)

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets.

Increase in Compensated Absences	\$ (3,340)	
Note Proceeds	\$ (1,340,577)	
Repayment of Debt Principal	\$ <u>1,695,350</u>	<u>351,433</u>

Change in Net Assets of Governmental Activities **\$ 747,316**

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

	<u>ENTERPRISE FUND FOOD SERVICE</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 324,847
Due From Other Governments	6,824
Due From Other Funds	46,846
Inventories	<u>9,239</u>
Total Current Assets	<u>387,756</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>214,887</u>
Total Noncurrent Assets	<u>214,887</u>
TOTAL ASSETS	<u>\$ 602,643</u>
LIABILITIES	
Current Liabilities	
Compensated Absences Payable	\$ 1,979
Due to Other Funds	99,995
Accounts Payable	<u>4,093</u>
Total Current Liabilities	<u>106,067</u>
Noncurrent Liabilities	<u>0</u>
TOTAL LIABILITIES	<u>106,067</u>
NET ASSETS	
Invested In Capital Assets	214,887
Unrestricted	<u>281,689</u>
TOTAL NET ASSETS	<u>496,576</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 602,643</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended June 30, 2008

		<u>ENTERPRISE FUND FOOD SERVICE</u>
OPERATING REVENUES		
Food Service Revenue	\$	417,980
Total Operating Revenues		<u>417,980</u>
 OPERATING EXPENSES		
Salaries		215,121
Employee Benefits		105,727
Purchased Professional and Technical Service		384,030
Purchased Property Services		0
Supplies		38,979
Depreciation		61,404
Other Operating Expenses		3,206
Total Operating Expenses		<u>808,467</u>
 OPERATING INCOME (LOSS)		 (390,487)
 NONOPERATING REVENUES (EXPENSES)		
Earnings On Investments		15,901
State Sources		48,610
Federal Sources		232,775
Loss on Disposal of Capital Assets		<u>(5,300)</u>
Total Nonoperating Revenues (Expenses)		<u>291,986</u>
 CHANGE IN NET ASSETS		 (98,501)
 NET ASSETS - JULY 1, 2007		 <u>595,077</u>
NET ASSETS - JUNE 30, 2008	\$	<u>496,576</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2008

	<u>ENTERPRISE FUND FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 371,134
Cash Payments to Employees for Services	(320,161)
Cash Payments to Suppliers of Goods and Services	(289,798)
Cash Payments for Other Operating Expenses	<u>(3,206)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(242,031)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	47,696
Federal Sources	<u>196,429</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>244,125</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Equipment Purchases, Net of Disposals	<u>2,990</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>15,901</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>15,901</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,985
CASH AND CASH EQUIVALENTS - JULY 1, 2007	<u>303,862</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2008	<u>\$ 324,847</u>
<hr/>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -	
Net Income (Loss) from Operations	\$ (390,487)
Depreciation	61,404
Donated Commodities	30,436
(Increase)/Decrease in Receivables	(46,846)
(Increase)/Decrease in Inventory	(1,118)
Increase/(Decrease) in Payables	103,893
Increase/(Decrease) in Compensated Absences Payable	<u>687</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (242,031)</u>

The Accompanying Notes Are An Integral Part Of
These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008

	<u>PRIVATE PURPOSE TRUST</u>	<u>AGENCY</u>	<u>TOTALS FIDUCIARY FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 158,124	116,727	274,851
Investments	115,626	0	115,626
TOTAL ASSETS	\$ 273,750	116,727	390,477
LIABILITIES			
Accrued Salaries And Benefits	\$ 0	0	0
Due to Student Groups	0	116,727	116,727
TOTAL LIABILITIES	0	116,727	116,727
NET ASSETS			
Reserved For Scholarships	273,750	0	273,750
TOTAL NET ASSETS	273,750	0	273,750
TOTAL LIABILITIES AND NET ASSETS	\$ 273,750	116,727	390,477

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 For The Year Ended June 30, 2008

		PRIVATE PURPOSE TRUST
ADDITIONS		
Gifts and Contributions	\$	25,540
Earnings on Investments		11,569
Total Additions		37,109
DEDUCTIONS		
Scholarships Awarded/Other Deductions		(17,633)
CHANGE IN NET ASSETS		19,476
NET ASSETS - JULY 1, 2007		254,274
NET ASSETS - JUNE 30, 2008	\$	273,750

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the District

The Lewisburg Area School District provides public education to the residents of three townships and one borough with two elementary schools, one middle school, and one high school in Union County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies all applicable Financial Accounting Standards Board pronouncement issued after November 30, 1989 in accounting and reporting for its proprietary operations. Following are the more significant of the School District's accounting policies.

The Reporting Entity

The Lewisburg Area School District Board of Education is the basic level of government which has financial accountability and control over all activities related to the public school education in the Borough of Lewisburg as well as the townships of Kelly, East Buffalo, Limestone, Buffalo, and Union. The Board receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities.

The Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity" established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school 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 school's reporting entity are financial accountability and the nature and significance of the relationship. This report includes all of the funds of Lewisburg Area School District based on these criteria.

The District participates in the SUN Area Career and Technology Center (SUN ACTC) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ACTC is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ACTC; and the SUN ACTC is maintained as a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ACTC. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ACTC provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ACTC based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocable expenditures is refundable by the SUN ACTC to the member school districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ACTC. The member school districts approve the budget of the SUN ACTC.

Audited financial statements for the year ended June 30, 2008 for the SUN ACTC are available at its business office.

The District's Intermediate Unit is the Central Susquehanna Intermediate Unit #16 located in Montandon, Pennsylvania.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provides a more detailed level of financial information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represents the School Districts major governmental funds.

General Fund – The General Fund constitutes the primary operating fund of the School District in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Capital Reserve Fund - The Capital Reserve Fund accounts for transfers from other funds and related investment earnings for capital outlay not accounted for in another fund.

The following represents the School Districts other governmental funds.

Special Revenue Funds – Special Revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund – The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Food Service - The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

Measurement Focus and Basis of Accounting

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

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgets and Budgetary Accounting

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the General Fund. This is the only fund for which a budget is legally required and for which taxes may be levied.

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

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of the final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Once a budget is approved, it can be amended at the function and object level only by approval of a majority of the members of the Board. Individual amendments during the year were not material in relation to the original appropriations. The Public School Code allows the School Board to authorize budget transfer amendments beginning 90 days after the start of each fiscal year. Supplemental budgetary appropriations approved during the year were to recognize and accept into the fiscal period those unanticipated expenditures associated with federal, state, and local grants and projects which were self-supporting with appropriate revenue sources. All budget appropriations lapse at year end.

The budget data reflected in the financial statements includes the effect of such School Board approved budget transfer amendments and supplemental budgetary appropriations and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditures such as salaries or supplies.

The School Board authorizes any application for grant funding. Upon application for funding, a project budget is submitted which is approved or rejected by the agency awarding the grant funds. Funds thus obtained are subject to the project budget, which supersedes local budgetary action and is excludable from budgetary operations by Section 609 of the school laws of Pennsylvania. The budget amounts reflected in the financial statements are the local budget increased by the individual project budgets.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand and interest-bearing bank deposits and in petty cash and are carried at cost plus accrued interest, which is fair value.

Investments

In accordance with Government Accounting Standards Board (GASB) Statement No. 31, short-term money market investments and interest-bearing investment contracts are reported at amortized cost, provided that the remaining maturity is one year or less at the time of purchase. Long-term investments (maturity of more than one year) are reportable at fair value.

Inventories

On government-wide financial statements and in the proprietary fund, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2008. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

Capital Assets

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

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

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

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Land Improvements	15
Furniture	20
Vehicle	4
Equipment	5 to 15
Computer Software	5
Textbooks	5
Library/Workbooks	10

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over their estimated useful lives of 5-15 years.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Balance Reserve

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for post employment benefits. Net assets have also been reserved for scholarship awards.

Reserve for post employment benefits represents the portion of fund balance set aside for retiree's health, dental and vision insurance costs for the next five years.

Use of Estimates

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

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District provides for an authorized investment program for School District Funds.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of one year or less. Cash and cash equivalents consist of demand deposits at various financial institutions, and the Pennsylvania School District Liquid Asset Fund (PSDLAF). The market values of deposits are equal to the cost of the deposits. The investments of the School District consist of a publicly traded stock held in the AC Slifer Fund. Investments are stated at market value.

The District invests in the Pennsylvania School District Liquid Asset Fund (PSDLAF) as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have characteristics of open-end mutual funds and are not subject to credit risk classification.

At June 30, 2008, the carrying amount of the School District's cash and cash equivalents and investments was \$5,636,152. The depository balances throughout the year were covered by federal depository insurance or by collateral held by the pledging banks trust department. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledge funds.

CASH AND CASH EQUIVALENTS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District has an investment policy that addresses credit risk in general terms. As of June 30, 2008, \$3,809,160 of the District's bank balance of \$3,909,160 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by the pledging bank's trust department	
Not in the District's name	<u>3,809,160</u>
Total	<u>\$ 3,809,160</u>

Reconciliation to Financial Statements

Collateralized Amount Above	\$3,809,160
Plus: Insured Amount	100,000
Plus: Deposits in Investment Pools Considered Cash Equivalents	2,079,239
Less: Outstanding Checks	<u>(469,597)</u>
Carrying Amount - Bank balances	5,518,802
Plus: Petty Cash	<u>1,724</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$5,520,526</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS:

As of June 30, 2008, the School District had the following investments:

Investment

Exxon Stock	\$ 115,626
PA School District Liquid Asset Fund	<u>2,079,239</u>
Total	\$ <u>2,194,865</u>

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliations to Financial Statements

Total Investments Above	\$ 2,194,865
Less: Deposits in Investment Pools Considered Cash Equivalents	<u>(2,079,239)</u>
Total Investments Per Financial Statements	\$ <u>115,626</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2008, the District investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA School District Liquid Asset Fund	AAA
Exxon Stock	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The investments of the School District at June 30, 2008 consist of a publicly traded stock held in the AC Slifer Fund. The present school code does not include provisions for an investment of this type.

		<u>FAIR VALUE</u>	<u>COST</u>
Exxon Stock	\$	<u>115,626</u>	<u>1,982</u>
TOTAL	\$	<u>115,626</u>	<u>1,982</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2008, the following amounts are due from other governmental units.

	General Fund	Enterprise Fund
Federal Pass Through Funds	\$ 139,305	\$ 5,910
State Funds	180,909	914
Total	\$ <u>320,214</u>	\$ <u>6,824</u>

NOTE 4 - PROPERTY TAXES

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$902,154,290 for 2007-08). The municipal tax collector bills and collects property taxes on behalf of the School District. The tax rate for all expenditures in 2007-08 is 13.06 mills (13.06 per \$1,000 assessed valuation). The schedule for property taxes levied for 2007-08 is as follows:

July 1, 2007 through August 31, 2007	2% discount period
September 1, 2007 through October 31, 2007	face payment period
Beginning November 1, 2007	10% penalty period

Taxes become delinquent by December 31, 2007.

NOTE 5 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

Due to/from Other Funds balances as of June 30, 2008 are as follows:

	Due From Other Fund	Due to Other Funds
General Fund	\$ 335,993	\$ 253,476
Capital Reserve Fund	78,183	0
Enterprise Fund	46,846	99,995
Non-Major Governmental Fund	<u>23,002</u>	<u>130,553</u>
	\$ <u>484,024</u>	\$ <u>484,024</u>

Interfund Transfers:

	Transfer To Other Funds	Transfer from Other Funds
General Fund	\$ 227,027	\$ 0
Fiduciary Fund	0	10,662
Capital Reserve Fund	0	20,300
Non-Major Governmental Funds	<u>0</u>	<u>196,065</u>
	\$ <u>227,027</u>	\$ <u>227,027</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 6- CAPITAL ASSETS

Capital Assets are recorded as expenditures in the Governmental Funds at the time of purchase. The amounts recorded for buildings, equipment and land represent primarily estimates of historical cost prepared by an independent appraiser. During the fiscal year ended June 30, 2001, a fixed asset appraisal of assets held was performed and through the use of alternate methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the Lewisburg Area School District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Record, etc., government CPI indexes, and the appraiser's own compilation of experience. Acquisition costs for the items of equipment inventory are also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of asset. Property additions made subsequent to the appraisal are recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2008 is as follows:

GOVERNMENTAL ACTIVITIES

	<u>Balance at July 1, 2007</u>	<u>Net Additions/Deletions</u>	<u>Balance at June 30, 2008</u>
Land and Site Improvements	\$ 719,526	0	719,526
Building and Building Improvements	16,589,262	110,587	16,699,849
Furniture & Equipment	<u>4,735,048</u>	<u>368,910</u>	<u>5,103,958</u>
Total at Cost	22,043,836	479,497	22,523,333
Less: Accumulated Depreciation:			
Land and Site Improvements	(311,006)	(40,244)	(351,250)
Building and Building Improvements	(7,427,386)	(340,602)	(7,767,988)
Furniture and Equipment	<u>(3,940,294)</u>	<u>(197,713)</u>	<u>(4,138,007)</u>
Total Accum. Depreciation	<u>(11,678,686)</u>	<u>(578,559)</u>	<u>(12,257,245)</u>
Governmental Activities Capital Assets, Net	<u>\$10,365,150</u>	<u>(99,062)</u>	<u>10,266,088</u>

BUSINESS-TYPE ACTIVITIES

	<u>Balance at July 1, 2007</u>	<u>Net Additions/Deletions</u>	<u>Balance at June 30, 2008</u>
Furniture and Equipment	\$ 1,047,466	(33,401)	1,014,065
Less: Accumulated Depreciation:	<u>(762,885)</u>	<u>(36,293)</u>	<u>(799,178)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 284,581</u>	<u>(69,694)</u>	<u>214,887</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

NOTE 6- CAPITAL ASSETS (Continued)

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

Government Activities:

Instruction	\$ 335,627
Instructional Student Support	52,608
Administrative and Financial Support Service	36,942
Operation and Maintenance of Plant Service	45,733
Student Activities	12,878
Community Service	683
Facilities Improvement	37,197
Interest and Fiscal Charges	<u>56,891</u>

Total Depreciation Expense – Governmental Activities \$ 558,559

NOTE 7- LONG-TERM DEBT

Bond Series of 1991

The School District issued General Obligation Bonds, Series of 1991, dated August 8, 1991, with an initial stated amount of \$3,886,347 and full maturity amount of \$8,465,000. The School District has undertaken this financing to: (1) provide funds to refund the School District's General Obligation Bonds, 1989 Series; and (2) to pay all the costs of issuing the bonds.

Of the net proceeds of \$3,760,324 (after payments of \$126,023 for underwriter's fees, insurance and other issuance costs) \$3,547,900 was deposited in an irrevocable trust and was used to pay debt service payments of the 1989 Series bonds to and including November 1, 1994, at which time the remaining 1989 bonds were redeemed.

The remaining proceeds, \$212,424, were deposited in the Capital Projects Fund to be used on future projects. Payments to maturity on the 1991 Series are as follows:

Due Date	Maturity Amount	Yield to Maturity	Price	Initial Stated Amount	Original Issue Discount	Debt Service	Year Ending 30-Jun	Fiscal Debt Service
08/15/08	250,000	7.10%	30.500	76,250	173,750	250,000		
02/15/09	55,000	7.10%	29.454	16,200	38,800	55,000	2009	305,000
08/15/09	255,000	7.10%	28.445	72,535	182,465	255,000		
02/15/10	45,000	7.10%	27.469	12,361	32,639	45,000	2010	300,000
08/15/10	260,000	7.10%	26.528	68,973	191,027	260,000		
02/15/11	40,000	7.15%	25.378	10,151	29,849	40,000	2011	300,000
08/15/11	275,000	7.15%	24.502	67,381	207,619	275,000		
02/15/12	30,000	7.15%	23.656	7,097	22,903	30,000	2012	305,000
08/15/12	280,000	7.15%	22.840	63,952	216,048	280,000		
02/15/13	20,000	7.15%	22.051	4,410	15,590	20,000	2013	300,000
08/15/13	290,000	7.15%	21.290	61,741	228,259	290,000		
02/15/14	10,000	7.15%	20.555	2,056	7,944	10,000	2014	300,000
08/15/14	<u>300,000</u>	7.15%	19.846	<u>59,538</u>	<u>240,462</u>	<u>300,000</u>	2015	<u>300,000</u>
	\$ <u>2,110,000</u>			<u>522,645</u>	<u>1,587,355</u>	<u>2,110,000</u>		<u>2,110,000</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

Bond Series of 2005

The School District issued General Obligation Bonds, Series of 1996, dated March 1, 1996, with an aggregate principal amount of \$20,510,000. This financing was undertaken to: (1) refund a portion of the School District's General Obligation Bonds, Series 1992; (2) pay all costs of issuing the Bonds; and (3) pay the costs and expenses of constructing renovations and additions to certain School District buildings.

During the fiscal year ended June 30, 2006, the School District refunded all but the March 15, 2006 maturity of the Bond Series of 1996 with the General Obligation Bonds, Series of 2005 in the amount of \$15,985,000. Payments to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>	<u>Fiscal Debt Service</u>
09/15/08	595,000	265,570	3.15	1,721,769
03/15/09	605,000	256,199	3.25	
09/15/09	620,000	246,368	3.50	1,731,885
03/15/10	630,000	235,517	3.50	
09/15/10	640,000	224,492	3.50	1,732,785
03/15/11	655,000	213,293	3.50	
09/15/11	660,000	201,830	3.75	1,721,285
03/15/12	670,000	189,455	3.70	
09/15/12	690,000	177,060	4.50	1,728,595
03/15/13	700,000	161,535	3.80	
09/15/13	720,000	148,235	4.00	1,732,070
03/15/14	730,000	133,835	4.00	
09/15/14	745,000	119,235	4.00	1,733,570
03/15/15	765,000	104,335	4.00	
09/15/15	960,000	89,035	4.00	2,103,870
03/15/16	985,000	69,835	4.00	
09/15/16	1,000,000	50,135	4.00	2,100,270
03/15/17	1,020,000	30,135	4.10	
09/15/17	<u>450,000</u>	<u>9,225</u>	4.10	<u>459,225</u>
Total	\$ <u>13,840,000</u>	<u>2,925,324</u>		<u>16,765,324</u>

Note Series of 2003

The School District issued General Obligation Bonds, Series of 1998, dated February 1, 1998, with an aggregate principle amount of \$3,440,000. This financing was undertaken to: (1) pay the remaining cost of constructing and renovating the Lewisburg Area High School; (2) undertake certain improvements and renovations to athletic facilities; and (3) pay the cost of issuance of the Series of 1998 Bonds. The net proceeds of \$3,391,660 (after underwriter's discount, original issue premium and accrued interest of \$48,340, net) were deposited into a clearing account. The following amounts were disbursed from the clearing account: 1998 Bond Sinking Fund for accrued interest - \$4,639, costs of issuance - \$30,913, Capital Projects Account to pay costs of constructing and renovating the high school and athletic facilities - \$3,347,108. During the fiscal year ended June 30, 2003, the School District refunded the Bond Series of 1998 with General Obligation Note Series of 2003 in the amount of \$2,748,000.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

Note Series of 2003

Payments to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>	<u>Fiscal Debt Service</u>
8/15/08	47,133	17,760	3.650%	64,893
11/15/08	47,373	17,320	3.650%	64,893
2/15/09	48,016	16,876	3.650%	64,892
5/15/09	49,000	15,893	3.650%	64,893
8/15/09	47,018	15,971	3.650%	62,989
11/15/09	47,457	15,533	3.650%	62,990
2/15/10	47,899	15,090	3.650%	62,989
5/15/10	48,824	14,166	3.650%	62,990
8/15/10	49,333	14,188	3.650%	63,521
11/15/10	49,793	13,728	3.650%	63,521
2/15/11	50,258	13,263	3.650%	63,521
5/15/11	51,144	12,377	3.650%	63,521
8/15/11	51,576	12,317	3.650%	63,893
11/15/11	52,057	11,836	3.650%	63,893
2/15/12	52,543	11,351	3.650%	63,894
5/15/12	53,269	10,624	3.650%	63,893
8/15/12	53,738	10,364	3.650%	64,102
11/15/12	54,240	9,862	3.650%	64,102
2/15/13	54,745	9,356	3.650%	64,101
5/15/13	55,545	8,557	3.650%	64,102
8/15/13	55,865	8,328	3.650%	64,193
11/15/13	56,386	7,807	3.650%	64,193
2/15/14	56,912	7,281	3.650%	64,193
5/15/14	57,664	6,530	3.650%	64,194
8/15/14	56,678	6,212	3.650%	62,890
11/15/14	57,207	5,683	3.650%	62,890
2/15/15	57,740	5,150	3.650%	62,890
5/15/15	58,429	4,461	3.650%	62,890
8/15/15	34,934	4,066	3.650%	39,000
11/15/15	35,260	3,740	3.650%	39,000
2/15/16	35,589	3,411	3.650%	39,000
5/15/16	35,988	3,012	3.650%	39,000
8/15/16	35,819	2,744	3.650%	38,563
11/15/16	36,153	2,409	3.650%	38,562
2/15/17	36,490	2,072	3.650%	38,562
5/15/17	36,887	1,675	3.650%	38,562
8/15/17	36,675	1,388	3.650%	38,063
11/15/17	37,019	1,046	3.650%	38,065
2/15/18	37,362	700	3.650%	38,062
5/15/18	<u>33,678</u>	<u>340</u>	3.650%	<u>33,441</u>
Total	\$ <u>1,899,894</u>	<u>344,485</u>		<u>2,244,379</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

Note Series of 2007

The School District issued General Obligation Note, Series of 2007, dated December 11, 2007, in the amount of \$1,340,577. This financing was incurred to undertake energy conservation improvements to buildings and facilities of the School District and to pay related expenses.

Payments to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>	<u>Fiscal Debt Service</u>
7/01/08	16,560	13,717	4.20%	
10/01/08	16,584	13,692	4.20%	
1/01/09	16,760	13,517	4.20%	
4/01/09	17,228	13,049	4.20%	121,107
7/01/09	17,263	13,014	4.20%	
10/01/09	17,302	12,974	4.20%	
1/01/10	17,486	12,791	4.20%	
4/01/10	17,945	12,332	4.20%	121,107
7/01/10	17,997	12,281	4.20%	
10/01/10	18,051	12,225	4.20%	
1/01/11	18,242	12,034	4.20%	
4/01/11	18,693	11,584	4.20%	121,107
7/01/11	18,760	11,517	4.20%	
10/01/11	18,832	11,445	4.20%	
1/01/12	19,031	11,245	4.20%	
4/01/12	19,353	10,924	4.20%	121,107
7/01/12	19,555	10,721	4.20%	
10/01/12	19,645	10,632	4.20%	
1/01/13	19,853	10,424	4.20%	
4/01/13	20,285	9,992	4.20%	121,107
7/01/13	20,386	9,891	4.20%	
10/01/13	20,493	9,783	4.20%	
1/01/14	20,711	9,566	4.20%	
4/01/14	21,133	9,144	4.20%	121,107
7/01/14	21,253	9,024	4.20%	
10/01/14	21,378	8,898	4.20%	
1/01/15	21,605	8,672	4.20%	
4/01/15	22,017	8,260	4.20%	121,107
7/01/15	22,156	8,121	4.20%	
10/01/15	22,301	7,976	4.20%	
1/01/16	22,537	7,739	4.20%	
4/01/16	22,857	7,420	4.20%	121,107
7/01/16	23,097	7,180	4.20%	
10/01/16	23,262	7,015	4.20%	
1/01/17	23,508	6,768	4.20%	
4/01/17	23,899	6,378	4.20%	121,107
7/01/17	24,078	6,198	4.20%	
10/01/17	24,265	6,011	4.20%	
1/01/18	24,522	5,756	4.20%	
4/01/18	24,901	5,376	4.20%	121,107
7/01/18	25,102	5,174	4.20%	
10/01/18	25,311	4,966	4.20%	
1/01/19	25,579	4,698	4.20%	

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>	<u>Fiscal Debt Service</u>
4/01/19	25,946	4,331	4.20%	121,107
7/01/19	26,170	4,107	4.20%	
10/01/19	26,401	3,875	4.20%	
1/01/20	26,681	3,596	4.20%	
4/01/20	27,000	3,277	4.20%	121,107
7/01/20	27,282	2,995	4.20%	
10/01/20	27,538	2,739	4.20%	
1/01/21	27,830	2,447	4.20%	
4/01/21	28,171	2,105	4.20%	121,107
7/01/21	28,442	1,835	4.20%	
10/01/21	28,724	1,553	4.20%	
1/01/22	29,028	1,249	4.20%	
4/01/22	29,355	921	4.20%	121,107
7/01/22	29,663	624	4.20%	
10/01/22	<u>16,979</u>	<u>317</u>	4.20%	<u>47,583</u>
Total	\$ <u>1,296,986</u>	<u>446,095</u>		<u>1,743,081</u>

A summary of Long-Term Debt transactions for the year ended June 30, 2008 is as follows:

	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>
General Obligation Note Series of 2007	\$ 0	1,340,577	43,591	1,296,986
General Obligation Bonds, Series of 1991	2,415,000	0	305,000	2,110,000
General Obligation Note Series of 2003	2,081,652	0	181,758	1,899,894
General Obligation Note Series of 2005	<u>15,005,000</u>	<u>0</u>	<u>1,165,000</u>	<u>13,840,000</u>
Total Bonds and Note Payable	<u>19,501,652</u>	<u>1,340,577</u>	<u>1,695,349</u>	<u>19,146,880</u>
Compensated Absences	<u>322,940</u>	<u>3,339</u>	<u>0</u>	<u>320,747</u>
Total General Long-Term Debt	\$ <u>19,819,060</u>	<u>1,343,916</u>	<u>1,695,349</u>	<u>19,467,627</u>

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

Summary of debt service requirements to maturity on the outstanding bonds as of June 30, 2008 is as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,750,885	643,593	2,407,247
2010	1,811,195	593,756	2,404,951
2011	1,868,511	539,465	2,407,976
2012	1,920,421	482,544	2,402,965
2013	1,987,607	418,503	2,406,110
2014-2018	9,314,102	987,234	10,301,336
2019-2023	<u>481,390</u>	<u>50,809</u>	<u>532,199</u>
Totals	<u>\$19,146,880</u>	<u>\$3,715,904</u>	<u>\$22,862,784</u>

NOTE 8 - POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides post employment benefits to all teachers and certain others who retire from full or part-time status under qualifications of the Pennsylvania School Employees' Retirement System.

For those retiring after the June 30, 1995 school year and before June 30, 2005, except for the 1998/1999 support staff window and the 1999/2000 Act 93 Administrators window which are described below, the District pays one-half of the cost of the full-time retiree's health care premiums for a period of five years following retirement or until age 65, whichever is less. In the case of part-time retirees, health care benefits equal one-half of those benefiting full-time retirees. The District pays the cost of the eligible full-time support staff retiree's health care, dental and vision premiums for a period of eight years or until age 65; whichever is earlier, for those retiring during the 1998/1999 school years. The employee makes a \$100 per month co-payment toward the health care premiums. The District pays the cost of Act 93 Administrators health care, dental and vision premiums for a period of eight years or until age 65, whichever is earlier, for those who retire between July 1, 1998 and on or before July 1, 2000. Each administrator shall make a co-payment equal to the health insurance subsidy provided by the Pennsylvania School Employees' Retirement System per month toward the health care benefits.

Under the terms of the Collective Bargaining Agreement dated December 9, 2004, for the period July 1, 2005 through June 30, 2007, for those teachers who retire from full-time status under qualifications of the Pennsylvania School Employees Retirement System with 15 years of service in the District and who notify the District by March 1st prior to the school year in which the retirement is effective, the District shall provide a choice of the following:

1. the District will pay one-half of the cost of medical insurance premiums for period of five years following retirement or until age 65, whichever is less. Or,
2. the teacher may elect to receive a \$40,000 cash payment, to be paid in equal installments over a four year period.

Under the terms of the Collective Bargaining Agreement dated December 9, 2004, for the period July 1, 2007 through June 30, 2008, teachers who retire from full-time status under qualifications of the Pennsylvania School Employees Retirement System with 15 years of service in the District and who notify the District by March 1st prior to the school year in which the retirement is effective shall receive a \$40,000 cash payment, to be paid in equal installments over a four year period.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS\
For the Year Ended June 30, 2008

NOTE 9 - OPERATING LEASES

The School District leases its copiers under several lease agreements all having terms of four to five years. It is the procedure of the School District to regularly upgrade the copiers before the lease terms expire. These continually revolving copier leases are classified as operating leases. Current year rental costs are \$67,383. Future annual lease payments are estimated for the next five years at approximately \$60,000 per year.

NOTE 10 - RETIREMENT PLAN

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Diane J. Wert, Office of Financial Management, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.us/publications/cafr/index.htm.

Funding Policy

The contribution policy is set by the Code and requires contributions by active member, employers and the commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) 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 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (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. The contributions required of employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2008, the rate of employer contribution was 7.13% of covered payroll. The 7.13% rate is composed of a pension contribution rate of 6.44% for pension benefits and .69% for health care insurance premium assistance. Before July 1, 1995, school districts and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Lewisburg Area School District's contributions to PSERS for the years ending June 30, 2008, 2007 and 2006 were \$386,752, \$330,811, and \$248,413, respectively. Those amounts are equal to the required contribution for each year.

NOTE 11 - COMPENSATED ABSENCES

The District's sick leave policy provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination and retirement, except as noted in the following paragraphs. The District has no obligation for accumulated sick leave until it is actually taken; therefore a liability was only recognized for those employees who are eligible to retire as of June 30, 2008 under the circumstances outlined below.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 11 - COMPENSATED ABSENCES (Continued)

Upon completion of a minimum of 25 years of teaching or service, the last 15 years in the District, teachers and certain employees under contract shall be eligible to receive a payment of \$60/day for each unused sick day. The estimated liability for future payments of this type including the related benefits is \$255,809 at June 30, 2008.

Each "classified" employee who completes ten years of service in the School District and who qualifies for retirement under PSERS with 25 years credit for service or has reached age 55, is eligible, upon retirement, for compensation based on the following schedule:

The greater of \$600 or:

<u>Years of Service</u>	<u>Payment per Unused Sick Day</u>	<u>Maximum Payment</u>
15 – 19 Years	\$22	\$2,200
20 – 24 Years	\$25	\$3,000
25 – 29 Years	\$28	\$4,480
30 or More Years	\$30	\$5,400

The estimated liability for future payments of this type including the related benefits is \$64,938 at June 30, 2008. For the Proprietary Fund, the estimated liability for future payments of this type is \$1,979 at June 30, 2008. This liability is accrued in the Proprietary Fund in conformity with accounting principles generally accepted in the United States of America. Sabbatical leave is not accrued because of the uncertainty of future amounts payable. These amounts are expended as the sabbatical leave is actually taken.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2008 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 13 - CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The School District has been represented in certain legal interests which routinely occur in local government operations. The effect of these legal proceedings on the financial statements are not known and accordingly no provision for losses has been recorded.

NOTE 14 - NEGATIVE FUND BALANCE

The Athletic Fund reports a negative fund balance at June 30, 2008 of (\$ 103,495). This negative Athletic Fund balance is due to the timing of interfund cash transfers from the General Fund to the Athletic Fund. The fund transfer from General Fund that rectified the deficit occurred July 16, 2008.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND

For The Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Revenues	\$ 17,552,419	17,556,031	17,740,622	184,591
State Program Revenues	5,920,265	6,109,265	6,090,714	(18,551)
Federal Program Revenues	285,726	285,726	253,831	(31,895)
TOTAL REVENUES	23,758,410	23,951,022	24,085,167	134,145
EXPENDITURES				
Current				
Regular Programs	9,504,914	9,717,762	9,648,294	69,468
Special Programs	2,532,183	2,539,703	2,466,671	73,032
Vocational Programs	1,035,736	1,016,769	1,010,417	6,352
Other Instructional Programs	512,189	547,132	520,640	26,492
Adult Education Programs	0	0	0	0
Support Services				
Pupil Personnel Services	835,148	841,245	814,153	27,092
Instructional Staff Services	1,154,237	1,265,753	1,176,628	89,125
Administrative Services	1,236,091	1,208,728	1,183,559	25,169
Pupil Health	177,229	179,446	179,326	120
Business Services	311,466	311,466	303,641	7,825
Operation and Maintenance of Plant Services	2,077,990	2,077,490	1,886,518	190,972
Student Transportation Services	1,394,219	1,299,716	1,207,597	92,119
Central and Other Support Services	36,930	36,930	36,654	276
Operation of Noninstructional Services				
Food Services	0	20,000	19,995	5
Student Activities	97,217	105,004	91,691	13,313
Community Services	63,087	29,087	28,166	921
Capital Outlay	0	1,340,977	1,340,953	24
TOTAL EXPENDITURES	20,968,636	22,537,208	21,914,903	622,305
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,789,774	1,413,814	2,170,264	756,450
OTHER FINANCING SOURCES (USES)				
Proceeds of Debt	0	1,340,577	1,340,577	0
Debt Service	(2,347,375)	(2,347,375)	(2,346,836)	539
Interfund Transfers In (Out)	(344,632)	(344,632)	(227,027)	117,605
Budgetary Reserve	(97,767)	(62,384)	0	62,384
TOTAL OTHER FINANCING SOURCES (USES)	(2,789,774)	(1,413,814)	(1,233,286)	180,528
Net Change in Fund Balances	0	0	936,978	936,978
FUND BALANCE - JULY 1, 2007	2,525,023	2,525,023	2,525,023	1,117,506
FUND BALANCE - JUNE 30, 2008	\$ 2,525,023	2,525,023	3,462,001	2,054,484

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2008

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Deferred> Revenue at July 1, 2007	Receipts Recognized	Expenditures	Accrued <Deferred> Revenue at June 30, 2008
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH PA DEPT. OF EDUCATION										
TITLE I - Academic Achievement	I	84.010	077-07-0227	06-07	2,076	2,076	2,076	0	0	0
TITLE I - Improving Basic Programs	I	84.010	013-080227	07-08	170,896	170,896	0	170,896	170,896	0
TITLE V - Innovative Education	I	84.298	011-080227	07-08	1,724	805	0	1,724	1,724	919
Title II - Improving Teacher Quality	I	84.367	020-070227	06-07	77,968	0	(14,685)	14,685	14,685	0
Title II - Improving Teacher Quality	I	84.367	020-080227	07-08	77,193	66,900	0	58,166	58,166	(8,734)
Total - PA Department of Education						<u>240,677</u>	<u>(12,609)</u>	<u>245,471</u>	<u>245,471</u>	<u>(7,815)</u>
PASSED THROUGH CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16										
Title III - Language Instruction	I	84.365	010-070516	06-07	4,857	4,857	4,857	0	0	0
Title III - Language Instruction	I	84.365	010-080516	07-08	2,238	669	0	2,238	2,238	1,569
IDEA Part B	I	84.027	062-070016	06-07	155,520	67,059	66,875	184	184	0
IDEA Part B	I	84.027	062-040016	07-08	219,142	82,322	0	219,142	219,142	136,820
Total - Intermediate Units						<u>154,907</u>	<u>71,732</u>	<u>221,564</u>	<u>221,564</u>	<u>138,389</u>
Total U.S. Department of Education						<u>395,584</u>	<u>59,123</u>	<u>467,035</u>	<u>467,035</u>	<u>130,574</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED THROUGH PA DEPT. OF PUBLIC WELFARE										
Medical Assistance Program	I	93.778		07-08	117	117	0	117	117	0
Total U.S. Department of Health and Human Services						<u>117</u>	<u>0</u>	<u>117</u>	<u>117</u>	<u>0</u>
U.S. DEPARTMENT OF AGRICULTURE										
PASSED THROUGH PA DEPT. OF EDUCATION										
CHILD NUTRITION CLUSTER										
Food Nutrition - Lunch	I	10.555	362	07-08	N/A	162,548	0	167,197	167,197	4,649
Food Nutrition - Breakfast	I	10.553	365	07-08	N/A	31,225	0	32,440	32,440	1,215
Food Nutrition - Special Milk	I	10.556	364	07-08	N/A	2,657	0	2,703	2,703	46
Total - Child Nutrition Cluster						<u>196,430</u>	<u>0</u>	<u>202,340</u>	<u>202,340</u>	<u>5,910</u>
PASSED THROUGH PA DEPT. OF AGRICULTURE										
Donated Commodities	I	10.550	N/A	07-08	N/A	30,436	0	30,436	30,436	0
Total U.S. Department of Agriculture						<u>226,866</u>	<u>0</u>	<u>232,776</u>	<u>232,776</u>	<u>5,910</u>
TOTAL FEDERAL AWARDS						<u>\$ 622,567</u>	<u>59,123</u>	<u>699,928</u>	<u>699,928</u>	<u>136,484</u>
STATE SOURCES										
Food Nutrition - Lunch & Breakfast	S	N/A	510/511	07-08	N/A	32,048	0	32,962	32,962	914
Total						<u>\$ 32,048</u>	<u>0</u>	<u>32,962</u>	<u>32,962</u>	<u>914</u>
								Major Program Identification:		
								Total Federal Expenditures	\$	699,928
								Programs Selected for Testing:		
								IDEA Part B		219,326
									\$	219,326 / 699,928 = 31.34%

The Accompanying Notes Are An Integral Part Of These Financial Statements.

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

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
For the Year Ended June 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lewisburg Area School District and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DEFERRED REVENUES

Deferred Revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Federal funds received before the eligibility requirements are met are recorded as deferred revenue.

NOTE C – DONATED COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The second GASB 34 implementation guide clarified the recognition of donated commodities on the financial statements. Donated commodities are recognized as revenue when received and not deferred.

FORGETT & KERSTETTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10 Deday Alley
Selinsgrove, PA 17870

Telephone: (570) 743-4460

Fax: (570) 743-4666

Susan Forgett Rheam, CPA

E-Mail: sforgett@ptd.net

Laura M. Kerstetter, CPA

E-Mail: lauraker@ptd.net

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

To The Members of the Board of Directors
of the Lewisburg Area School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewisburg Area School District, Lewisburg, Pennsylvania as of and for the year ended June 30, 2008, which collectively comprise the Lewisburg Area School District's basic financial statements and have issued our report thereon dated October 8, 2008. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Lewisburg Area School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Lewisburg Area School District's financial statements that is more than inconsequential will not be prevented or detected by the Lewisburg Area School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Lewisburg Area School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lewisburg Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

October 8, 2008

FORGETT & KERSTETTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10 Deday Alley
Selinsgrove, PA 17870

Telephone: (570) 743-4460

Fax: (570) 743-4666

Susan Forgett Rheam, CPA

E-Mail: sforgett@ptd.net

Laura M. Kerstetter, CPA

E-Mail: lauraker@ptd.net

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To The Members of the Board of Directors
of the Lewisburg Area School District:

Compliance

We have audited the compliance of the Lewisburg Area School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Lewisburg Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lewisburg Area School District's management. Our responsibility is to express an opinion on the Lewisburg Area School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lewisburg Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Lewisburg Area School District's compliance with those requirements.

In our opinion, the Lewisburg Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Lewisburg Area School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lewisburg Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lewisburg Area School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
October 8, 2008

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS:

- An unqualified opinion has been issued on the financial statements.
- No significant deficiencies in internal control were disclosed by the audit of the financial statements.
- The audit disclosed no noncompliance which is material to the financial statements.
- No significant deficiencies in internal control over the major program IDEA Part B were disclosed in the audit.
- An unqualified opinion has been issued on compliance for major programs.
- The audit disclosed no audit findings required to be reported in accordance with GAGAS.
- The major program is identified as IDEA Part B.
- The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- Lewisburg Area School District does qualify as a low-risk auditee.

2. FINDINGS AND QUESTIONED COSTS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS:

None.

3. FINDINGS AND QUESTIONED COSTS PERTAINING TO FEDERAL AWARDS:

None.

LEWISBURG AREA SCHOOL DISTRICT
LEWISBURG, PENNSYLVANIA
LIST OF REPORT DISTRIBUTION
For The Year Ended June 30, 2008

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
Audit Report	Prothonotary Office - Union County 103 S. Second Street Lewisburg, PA 17837	1
Audit Report	Sun Area Career and Technology Center 815 E. Market Street New Berlin, PA 17855	1
Audit Report	Central Susquehanna Intermediate Unit #16 Box 213 Lewisburg, PA 17837	1
Audit Report	Lewisburg Area School District 1951 Washington Avenue P.O. Box 351 Lewisburg, PA 17837	25
Audit Report	Office of the Budget/Bureau of Audits 303 Walnut Street 6th Floor Verizon Tower Harrisburg, PA 17101-1830 Attn: Subrecipient Review	3
Audit Report	Federal Audit Clearinghouse Bureau of Census 1201 E. Tenth Street Jeffersonville, IN 47132	1

