



CHARTIERS VALLEY SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019



Cypher & Cypher

Accountants | Auditors | Advisors

CHARTIERS VALLEY SCHOOL DISTRICT

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Independent Auditor's Report

Chartiers Valley School District
Pittsburgh, Pennsylvania

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chartiers Valley School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chartiers Valley School District as of June 30, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Proportionate Share of the Net OPEB Liability on Pages i through xiv, 45, and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chartiers Valley School District's basic financial statements. The combining nonmajor fund financial statements and the statement of changes in assets and liabilities – agency funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the statement of changes in assets and liabilities – agency funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the statement of changes in assets and liabilities – agency funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of Chartiers Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chartiers Valley School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chartiers Valley School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in dark ink that reads "Cypher & Cypher". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
January 24, 2020

Management's Discussion and Analysis

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2019**

Our Management's Discussion and Analysis of Chartiers Valley School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The trends of prior years indicated that during the fiscal year 2018-2019, the District would experience another year of increases in the costs for educational instruction. The Board of School Directors approved a budget that included a .4885 tax millage increase. This is a tax increase to the index of 2.4% (.3985) plus special education and pension exceptions increases of .0658. Even with the increase in revenue expected to be generated by the tax increase, the 2018-2019 General Fund budget included a deficit of \$967,957. The majority of the deficit was budgeted to be offset by \$500,000 of the District's debt payment being made directly out of the capital reserve fund with the remaining deficit to be transferred in from the Risk Management Fund of \$467,957.

District-Wide

- Total end of year net position (deficit) of \$(42,434,507) in government and business-type activities represent an increase in the deficit of \$8,625,752 from fiscal year 2017-2018.
- As evident on the Statement of Activities, total general revenue of \$53,093,320 account for 79.87% of total revenues from both governmental and business-type activities. Program specific revenues of \$11,722,653 account for 17.64%.
- Capital assets, net of accumulated depreciation for governmental activities increased \$13,228,381 from fiscal year 2017-2018. Capital assets, net of accumulated depreciation for business-type activities decreased by \$25,775, which was a result of the assets being depreciated.
- Total long-term debt (includes general obligation bonds, extended term financing, other long-term liabilities, net pension liability, and net OPEB obligation) decreased \$4,682,371.

Fund-Level

- The District has General fund revenues of \$65,650,401 and expenditures of \$65,540,401, including transfers, resulting in no change to the fund balance for the year.
- The ending fund balance in the General Fund was \$1,486,659. Of that fund balance, the District assigned \$643,314 to prepaid expenditures. The total fund balance at the end of the year for all governmental funds was \$16,195,315.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

The first two statements are district-wide financial statements- the Statement of Net Position and the Statement of Activities that provide both short-term and long-term information about the district's overall financial position.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data for better understanding of the information provided. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, liabilities deferred inflows and deferred outflows, are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base, condition of school buildings and other facilities, and the performance of the students.

The district-wide financial statements of the District are divided into two categories:

- *Governmental activities* - All of the District's basic services are included here, such as instruction, administration and maintenance of property, plant and equipment. Property taxes, state and federal subsidies, and grants finance most of these activities.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

- *Business type activities* – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds or "major" funds - not the District as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants
- The district establishes other funds to control and manage money for particular purposes (such as for the purchase of capital assets or the payment of long-term debt).

The district has three kinds of funds:

Governmental funds - Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because the information does not encompass the additional long-term focus of the district-wide statements, additional information is provided with the governmental fund statements that explain the relationship (or differences) between them.

Proprietary funds – Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The Food Service Fund is the district's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activity funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide statements because it cannot use these assets to finance its operations. All of the district's fiduciary activities are reported in separate Statements of Fiduciary Net Position.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted above, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2018-2019 fiscal year the District's liabilities exceeded assets by \$42,434,507 at June 30, 2019. At the close of the 2017-2018 fiscal year, liabilities exceeded assets by \$33,808,755, as restated due to implementation of GASB 75.

**Table A-1
Fiscal Year Ended June 30,
Net Position**

	2019			2018		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$33,267,219	\$ 1,426,553	\$34,693,772	\$ 49,526,061	\$1,414,455	\$ 50,940,516
Capital assets	133,027,404	446,059	133,473,463	119,799,023	471,834	120,270,857
Deferred outflows	<u>16,079,189</u>	<u>-</u>	<u>16,079,189</u>	<u>20,568,712</u>	<u>-</u>	<u>20,568,712</u>
Total Assets	<u>\$182,373,812</u>	<u>\$ 1,872,612</u>	<u>\$184,246,424</u>	<u>\$189,893,796</u>	<u>\$1,886,289</u>	<u>\$191,780,085</u>
Current and other liabilities	\$11,599,327	\$ 185,416	\$11,784,653	\$ 12,255,899	\$ 39,249	\$ 12,295,148
Long-term liabilities	206,808,842	-	206,808,842	211,491,213	-	211,491,213
Deferred inflows	<u>8,087,436</u>	<u>-</u>	<u>8,087,436</u>	<u>1,802,479</u>	<u>-</u>	<u>1,802,479</u>
Total Liabilities	<u>\$226,495,515</u>	<u>\$ 185,416</u>	<u>\$226,680,931</u>	<u>\$225,549,591</u>	<u>\$ 39,249</u>	<u>\$225,588,840</u>
Net investment in capital assets, net of related debt	\$48,098,722	\$ 446,059	\$48,544,781	\$ 39,024,843	\$ 471,834	\$ 39,496,677
Restricted	14,695,858	1,241,137	15,936,995	29,752,517	1,375,206	31,127,723
Unrestricted	<u>(106,916,283)</u>	<u>-</u>	<u>(106,916,283)</u>	<u>(104,433,155)</u>	<u>-</u>	<u>(104,433,155)</u>
Total Net Position	<u>\$(44,121,703)</u>	<u>\$ 1,687,196</u>	<u>\$(42,434,507)</u>	<u>\$(35,655,795)</u>	<u>\$1,847,040</u>	<u>\$(33,808,755)</u>

- The District's total net position (deficit) was \$(42,434,507) at June 30, 2019. Net position showed a decrease of \$8,625,752; or 25.51% over that for fiscal year 2017-2018.
- The District's total assets as of June 30, 2019 were \$184,246,424 of which \$23,628,831 or 12.82% consisted of cash and \$133,473,463 or 72.44% consisted of the District's investment in capital assets.
- The District's liabilities as of June 30, 2019 were \$226,680,931 of which \$83,909,996 or 37.02% consisted of general obligation bonds from prior capital projects and \$108,649,000 or 47.93% consisted of the net pension liability.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

- Most of the District's net position is invested in capital assets (buildings, land and equipment) which reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The remaining unrestricted net position is a combination of committed, assigned and unassigned amounts. Any restricted balances are amounts set-aside to fund future purchases or capital projects as planned by the district.

The following table presents information for the Statement of Activities of the District for 2019 and 2018.

**Table A-2
Year ended June 30,**

	2019			2018		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Revenues						
<i>Program revenues</i>						
Charges for services	\$ 928,132	\$ 728,084	\$ 1,656,216	\$ 837,472	\$ 793,714	\$ 1,631,186
Operating grants and contributions	11,030,261	692,392	11,722,653	10,581,550	721,777	11,303,327
Capital grants and contributions	-	-	-	-	-	-
<i>General revenues</i>						
Property and other taxes	46,194,412	-	46,194,412	43,962,014	-	43,962,014
Grants, subsidies and contributions, unrestricted	6,012,688	-	6,012,688	5,918,480	-	5,918,480
Investment earnings	674,999	29,479	704,478	665,483	17,444	682,927
Other	234,917	(53,175)	181,742	(947,583)	492,018	(455,565)
Total Revenues	<u>\$65,075,409</u>	<u>\$ 1,396,780</u>	<u>\$66,472,189</u>	<u>\$61,017,416</u>	<u>\$ 2,024,953</u>	<u>\$63,042,369</u>

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

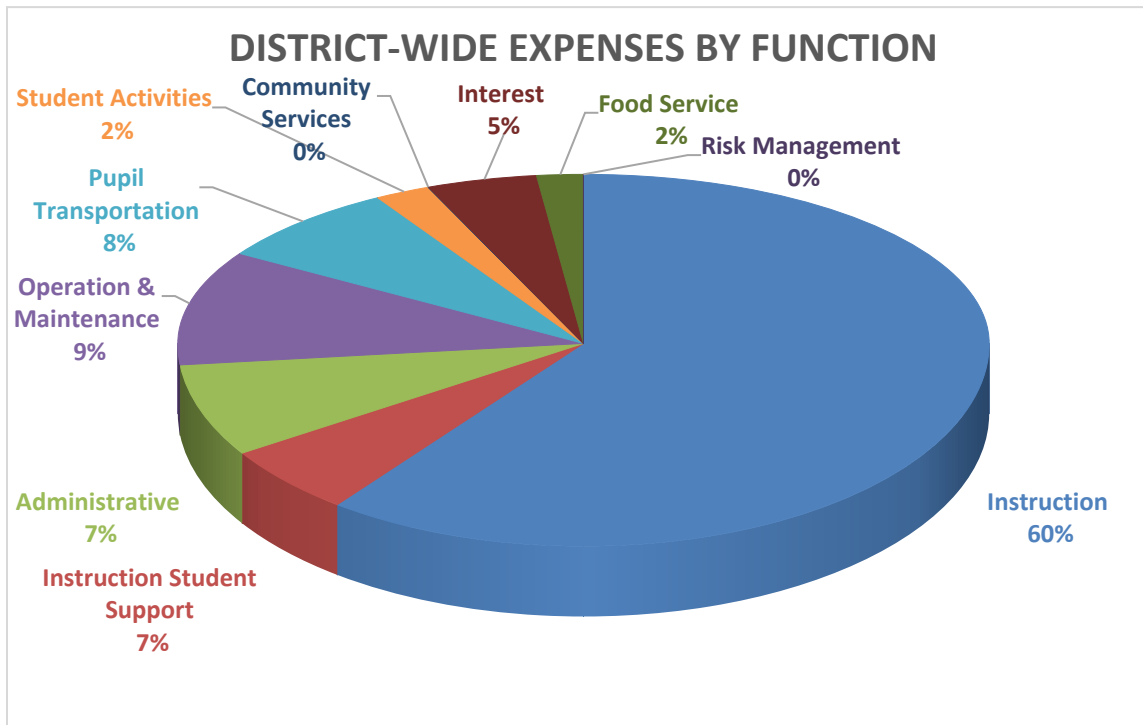
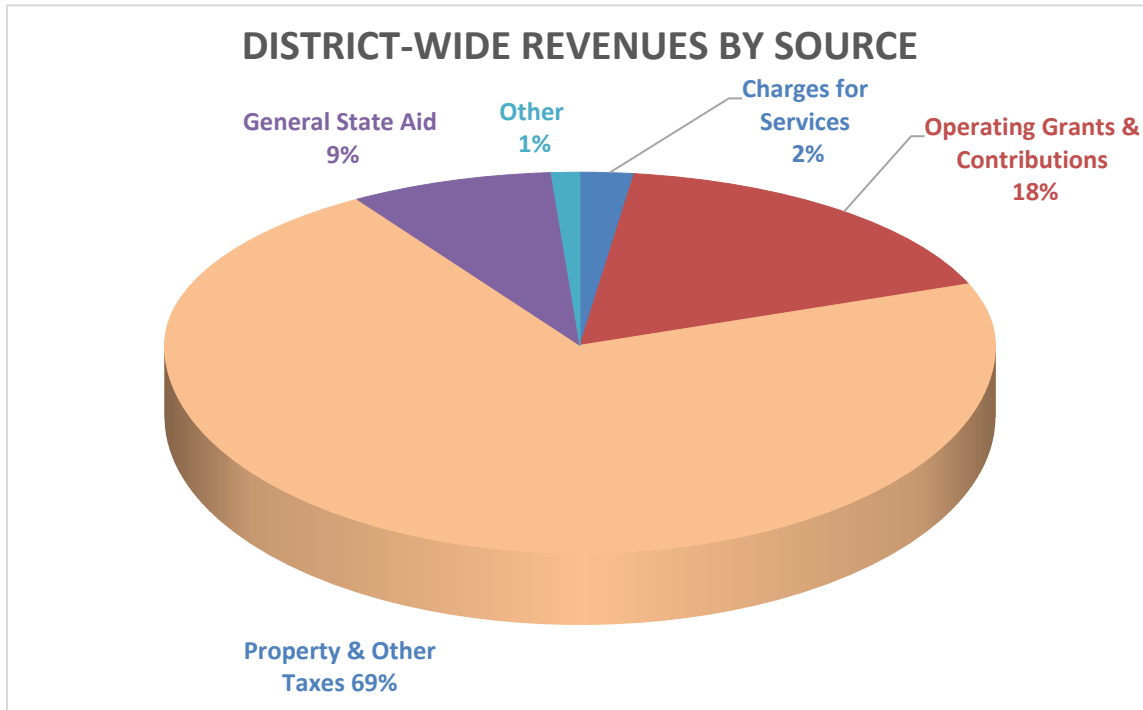
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

	2019			2018		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Expenses						
Instruction	\$ 42,458,579	\$ -	42,458,579	\$ 42,192,866	\$ -	\$ 42,192,866
Instruction student support	3,888,276	-	3,888,276	4,144,942	-	4,144,942
Administrative and financial support	5,202,625	-	5,202,625	4,600,878	-	4,600,878
Operation and maintenance of plant	6,584,427	-	6,584,427	8,163,438	-	8,163,438
Pupil transportation	5,300,688	-	5,300,688	5,319,852	-	5,319,852
Student activities	1,712,896	-	1,712,896	1,874,788	-	1,874,788
Community Service	18,211	-	18,211	13,589	-	13,589
Interest on long-term debt	3,595,807	-	3,595,807	3,370,321	-	3,370,321
Food services	-	1,553,424	1,553,424	-	1,505,907	1,505,907
Risk management	-	3,200	3,200	-	121,662	121,662
Total Expenses	<u>68,761,509</u>	<u>1,556,624</u>	<u>70,318,133</u>	<u>69,680,674</u>	<u>1,627,569</u>	<u>71,308,243</u>
Increase (decrease) in net position	<u>(3,686,100)</u>	<u>(159,844)</u>	<u>(3,845,944)</u>	<u>(8,663,258)</u>	<u>397,384</u>	<u>(8,265,874)</u>
Beginning net position	<u>(40,435,603)</u>	<u>1,847,040</u>	<u>(38,588,563)</u>	<u>(26,992,537)</u>	<u>1,449,656</u>	<u>(25,542,881)</u>
Prior period restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending net position	<u>\$(44,121,703)</u>	<u>\$ 1,687,196</u>	<u>\$(42,434,507)</u>	<u>\$(35,655,795)</u>	<u>\$ 1,847,040</u>	<u>\$(33,808,755)</u>

Overall, the District's financial position has been stable, but challenges such as the following rising expenditures have a potential to impact future years: pension contributions, security costs, special education needs, charter school tuition, state-mandated programs, and aging buildings. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. The District includes four municipalities: Bridgeville Borough, Collier Township, Heidelberg Borough and Scott Township. A majority of the District's tax base is in the form of residential housing which has seen growth in recent years.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)



**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

The *Statement of Activities* provides detail that focuses on how the District finances its services. The Statement of Activities compares the costs of the District largest functions and programs - - instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services and interest on long term debt with the resources those functions and programs generate themselves in the form of program revenues to determine the final amount of the District's activities that are supported by other general revenues.

Table A-3 below shows the District's nine largest functions, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3
Year Ended June 30,**

	2019		2018	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Functions/Programs				
Instruction	\$ 42,458,579	\$ 34,058,593	\$ 42,192,866	\$ 34,245,681
Instruction student support	3,888,276	3,445,998	4,144,942	3,559,582
Administrative	5,202,625	4,786,114	4,600,878	4,227,549
Operation and maintenance	6,584,427	6,093,086	8,163,438	7,728,442
Pupil transportation	5,300,688	3,678,936	5,319,852	3,746,281
Student activities	1,712,896	1,398,917	1,874,788	1,495,008
Community services	18,211	13,888	13,589	11,646
Interest on long-term debt	<u>3,595,807</u>	<u>3,327,584</u>	<u>3,370,321</u>	<u>3,247,463</u>
Total governmental activities	\$ 68,761,509	\$ 56,803,116	\$ 69,680,674	\$ 58,261,652
Less:				
Unrestricted grants, subsidies		<u>6,012,688</u>		<u>5,918,480</u>
Total needs from local taxes and other revenue		<u>\$50,790,428</u>		<u>\$ 52,343,172</u>

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Business-Type Activities

The Food Service Operation and the Risk Management Fund are considered a business activity rather than a government activity, and as such are separately recorded. The Food Service operations are self-funding operations which include the routine replacement of equipment. In 2018-2019, the Food Service cost of operations exceeded the revenue and reported a loss of \$132,948. The District continue to review opportunities to improve and grow the financial operations of food service.

**Table A-4
Year Ended June 30,**

Functions/Programs	2019		2018	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Service	\$ 1,553,424	\$ (132,948)	\$ 1,505,907	\$ (36,819)
Risk Management	3,200	(3,200)	121,662	(75,259)
Add: Unrestricted grants, subsidies		—		—
Total Business-Type Activities, net of transfer		\$ (136,148)		\$ (112,078)

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

General Fund

The General Fund is the District's primary operating fund. The District's General Fund is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. At the conclusion of the 2018-2019 fiscal year, the General Fund's fund balance was \$1,486,659. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2018-2019 fiscal year.

Revenues

Revenues for the 2018-2019 fiscal year were \$64,208,294 compared to \$61,740,886 for the previous fiscal year. The revenues are derived from three main sources as follows:

**Table A-5
Revenues**

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 47,586,377	\$ 45,530,625	\$ 2,055,752	4.52%
State sources	15,753,312	15,336,891	416,421	2.72%
Federal sources	868,605	873,370	(4,765)	-0.55%
Total	\$ 64,208,294	\$ 61,740,886	\$ 2,467,408	4.00%

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (continued)

Local revenues are derived mostly from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Local revenues increased by \$2,055,752 or 4.52%. The increase was due to the tax increase of 0.4643 millage points from 16.6067 to 17.0710 from 2018 to 2019, respectively.

The general 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 measurable and available. Revenues are considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, June 30.

State revenues are derived mostly from state subsidies for basic education, special education and transportation. State revenues also include an approximate 50% reimbursement from the state for social security and retirement costs as well as percentage reimbursement for principal and interest payments for outstanding bond issues. In fiscal year 2018-2019, the District received \$5,103,119 in basic education funding, an increase of \$94,802 from 2017-2018. The District also noted an increase of \$233,178 as a result of an increase in the PSERS employer contribution rate from 32.57% in 2017-2018 to 33.43% in 2018-2019.

Federal revenues primarily include Title I, Title II, III, IV, IDEA and Medical Assistance Reimbursement for Access. The District received allocations for these above mentioned federal programs, specifically regular Title I funds decreased by \$29,963 from 2017-2018 to 2018-2019 funding years. Title II decreased by \$7,583 which was offset by Title IV funding received by the district. ACCESS reimbursements increased \$23,866. ACCESS reimbursements are driven from actual eligible expenditures during each fiscal year.

Expenditures

Expenditures for the General Fund for the 2018-2019 fiscal year were \$65,540,401 compared to the 2017-2018 fiscal year were \$62,940,656. The following table shows the expenditures by object area:

**Table A-5
Expenditures**

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Salaries	\$ 31,074,287	\$ 30,110,240	\$ 964,047	3.20%
Fringe benefits	18,464,494	17,926,500	537,994	3.00%
Professional service	2,978,721	3,366,907	(388,186)	-11.53%
Purchased property				
Service	508,037	1,146,393	(638,356)	-55.68%
Other purchased				
Services	3,678,768	3,855,854	(177,086)	-4.59%
Supplies	2,013,705	1,164,116	849,589	72.98%
Property	1,221,525	93,748	1,127,777	1202.99%
Other objects	3,900,578	3,891,898	8,680	0.22%
Other uses of funds	<u>1,700,286</u>	<u>1,385,000</u>	<u>315,286</u>	22.76%
Total	<u>\$ 65,540,401</u>	<u>\$ 62,940,656</u>	<u>\$ 2,599,745</u>	4.13%

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (continued)

Salaries increased by a total of \$964,047 primarily due to contractual agreements.

Fringe benefits increased by a total of \$537,994 primarily due to the increase in employer retirement fund and a direct result of the increase in salaries.

Professional services, purchased property services and other purchased services decreased from 2017-2018. The professional services decreased by \$388,186, purchased property service decreased by \$638,356, and other purchased services decreased by \$177,086. As previously stated, the district has been aggressively implementing cost efficiencies and reducing unnecessary expenditures wherever possible.

Supplies increased by \$849,589 which is due to a reclassification of expenses to conform with changes to the Pennsylvania Department of Education's Chart of Accounts: Electricity was reclassified from purchased property service object code to a supply object code. The District also brought repairs in-house to reduce costs. In house repairs are classified as supplies rather than repairs and maintenance expenditures.

Property increased by \$1,127,777. This increase includes lease proceeds of \$1,191,464 for the purchase of technology and vehicles.

General Fund Budgetary Highlights

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors. During the fiscal year, the Board of Education (The Board) may authorize revisions to the original budget to accommodate differences from the original budget to actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with actual expenditures and receipts is provided in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget vs. Actual – General Fund.

The General Fund's originally approved budget for 2018-2019 included \$64,851,074 of revenues not including transfers in from other funds.

Actual revenues for 2019 were \$642,780 less than the final budget. The District faced a decrease of approximately \$308,658 of earned income tax revenue due to a change in residency of taxpayers. Additionally, delinquent tax revenues were under budget by approximately \$277,224 due to changes in historical collections.

The final actual expenses were \$1,098,674 less than budget. This decrease can primarily be attributed to reduction of staff costs through attrition, which equated to \$1,013,987.

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The district's investment in capital assets for its governmental and business-type activities as of June 30, 2019 is summarized below:

**Table A-6
Governmental and Business Type Activities
Capital assets - net of depreciation**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land, buildings and improvements	\$ 161,091,574	\$ -	\$ 161,091,574
Equipment and other capital assets	<u>20,647,532</u>	<u>1,310,563</u>	<u>21,958,095</u>
Total	181,739,106	1,310,563	183,049,669
Accumulated depreciation	<u>(48,711,702)</u>	<u>(864,504)</u>	<u>(49,576,206)</u>
Net	<u>\$ 133,027,404</u>	<u>\$ 446,059</u>	<u>\$ 133,473,463</u>

Significant capital purchases during 2018-2019 included capitalizing the construction costs for both the Middle School and High School, the purchase of District vehicles, technology, and various furniture and equipment for the new buildings.

Long Term Liabilities

At June 30, 2019, the District's long-term debt (including the current portion of bonds payable) was \$206,808,842. This includes compensated absences and retiree obligations of \$13,231,160, net pension liability of \$108,649,000, lease obligations of \$ 1,018,686 and general bond obligations of \$83,909,996. Net pension liability and the District's net OPEB obligation both noted significant increase as a result of changes related to reporting under GASB 75. More detailed information about the District's long-term liabilities and the effects of changes due to GASB 75 is included in the notes to the financial statements.

**Table A-7
Outstanding Debt**

	<u>2019</u>
General Obligation Notes/Bonds	
Bonds, Series of 2015A	\$ 13,015,000
Bonds, Series of 2015B	51,870,000
Bonds, Series of 2016	15,045,000
Unamortized Balance	3,979,996
Lease Agreements	1,018,686
Compensated absences	2,261,458
Other post-employment benefits	10,969,702
Net pension liability	<u>108,649,000</u>
Total	<u>\$ 206,808,842</u>

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FUTURE ECONOMIC FACTORS

Act 1 of 2006

On June 27, 2006, Pennsylvania Governor Ed Rendell signed into law Special Session Act 1, also known as the Taxpayer Relief Act, which changed various aspects of Act 72, originally signed into law in July 2004. Act 72 established a distribution mechanism for new revenues expected to be generated from the legalization of slot machines in various area around the state. The main objective of the law was to increase state funding for education, thereby reducing local property taxes, given the relative dependent of local school districts on such taxes.

One significant change contained in the legislation is the expansion of property tax rate limits to all school districts in the state. Beginning in the 2007-2008 fiscal year, school districts were required to hold tax rate increases to an annual index based on the average increase in the statewide average weekly wage and the employment cost index for schools. The index is adjusted upward for school districts whose aid ratios are above .4, a group that represents 80% of all districts in the state. The District's index for 2018-2019 was 2.4%.

In the event a school district wishes to increase the property tax millage rate by more than the index annually prescribed by the state, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index. Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contribution and special education expenditures) over which the school district has no control. Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. Gaming revenue of \$909,568 was received in 2018-2019 from state-wide fund to reduce property taxes. The portion of gaming revenue received by District has been the same since the inception of Act 1 while the overall state gaming revenue as increased over the last several years.

Expenditure impacts for the District are similar to those faced by most districts. Due to economic factors expenses such as insurance benefits, fuel and utilities continue to rise. Retirement contributions mandated by the Commonwealth of Pennsylvania, increased enrollment in Cyber and Charter Schools, and special education costs continue to add stress to school budgets. The increased expenditures combine with restrictions on revenue sources make it more difficult to balance the budget. Close attention to spending for all programs is a necessity.

Pennsylvania School Employment Retirement System (PSERS)

PSERS costs to the District continue to rise as the Pennsylvania pension system remains underfunded. The employer's rate for 2017-2018 was 32.57%. The rate rose to 33.43% in 2018-2019 and projections include additional increases into the future. The increasing pension costs continue to erode any new sources of revenue and impact core educational programs as the District balances the budget on an annual basis.

Charter School Tuition

Charter schools and related funding have become more common in the state. According to state law, a Charters Valley School District resident can send their child to an approved charter school and the district

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

FUTURE ECONOMIC FACTORS (continued)

must pay the tuition (regular ed rate of \$13,308.65; special education rate \$25,019.35 per child for 2018-2019) to the receiving school, and must provide the transportation if the school is within ten miles of the Chartiers Valley School District border. For 2018-2019, the district sent approximately 50 students to charter/cyber schools with a total tuition of \$834,897 paid to the receiving schools. There are proposed bills in the senate and house to improve the impact to school districts.

Capital Improvement Plan

Subsequent to a multifaceted evaluation process that involved all stakeholders, the District embarked on a \$94.6 million construction project for the renovation of the Middle School and the High School Facilities. Funding for the project is comprised of \$70.7 million in bond proceeds with the balance of the project to be funded by the reserves in the Debt Obligation Fund. Middle School students began the 2017-2018 year in the new Middle School Building. Construction continues for the construction and renovations of the High School Building. High School students moved into the new classrooms in January of 2019. The final renovations of the administration offices is on schedule to be completed by December of 2019.

Future Budgets

The Chartiers Valley School District, as with many school districts statewide continues to feel the lagging impact of the recession. We continue to face financial adversity with flat or declining revenues while being challenged to pay for unexpected or uncontrollable costs. While we continue to maintain an adequate fund balance that provides a sense of financial security, we must plan for future upgrades to aging facilities, higher special education costs, increased charter school tuition, healthcare and retirement costs, and unfunded state and federal mandates, changes to the funding levels for the school district that could impact subsidy revenue and potential real estate tax reform.

Collaborative solutions have been key to our success, and really achieving a new mindset of what is essential to spend from School District budget dollars, and what can come from other sources – or not be spent at all – is new territory. While there may be years in which there will be some revenues that actually come in higher than predicted, and expenses may stay under budget when projects are delayed and winters are mild, the effort to balance budgets will continue to require innovative and collaborative thinking to continue the overall success and financial well-being of the School District, so that quality education can be provided to our students and community.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the funds it manages. If you have questions about this report or wish to request additional financial information, please contact Emily Eckman, CPA, Director of Finance and Operations, at Chartiers Valley School District, 2030 Swallow Hill Road, Pittsburgh, PA 15220, (412) 429-2204.

Basic Financial Statements

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,856,297	\$ 142	\$ 1,856,439
Investments	20,390,832	1,381,560	21,772,392
Taxes Receivable (Net)	1,863,811		1,863,811
State Revenue Receivable	2,813,914	336	2,814,250
Federal Revenue Receivable	781,281	4,429	785,710
Other Receivables	398,824	17,236	416,060
Inventories		22,850	22,850
Prepaid Expenses/Expenditures	656,112		656,112
Long Term Receivables	4,506,148		4,506,148
Capital Assets (net)	133,027,404	446,059	133,473,463
TOTAL ASSETS	166,294,623	1,872,612	168,167,235
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB Related	15,783,869		15,783,869
Deferred Loss on Refunding	295,320		295,320
Total Deferred Outflows of Resources	16,079,189		16,079,189
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 182,373,812	\$ 1,872,612	\$ 184,246,424
LIABILITIES			
Internal Balances	\$ (160,545)	\$ 160,545	\$ -
Accounts Payable	1,285,980	278	1,286,258
Accrued Salaries and Benefits	9,248,747		9,248,747
Payroll Deductions and Withholdings	126,603		126,603
Interest Payable	728,605		728,605
Unearned Revenue	337,210	24,593	361,803
Other Current Liabilities	32,637		32,637
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	1,505,000		1,505,000
Extended Term Financing Agreements Payable	178,943		178,943
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	82,404,996		82,404,996
Extended Term Financing Agreements Payable	839,743		839,743
Net Pension Liability	108,649,000		108,649,000
OPEB - Health Insurance Premium Share	4,718,000		4,718,000
OPEB Liability	6,251,702		6,251,702
Long-term Portion of Compensated Absences	2,261,458		2,261,458
Total Liabilities	218,408,079	185,416	218,593,495
DEFERRED INFLOWS OF RESOURCES			
Pension and OPEB Related	3,581,288		3,581,288
Long Term Receivables	4,506,148		4,506,148
Total Deferred Inflows of Resources	8,087,436		8,087,436
NET POSITION			
Net Investment in Capital Assets	48,098,722	446,059	48,544,781
Restricted for:			
Capital Projects	4,013,667		4,013,667
Debt Stabilization	10,512,135		10,512,135
Risk Management		1,241,137	1,241,137
Designated Purposes	170,056		170,056
Unrestricted	(106,916,283)		(106,916,283)
TOTAL NET POSITION	(44,121,703)	1,687,196	(42,434,507)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 182,373,812	\$ 1,872,612	\$ 184,246,424

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction	\$ 42,458,579	\$ 676,949	\$ 7,723,037	\$ (34,058,593)	\$ -	\$ (34,058,593)
Instructional Student Support	3,888,276		442,278	(3,445,998)		(3,445,998)
Administrative and Financial Support	5,202,625		416,511	(4,786,114)		(4,786,114)
Operation and Maintenance of Plant	6,584,427	91,425	399,916	(6,093,086)		(6,093,086)
Pupil Transportation	5,300,688		1,621,752	(3,678,936)		(3,678,936)
Student Activities	1,712,896	159,758	154,221	(1,398,917)		(1,398,917)
Community Services	18,211		4,323	(13,888)		(13,888)
Interest on Long-Term Debt	3,595,807		268,223	(3,327,584)		(3,327,584)
Total Governmental Activities	68,761,509	928,132	11,030,261	(56,803,116)		(56,803,116)
Business Type Activities						
Food Service	1,553,424	728,084	692,392		(132,948)	(132,948)
Risk Management	3,200				(3,200)	(3,200)
Total Business Type Activities	1,556,624	728,084	692,392		(136,148)	(136,148)
Total Government	\$ 70,318,133	\$ 1,656,216	\$ 11,722,653	\$ (56,803,116)	\$ (136,148)	\$ (56,939,264)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				39,174,970		39,174,970
Other Taxes				7,019,442		7,019,442
Grants, Subsidies and Contributions, Unrestricted				6,012,688		6,012,688
Investment Earnings				674,999	29,479	704,478
Miscellaneous Revenues				178,322	3,420	181,742
Transfers Between Governmental and Business Type Activities				56,595	(56,595)	
Total General Revenues, Special and Extraordinary Items and Transfers				53,117,016	(23,696)	53,093,320
Change in Net Position				(3,686,100)	(159,844)	(3,845,944)
Net Position - Beginning - Restated				(40,435,603)	1,847,040	(38,588,563)
Net Position - Ending				\$ (44,121,703)	\$ 1,687,196	\$ (42,434,507)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Governmental Funds				
	General Fund	Capital Improvement Fund	Debt Stabilization Fund	Non-Major Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,856,297	\$ -	-	\$ -	\$ 1,856,297
Investments (At Fair Value)	5,094,878	3,982,651	11,263,831	49,472	20,390,832
Taxes Receivable (Net)	168,689				168,689
Due From Other Funds	182,758	796,275		122,281	1,101,314
State Revenue Receivable	2,813,914				2,813,914
Federal Revenue Receivable	781,281				781,281
Other Receivables (Net)	351,315	25,294			376,609
Prepaid Expenditures	643,314	12,798			656,112
TOTAL ASSETS	<u>\$ 11,892,446</u>	<u>\$ 4,817,018</u>	<u>\$ 11,263,831</u>	<u>\$ 171,753</u>	<u>\$ 28,145,048</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Due to Other Funds	\$ 167,344	\$ -	\$ 751,696	\$ -	\$ 919,040
Accounts Payable	493,246	790,553		1,697	1,285,496
Accrued Salaries and Benefits	9,248,747				9,248,747
Payroll Deductions and Withholdings	126,603				126,603
Unearned Revenue	337,210				337,210
Other Current Liabilities	32,637				32,637
Total Liabilities	<u>10,405,787</u>	<u>790,553</u>	<u>751,696</u>	<u>1,697</u>	<u>11,949,733</u>
Fund Balances:					
Nonspendable:					
Prepaid Expenditures	643,314	12,798			656,112
Committed to:					
Capital Projects		4,013,667			4,013,667
Debt Stabilization			10,512,135		10,512,135
Designated Purposes				170,056	170,056
Unassigned:	843,345				843,345
Total Fund Balances	<u>1,486,659</u>	<u>4,026,465</u>	<u>10,512,135</u>	<u>170,056</u>	<u>16,195,315</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 11,892,446</u>	<u>\$ 4,817,018</u>	<u>\$ 11,263,831</u>	<u>\$ 171,753</u>	<u>\$ 28,145,048</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	\$ 16,195,315
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$181,739,106 and the accumulated depreciation is \$48,711,702.	133,027,404
Long-term liabilities, including bond and extended term financing agreements payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(84,928,682)
Long-term liabilities, including post retirement liabilities, are not due and payable in the current period and are not reported as liabilities in the funds.	(13,231,158)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	4,506,148
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(728,605)
Deferred Gains and Losses on Refunding of Bonds are not reported in the governmental funds. They constitute deferred inflows and deferred outflows of resources on the Statement of Net Position.	295,320
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(108,649,000)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions and OPEB.	15,783,869
Deferred inflows of resources related to pensions and OPEB.	(3,581,288)
Deferred inflows of resources related to long term receivables	(4,506,148)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	1,695,122
Total Net Position - Governmental Activities	<u><u>\$ (44,121,703)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Funds				
	General	Capital Improvement Fund	Debt Stabilization Fund	Non-Major Funds	Totals
Revenues					
Local Sources					
Taxes	\$ 46,020,290	\$ -	\$ -	\$ -	\$ 46,020,290
Other Local Revenues	1,566,087	103,927	320,678	181,706	2,172,398
State Sources	15,753,312	11,533			15,764,845
Federal Sources	868,605				868,605
Total Revenues	<u>64,208,294</u>	<u>115,460</u>	<u>320,678</u>	<u>181,706</u>	<u>64,826,138</u>
Expenditures					
Instruction	39,959,204	16,064		42,356	40,017,624
Support Services	19,232,960	274,288		236	19,507,484
Operation Of Non-Instructional Services	1,500,602			163,778	1,664,380
Capital Outlay		14,873,171			14,873,171
Debt Service					
Principal and Interest	4,587,824	512,799		30,780	5,131,403
Refund of Prior Year Receipts	131,251				131,251
Total Expenditures	<u>65,411,841</u>	<u>15,676,322</u>	<u></u>	<u>237,150</u>	<u>81,325,313</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,203,547)	(15,560,862)	320,678	(55,444)	(16,499,175)
Other Financing Sources (Uses)					
Proceeds from Extended Term Financing	1,191,464				1,191,464
Sale of Fixed Assets		3,550			3,550
Insurance Proceeds		146,256			146,256
Interfund Transfers In	140,643	14,863,931			15,004,574
Interfund Transfers (Out)	(128,560)		(14,819,419)		(14,947,979)
Total Other Financing Sources & (Uses)	<u>1,203,547</u>	<u>15,013,737</u>	<u>(14,819,419)</u>	<u></u>	<u>1,397,865</u>
Net Change in Fund Balances	-	(547,125)	(14,498,741)	(55,444)	(15,101,310)
Fund Balances - July 1, 2018	<u>1,486,659</u>	<u>4,573,590</u>	<u>25,010,876</u>	<u>225,500</u>	<u>31,296,625</u>
Fund Balances - June 30, 2019	<u>\$ 1,486,659</u>	<u>\$ 4,026,465</u>	<u>\$ 10,512,135</u>	<u>\$ 170,056</u>	<u>\$ 16,195,315</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		\$ (15,101,310)
Depreciation Expense		(3,090,535)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		16,318,916
Some delinquent property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.		174,122
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable.		4,146
Current amortization of unamortized bond premiums and discounts are not expensed in the governmental funds. These items are expensed in the statement of activities over the lives of the bond issues to which they are related.		261,441
Amortization of Deferred Refunding Loss on Refunding of Bonds		(32,813)
In the statement of activities, retirement and compensated absences expense are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		(589,144)
Repayment of bond and extended term financing agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		1,612,778
Extended Term Financing Agreements entered into during the current year are reported in the governmental funds as revenues and expenditures. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(1,191,464)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
District pension contributions	533,763	
Cost of benefits earned net of employee contributions	(2,586,000)	(2,052,237)
Change in Net Position - Governmental Activities		<u>\$ (3,686,100)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 46,814,891	\$ 46,814,891	\$ 46,020,290	\$ (794,601)
Other Local Revenues	1,479,475	1,479,475	1,566,087	86,612
State Sources	15,823,582	15,823,582	15,753,312	(70,270)
Federal Sources	733,126	733,126	868,605	135,479
Total Revenues	64,851,074	64,851,074	64,208,294	(642,780)
Expenditures				
Instruction				
Regular Programs	32,289,637	31,619,947	31,382,659	(237,288)
Special Programs	7,799,861	8,008,094	7,903,151	(104,943)
Vocational Education	577,237	586,215	586,215	-
Other Instructional Programs	95,280	139,921	65,283	(74,638)
Nonpublic School Programs	15,230	21,896	21,896	-
Total Instruction	40,777,245	40,376,073	39,959,204	(416,869)
Support Services				
Pupil Personnel	1,798,348	1,732,466	1,570,804	(161,662)
Instructional Staff	1,826,425	1,746,946	1,767,258	20,312
Administration	3,367,234	3,522,291	3,217,164	(305,127)
Pupil Health	432,712	454,881	473,126	18,245
Business	857,751	853,267	856,523	3,256
Operation & Maintenance of Plant Services	4,554,619	5,092,378	4,982,955	(109,423)
Student Transportation Services	5,004,146	4,616,434	5,655,030	1,038,596
Central		1,478	1,478	-
Other Support Services	664,000	708,622	708,622	-
Total Support Services	18,505,235	18,728,763	19,232,960	504,197
Operation of Non-Instructional Services				
Student Activities	1,495,870	1,508,272	1,482,504	(25,768)
Community Services	11,500	18,099	18,098	(1)
Total Non-Instructional Services	1,507,370	1,526,371	1,500,602	(25,769)
Debt Service				
Principal and Interest	4,429,181	4,587,824	4,587,824	-
Refund of Prior Year Receipts	100,000	100,000	131,251	31,251
Total Expenditures	65,319,031	65,319,031	65,411,841	92,810
Excess (Deficiency) of Revenues				
Over Expenditures	(467,957)	(467,957)	(1,203,547)	(735,590)
Other Financing Sources (Uses)				
Proceeds from Extended Term Financing			1,191,464	1,191,464
Interfund Transfers In	467,957	467,957	140,643	(327,314)
Interfund Transfers (Out)			(128,560)	(128,560)
Total Other Financing Sources & (Uses)	467,957	467,957	1,203,547	735,590
Net Change in Fund Balances	-	-	-	-
Fund Balance - July 1, 2018	1,486,659	1,486,659	1,486,659	-
Fund Balance - June 30, 2019	\$ 1,486,659	\$ 1,486,659	\$ 1,486,659	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Food Service Fund	Risk Management Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 142	\$ -
Investments		1,381,560
State Revenue Receivable	336	
Federal Revenue Receivable	4,429	
Other Receivables	17,236	
Inventories	22,850	
Total Current Assets	<u>44,993</u>	<u>1,381,560</u>
Noncurrent Assets:		
Food Service Equipment (Net of Depreciation)	446,059	
Total Noncurrent Assets	<u>446,059</u>	
TOTAL ASSETS	<u><u>\$ 491,052</u></u>	<u><u>\$ 1,381,560</u></u>
LIABILITIES		
Current Liabilities:		
Due to Other Funds	\$ 20,122	\$ 140,423
Accounts Payable	278	
Unearned Revenue	24,593	
Total Current Liabilities	<u>44,993</u>	<u>140,423</u>
NET POSITION		
Net Investment in Capital Assets	446,059	
Restricted for:		
Risk Management		1,241,137
Food Service Capital Assets		
Total Net Position	<u>446,059</u>	<u>1,241,137</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 491,052</u></u>	<u><u>\$ 1,381,560</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Risk Management Fund
Operating Revenues		
Food Service Revenue	\$ 727,875	\$ -
Operating Subsidies		
State Subsidies	123,047	
Federal Subsidies		
Lunch and Breakfast Subsidies	509,070	
Value of Donated Commodities Received	60,275	
Other Operating Revenue	209	3,420
	<hr/>	<hr/>
Total Operating Revenue	1,420,476	3,420
Operating Expenses		
Personal Services - Salaries	454,776	
Personal Services - Benefits	308,043	
Purchased Professional and Technical Services	5,318	
Purchased Property Services	3,789	3,200
Other Purchased Services	688,863	
Supplies	66,150	
Other Objects	710	
Depreciation Expense	25,775	
	<hr/>	<hr/>
Total Operating Expenses	1,553,424	3,200
	<hr/>	<hr/>
Operating Income (Loss)	(132,948)	220
Nonoperating Revenues (Expenses)		
Earnings on Investments		29,479
Other Nonoperating Revenue		
	<hr/>	<hr/>
Total Nonoperating Revenue and Expense		29,479
	<hr/>	<hr/>
Income (Loss) Before Transfers	(132,948)	29,699
Contributions and Transfers		
Transfers to Other Funds		(140,643)
Transfers from Other Funds	84,048	
	<hr/>	<hr/>
Change in Net Position	(48,900)	(110,944)
Net Position - July 1, 2018	494,959	1,352,081
	<hr/>	<hr/>
Net Position - June 30, 2019	<u>\$ 446,059</u>	<u>\$ 1,241,137</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Food Service	Risk Management Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 703,574	\$
Cash Received from Operating Subsidies	701,802	
Cash Payments to Employees for Services	(642,712)	
Cash Paid to Suppliers for Goods and Services	(762,809)	
Cash Received from Other Operating Revenue	209	
Cash Received from Risk Management Activities		30,162
Cash Paid for Risk Management Activities		(58,323)
Net Cash Provided (Used) by Operating Activities	<u>64</u>	<u>(28,161)</u>
Cash Flows from Noncapital Financing Activities:		
Transfer from Other Funds		
Net Cash Provided (Used) by Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Purchase of Fixed Assets		
Net Cash Provided (Used) by Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Earnings on Investments		29,479
Withdrawals (Purchases of) from Investment Pools		(1,318)
Net Cash Provided (Used) by Investing Activities		<u>28,161</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64	-
Cash and Cash Equivalents, Beginning of Year	<u>78</u>	
Cash and Cash Equivalents, End of Year	<u>\$ 142</u>	<u>\$</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities		
Operating Income (Loss)	\$ (132,948)	\$ 220
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	25,775	
Changes in Assets and Liabilities:		
Accounts Receivable	(24,301)	
Inventories	(5,049)	
Other Assets	9,410	
Due to/Due From Other Funds	120,107	(28,381)
Accounts Payable	278	
Unearned Revenues	6,792	
Total Adjustments	<u>133,012</u>	<u>(28,381)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 64</u>	<u>\$ (28,161)</u>

Noncash Noncapital Financing Activities:

During the year, the District received \$65,325 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Pension Trust Funds	Agency Funds Student Activities
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 92,557
Investments	2,797,941	33,730
Due from Other Funds		484
Other receivables		82
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,797,941</u>	<u>\$ 126,853</u>
LIABILITIES		
Due to Other Funds	\$ 21,270	\$ 943
Accounts Payable		1,837
Accrued Benefits	286,286	
Other Current Liabilities		124,073
Total Liabilities	<hr/> 307,556	<hr/> 126,853
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	<hr/> 2,490,385	<hr/>
Total Net Position	<u>2,490,385</u>	<u></u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,797,941</u>	<u>\$ 126,853</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Pension Trust Funds
Additions	
Other additions	<u>\$ 55,132</u>
Total Additions	<u>55,132</u>
Deductions	
Scholarship awards	
Other deductions	<u>278,629</u>
Total Deductions	<u>278,629</u>
Changes in Net Position	(223,497)
Net Position - July 1, 2018	<u>2,713,882</u>
Net Position - June 30, 2019	<u><u>\$ 2,490,385</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Chartiers Valley School District

Notes to the Basic Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The Chartiers Valley School District (the "School District") provides public education to residents of the Boroughs of Bridgeville and Heidelberg and the Townships of Collier and Scott in Allegheny County, Pennsylvania from its three campuses comprising the senior high/middle school, intermediate school and primary center.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Chartiers Valley School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is however a participant in two jointly governed organizations: Parkway West Career and Technology Center and its related authority and the South Central Area Special School and its related authority. The Technology Center and the Special School are not considered part of the reporting entity, as the School District is not financially accountable for the school. See Note 9 for details on operating information about these entities.

B. Basis of Presentation

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

Following are the more significant of the School District's accounting policies.

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

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position 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 that 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.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statement for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. 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.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund 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.

The General Fund, the Capital Improvement Fund, and the Debt Stabilization Fund are the School District's major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

Capital Improvement Fund – The Capital Improvement Fund is the School District's construction and capital reserve funds and accounts for funds which are typically borrowed and used for major capital improvements.

Debt Stabilization Fund – The Debt Stabilization Fund is used to pay for future long term debt obligations.

The other governmental funds of the School District account for other resources. They include the district activities fund and the concession stand fund of the School District whose uses are restricted to particular purposes. Expendable trust funds are also accounted for as governmental funds. These are funds in which both the principal and earnings are available for expenditures. The School District maintains one of these funds: the Designated Trust Fund.

2. Proprietary Fund

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

Enterprise Fund

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

Food Service

The Food Service 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.

Internal Service Funds

The Internal Service Fund may be used to account for any activity for which a fee is charged to internal users for goods or services.

Risk Management

The Risk Management internal service fund accounts for the financial transactions related to the risk management activities of the School District. This fund is used to account for the potential claims

arising from certain torts, thefts, damages, and catastrophic loss of assets, errors and omissions, injury to employees and natural disasters incurred by the School District. The School District uses this fund to accumulate funds to protect against losses for which insurance cannot be obtained by reason of policy limitations or deductibles or uninsurability. See Note 11 for additional details on the operation of this fund. This fund is the School District's only internal service fund and it is reported as a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the School District's internal service fund are insurance reimbursements and transfers from the general fund. Operating expenses for the School District's internal service fund include payments for claims. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the 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.

Agency Funds

High School and Middle School Student Activity Funds - These funds are utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

Pension Trust Fund

The Retirement Obligations Fund was established by the School District to account for funds accumulated to provide for payment of post retirement insurance benefits.

D. Measurement Focus, Basis of Accounting

1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or

receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

3. Revenues - Exchange and Nonexchange Transactions

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

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

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

4. Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

5. Expenses/Expenditures

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

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

E. Budgetary Process

The operating budget is prepared on a modified accrual basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District is not required to formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflects the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation and includes budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

Act 1 requires a school district to file for an exception with the Court of Common Pleas or PDE if it wants to raise taxes by more than its adjusted base index. The exception then must be approved by voter referendum.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ - The School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A school district seeking a tax increase exception must make its Preliminary Budget available for public inspection at the end of January. School districts not seeking an exception must pass a resolution stating that they will not raise taxes by more than the index.

- ◆ - During the month of February of the preceding year, a school district planning to raise taxes beyond the index must file a public notice of the intent to file for an exception.
- ◆ - If an exception has been denied during March, a school district filing for an exception must file a petition with the Court of Common Pleas or PDE. If approved, the school district must submit a referendum request for the primary election ballot in May.
- ◆ - If voters reject the referendum in May, the school district cannot increase taxes above its index.
- ◆ - The proposed final budget is adopted by the end of May.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution. This resolution may only be passed after 20 days of public inspection.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 15 of the fiscal year.

F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2019, the School District has no encumbrances.

G. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

Deposits

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<u>FDIC Insured</u>	<u>Pooled Collateral</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Deposits	<u>\$ 250,000</u>	<u>\$2,000,163</u>	<u>\$2,250,163</u>	<u>\$1,948,996</u>

Investments

The District's investments at June 30, 2019 consist of:

	Carrying Amount	Fair Value
Pennsylvania Treasurer's Invest Program	\$ 124,419	\$ 124,419
Pennsylvania School District Liquid Asset Fund	24,396,442	24,396,442
Certificates of Deposit	<u>83,202</u>	<u>83,202</u>
Total	<u>\$ 24,604,063</u>	<u>\$ 24,604,063</u>

The Pennsylvania School District Liquid Asset is an investment pool. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net position value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price. Internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principals, recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- Level 2 inputs: The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investment Risks

Custodial Credit Risk - Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School 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.

Concentration of Credit Risk – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan's net position. The School District places no limit on the amount it may invest in any one issue.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

H. Taxes Receivable

Taxes receivable consist of delinquent real estate taxes due at June 30, 2019, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

I. Interfund Receivables/Payables

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

J. Inventories

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2019.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2019. The inventory consisted of government donated commodities which were valued using USDA values and the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2019 are reported as unearned revenue.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 – 20 years
Buildings and Building Improvements	20 – 50 years
Vehicles	3 - 10 years
Machinery and Equipment	3 - 10 years

L. Long-Term Liabilities

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

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

M. Estimates

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

N. Fund Balances

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2019 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District's established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

The School District has a fund balance policy applicable at the fund level of reporting which provides for the maintenance of a fund balance in the General Fund that will be no more than 8% of the prior year's audited total expenditures and other financing uses, of which 3% is maintained as unassigned and 5% is committed for Future Benefit and Pension Obligations. Any excess fund balance over 8% is transferred to the Debt Stabilization Fund.

Fund balances in the School District's major funds include \$1,486,659 in the general fund which is composed of nonspendable balances for prepaid expenditures of \$643,314 and an unassigned balance of \$843,345, \$10,512,135 for debt stabilization and \$4,026,465 in capital improvements. Fund balances in the non-major funds total \$170,056.

The Risk Management Fund reserve of \$1,241,137 is for the School District's risk management activities.

O. Extraordinary and Special Items

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

P. Subsequent Events

The School District evaluated subsequent events for recognition and disclosure through January 24, 2020, the date the financial statements were available to be issued. No subsequent events were identified requiring recognition or disclosure.

Note 2 - Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2019 was based on assessed values on January 1, 2018 of \$2.3 billion. The School District tax rate for the year ended June 30, 2019 was 17.0710 mills as levied by the School Board.

Taxes may be paid at a 2% discount until August 31st, at face until October 31st, and at a 10% penalty until the lien date. Taxes may also be paid in four equal installments if the annual tax on the parcel exceeds \$100. The installment payment dates are October, December, February and April 15th at face only and with a 10% penalty for any untimely installments.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$168,689.

Note 3 - Changes in Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 2,927,133	\$ -	\$ -	\$ 2,927,133
Depreciable assets				
Land improvements	5,291,201			5,291,201
Buildings	137,901,323	14,697,159		152,598,482
Infrastructure	274,758			274,758
Equipment	19,326,020	1,621,757	(300,245)	20,647,532
Totals at historical cost	165,720,435	16,318,916	(300,245)	181,739,106
Less accumulated depreciation for:				
Land improvements	(4,077,146)	(145,039)		(4,222,185)
Buildings	(26,638,707)	(1,875,447)		(28,514,154)
Infrastructure	(83,804)	(6,172)		(89,976)
Equipment	(15,121,755)	(1,063,877)	300,245	(15,885,387)
Total accumulated depreciation	(45,921,412)	(3,090,535)	300,245	(48,711,702)
Governmental activities capital assets, net	<u>\$ 119,799,023</u>	<u>\$ 13,228,381</u>	<u>\$ -</u>	<u>\$ 133,027,404</u>
Business-type Activities				
Depreciable assets:				
Equipment	\$ 1,310,563	\$ -	\$ -	\$ 1,310,563
Totals at historical cost	1,310,563	-	-	1,310,563
Less accumulated depreciation for:				
Equipment	(838,729)	(25,775)		(864,504)
Total accumulated depreciation	(838,729)	(25,775)	-	(864,504)
Business-type activities capital asset, net	<u>\$ 471,834</u>	<u>\$ (25,775)</u>	<u>\$ -</u>	<u>\$ 446,059</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 1,360,154
Support				93,316
Administration				9,842
Plant				1,273,008
Transportation				327,901
Student activities				26,314
Total depreciation expense				<u>\$ 3,090,535</u>

In the 2018-2019 school year, equipment purchases and building improvements added \$16,318,916 to the historical cost of governmental activities. Depreciation expense for that same time period was \$3,090,535 for the governmental activities and \$25,775 for the business activities, resulting in a net book value increase of \$13,228,381 and a decrease of \$25,775 for the governmental activities and business activities respectively.

Note 4 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 81,370,000	\$ -	\$ (1,440,000)	\$ 79,930,000	\$ 1,505,000
Leases Payable		1,191,464	(172,778)	1,018,686	178,943
	<u>81,370,000</u>	<u>1,191,464</u>	<u>(1,612,778)</u>	<u>80,948,686</u>	<u>1,683,943</u>
Less: Bond Discount	(225,157)		22,644	(202,513)	
Plus: Bond Premium	<u>4,466,594</u>		<u>(284,085)</u>	<u>4,182,509</u>	
Total bonds, loans and leases payable	85,611,437	1,191,464	(1,874,219)	84,928,682	1,683,943
Other liabilities:					
Post retirement benefits &					
Pension Liability	113,217,000	12,208,000	(16,776,000)	108,649,000	
Compensated absences	2,261,972	34,753	(35,267)	2,261,458	
OPEB - Health Insurance Premium Share	4,672,000	313,000	(267,000)	4,718,000	
OPEB Obligation	<u>5,728,804</u>	<u>877,443</u>	<u>(354,545)</u>	<u>6,251,702</u>	-
Total other liabilities	<u>125,879,776</u>	<u>13,433,196</u>	<u>(17,432,812)</u>	<u>121,880,160</u>	
Governmental activities Long-term liabilities	<u>\$ 211,491,213</u>	<u>\$ 14,624,660</u>	<u>\$ (19,307,031)</u>	<u>\$ 206,808,842</u>	<u>\$ 1,683,943</u>

General Obligation Bonds

General Obligation Bonds, Series A of 2015. The Series A Bonds have variable rate interest from 1.00% to 5.00% with final payment due in 2027.

General Obligation Bonds, Series B of 2015. The Series B Bonds have variable rate interest from 3.125% to 5.00% with final payment due in 2044.

General Obligation Bonds, Series of 2016. The Bonds have variable rate interest from 1.05% to 4.00% with final payment due in 2046.

The General Fund has been used in prior years to liquidate the liability for long-term debt.

The amounts necessary to amortize outstanding debt for the next five years and to maturity are:

Fiscal Year Ending June 30	Principal	Interest	Total Payment
2019-2020	\$ 1,505,000	\$ 3,425,131	\$ 4,930,131
2020-2021	1,575,000	3,351,331	4,926,331
2021-2022	1,655,000	3,273,831	4,928,831
2022-2023	1,735,000	3,192,431	4,927,431
2023-2024	1,820,000	3,107,006	4,927,006
2024-2028	10,260,000	14,326,713	24,586,713
2029-2033	12,420,000	12,075,097	24,495,097
2034-2038	15,485,000	9,011,838	24,496,838
2039-2044	19,620,000	4,869,550	24,489,550
2045-2047	13,855,000	846,100	14,701,100
	<u>\$ 79,930,000</u>	<u>\$ 57,479,028</u>	<u>\$ 137,409,028</u>

Leases Payable

On July 13, 2018, the School District entered into a capital lease with PNC Equipment Finance, LLC for the purchase of seven 72 passenger busses and three 24 passenger vans. The lease consisted of an original principal balance of \$950,000 with final payment due 7-13-2025.

On July 17, 2018, the School District entered into a capital lease with Hewlett Packard Financial Services Company for the purchase of technology equipment. The lease consisted of an original principal balance of \$174,078, interest at the rate of 4.43%, with final payment due in 2022.

On July 17, 2018, the School District entered into a capital lease with Hewlett Packard Financial Services Company for the purchase of 300 Chromebooks. The lease consisted of an original principal balance of \$67,386, interest at the rate of 4.90%, with final payment due in 2020.

The amounts necessary to amortize outstanding leases payable to maturity are:

	Principal	Interest	Total
2020	\$ 178,943	\$ 36,076	\$ 215,019
2021	185,964	29,055	215,019
2022	169,719	21,754	191,473
2023	176,155	15,318	191,473
2024	144,942	8,636	153,578
2025-2026	162,963	3,414	166,377
Total	<u>\$ 1,018,686</u>	<u>\$ 114,253</u>	<u>\$ 1,132,939</u>

Note 5 - Pension Plan

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$9,971,590 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$108,649,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2263 percent, which was a decrease of 0.0029 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$12,208,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 874,000	\$ 1,681,000
Changes in Assumptions	2,024,000	
Net difference between projected and actual investment earnings	532,000	
Changes in proportions	1,787,000	1,370,000
Contributions subsequent to the measurement date	9,971,590	
	<u>\$ 15,188,590</u>	<u>\$ 3,051,000</u>

\$9,971,590 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 3,021,000
2020	1,214,000
2021	(1,654,000)
2022	(415,000)

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternate investments	15.0%	6.7%
Cash	3.0%	4.0%
Financing (LIBOR)	-20.0%	9.0%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 134,661,000	\$ 108,635,000	\$ 86,629,000

Pension plan fiduciary net position

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

	Schedule of Employer Contributions				
	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 9,602,651	\$ 8,766,689	\$ 8,160,401	\$ 7,388,475	\$ 6,429,670
Contributions in relation to the actuarially determined contributioin	9,602,651	8,766,689	7,333,215	5,799,428	4,318,838
Contribution Deficiency	-	-	827,186	1,589,047	2,110,832
Covered Payroll	30,470,363	30,519,414	29,855,138	28,892,090	27,671,120
Contribution as a percentage of covered payroll	31.51%	28.72%	24.56%	20.07%	15.61%

Note 6 – OPEB Liability – Health Insurance Premium Share

OPEB Plan

1. Summary of Significant Account Policies

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported

by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Area a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school district's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$253,078 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$4,718,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2263%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expenses of \$206,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,000	\$ -
Changes in Assumptions	75,000	179,000
Net difference between projected and actual investment earnings	8,000	
Changes in proportions		73,000
Contributions subsequent to the measurement date	253,878	
	<u>\$ 365,878</u>	<u>\$ 252,000</u>

\$253,078 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (29,000)
2020	(29,000)
2021	(29,000)
2022	(30,000)
2023	(31,000)
Thereafter	8,000

Actuarial assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 @ 50%
 - Eligible retirees will elect to participate Post age 65 @ 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserve that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retiree Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System net OPEB Liability (in thousands)	\$ 2,371,118	\$ 2,084,949	\$ 2,085,279

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate.

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 5,366,000	\$ 4,718,000	\$ 4,181,000

OPEB plan fiduciary net position

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

Schedule of Employer Premium Assistance Contributions

	2018	2017	2016
Actuarially Determined Contribution	\$ 304,616	\$ 288,091	\$ 298,484
Contributions in relation to the actuarially determined contributoion	252,831	253,399	259,444
Contribution Deficiency	51,784	34,692	39,040
Covered Payroll	30,470,363	30,519,414	29,855,138
Contribution as a percentage of covered payroll	0.83%	0.83%	0.87%

Note 7 - Compensated Absences

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

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

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

Under various employment agreements, accumulated unused vacation and sick days at the date of termination will be paid at specified rates.

Administrative personnel, who become eligible for normal retirement or other retirement without reduced benefits under the PSERS described in Note 5, are divided into two groups. Group one receives \$100/unused sick day and \$200/year of service up to a maximum of \$20,000 at the time of termination. Group two receives \$50/unused sick day and \$100/year of service up to a maximum of \$10,000 at the time of termination. Both groups are compensated for unused vacation at a per diem rate. During the 14/15 year, several administrative employees retired under a one-time early retirement incentive agreement.

Custodian/maintenance personnel are paid for unused vacation days at their current pay rate at time of termination. In addition, custodian/maintenance personnel who are eligible for retirement under the PSERS and who voluntarily resign after fifteen years of continuous service shall be entitled to receive \$35/unused sick day up to a maximum of 150 days.

Confidential secretaries and Act 93, Tier II personnel are paid for unused vacation days at their current pay rate at time of termination. In addition, confidential secretaries eligible for retirement under the PSERS or who voluntarily resign after fifteen years of continuous service shall be entitled to receive \$50/unused sick day up to a maximum of total payment of \$7,500.

Professional personnel, who have at least 15 years of continuous full-time service in the District, within the PSERS, and are eligible only prior to and during the year in which they attain "superannuation" or other eligibility for unreduced PSERS retirement, shall be entitled to receive \$200 for each year of continuous service with the District to a maximum of \$6,500, plus payment in the amount of \$140 per unused sick/personal day, up to a combined maximum of \$21,000 of payments for years of service and unused sick/personal days.

Secretaries, aides, monitors, and cafeteria workers eligible for retirement under the PSERS or who voluntarily resign after fifteen years of continuous service shall be entitled to receive \$20/unused sick day up to a maximum of 150 days. During the 15/16 year, several employees retired under a one-time early retirement incentive agreement.

Campus safety employees who have at least 15 years of continuous service will receive \$20 per unused sick day up to a maximum of 150 days.

Note 8 - Other Post-Employment Benefits

In addition to the pension benefits described in Note 6, the following post-employment benefits are applicable to certain retired employees.

Other post retirement benefits

The School District provides health care, dental, and life insurance benefits for certain retired employees under the terms of various employment agreements. For teachers, who make up the majority of the retirees currently receiving benefits, amounts are paid (An annual amount of \$400 per year of District service after the required employee contribution) for the purchase of insurance benefits (health, group term life, dental) until the retiree attains Medicare eligibility or the retiree becomes employed and employer-paid benefits are available to the employee. Group one administrators earn retirement health care benefits based on the number of PSERS years of service and receive \$400 per month for each year of service for family coverage, \$375 per month for each year of service for employee and spouse coverage, and \$120 per month for each year of service for individual coverage. Coverage continues until the retiree attains Medicare eligibility or the retiree becomes employed and employer-paid benefits are available to the employee. Clerical staff were offered a one-time early retirement incentive in the 15/16 year which included individual health coverage for two years or until the retiree attains Medicare eligibility. Custodian and transportation employees were offered a similar one-time early retirement incentive in the 16/17 year.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors.

Funded Status and Funding Progress. As of June 30, 2019, the actuarial accrued liability for benefits was \$9,014,386, of which \$6,251,702 was unfunded.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized expense of \$298,050. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 142,438	\$ -
Changes in Assumptions		278,288
Net difference between projected and actual earnings on OPEB plan investments	<u>\$ 86,963</u>	
	<u>\$ 229,401</u>	<u>\$ 278,288</u>

The other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2020	\$	9,008
2021		9,008
2022		9,008
2023		(9,729)
2024		(17,417)
Thereafter		(48,765)

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

The following presents the net OPEB liability to the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$ 7,215,830	\$ 6,251,702	\$ 5,385,201

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rate

The following presents the net OPEB liability to the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	\$ 5,478,084	\$ 6,251,702	\$ 7,105,168

Net OPEB Liability as of June 30, 2019

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 6/30/2018	\$ 8,751,285	\$ 3,022,481	\$ 5,728,804
Service Cost	298,050		298,050
Interest	309,957		309,957
Changes in Benefit Terms	108,737		108,737
Differences between expected and actual experience	160,699		160,699
Changes of assumptions	(313,966)		(313,966)
Net investment income		40,579	(40,579)
Benefit Payments	(300,376)	(300,376)	-
Net Changes	263,101	(259,797)	522,898
Balances at 6/30/2019	<u>9,014,386</u>	<u>2,762,684</u>	<u>6,251,702</u>

The following assumptions were also made:

Rates of Participation – 100% of all future retirees who are eligible for District-paid benefits.

Coverage Type – Future Retirees: 65% individual; 25% Husband/Wife; 5% Family (with children continuing on coverage until retiree's coverage ends). Current Retirees: Continuation of current coverage level throughout eligibility period (children on coverage are assumed to remain until retiree's coverage ends).

Spouse Age – Female spouses are assumed to be 3 years younger than male spouses.

Plan Selection – 95% of participants retiring with a choice in medical plan are assumed to elect the EPO plan (previously 80%) with the remainder electing the PPO.

Turnover (Withdrawal) – based upon rates of withdrawal used in the PSERS actuarial valuation as of June 30, 2016.

Disability – 50% of the rates used in PSERS valuations.

Death – RP-2014 Mortality Table with rates improving based on the long-range demographic assumptions for the 2015 Social Security Administration's Trustee Report.

Retirement – Non-Professional: Age 55 with 25 years of PSERS service. Professional: PSERS normal retirement eligibility.

Note 9 - Jointly Governed Organizations

The School District is one of twelve member school districts of the Parkway West Career & Technology Center (Technology Center). The Technology Center is controlled and governed by the Joint Board, which is composed of one member from each school board of the member districts. Direct oversight of Technology Center's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for Technology Center fluctuates based on the percentage enrollment in the school. The Parkway West Career & Technology Center prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

In addition, the School District is one of five member school districts of the South Central Area Special Schools and related authority (South Central). South Central is controlled and governed by the Joint School Committee, which is composed of one member from each school board of the member districts. South Central provides special education and training programs for exceptional children. Direct oversight of South Central's operations is the responsibility of the Joint School Committee. The School District's share of annual operating and capital costs for South Central fluctuates based on the percentage enrollment in the school. The South Central Area Special Schools prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

Note 10 - Commitments and Contingencies

The Chartiers Valley School District participates in a number of state and federally assisted grant programs. While the local audits required for the federal programs in connection with the Single Audit Act have been completed, other programs may be subjected to program compliance audits by auditors of the various grantor agencies or their representatives. Accordingly, the School District's compliance with applicable grant requirements for these other programs will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

At any given time, the School District is exposed to liability for such matters as property tax appeals. These contingencies are managed through the risk management fund.

Note 11 – Interfund Balances

Individual fund level interfund receivable and payable balances at June 30, 2019 were:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
Capital Improvement	\$ 796,275	Debt Stabilization	\$ 751,696
General	182,758	General	167,344
Non-Major	122,281	Risk Management	140,423
Agency Funds	484	Pension Trust	21,270
		Cafeteria Fund	20,122
		Agency Funds	943
	<u>\$ 1,101,798</u>		<u>\$ 1,101,798</u>

The general fund receivable is the principally the result of an amount being transferred from the Risk Management Fund to cover the current year loss noted in the General Fund. The Debt Stabilization fund payable is the result of amounts being used for capital improvement projects.

During the fiscal year ended June 30, 2019, the following fund level transfers were made:

<u>Transfers from</u>	<u>Amounts</u>	<u>Transfers to</u>	<u>Amounts</u>
Debt Stabilization	\$ 14,819,419	Capital Improvement	\$ 14,863,931
Risk Management	140,643	General	140,643
General	128,560	Cafeteria	84,048
	<u>\$ 15,088,622</u>		<u>\$ 15,088,622</u>

The transfers to the Capital Improvement Fund were made to facilitate the payment of expenses for construction projects. The transfers to the Cafeteria Fund represent amounts being transferred from the General Fund to cover a negative net position in the Cafeteria Fund. The transfer to the General Fund represents amounts being transferred from the Risk Management Fund to cover the current year loss noted in the General Fund.

Note 12 - Risk Management

The School District is exposed to various risk of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Chartiers Valley School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. Settled claims have not exceeded coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year. However, for those amounts not covered by insurance by reason of policy limitations or deductibles or uninsurability, the School District has established a Risk Management Fund to account for and to accumulate money to be used in the event of such uninsured losses.

Note 13 – Health Insurance Consortium

The School District is one of sixty members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool, which provides health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. These rates are established with the objection of satisfying current costs and claims of covered health care services, as well as providing a residual sufficient to satisfy work capital requirements and promote premium stabilization for periods when actual costs of coverage exceed premiums collected from members. In addition, the Consortium maintains a percentage of its net assets to cover potential future catastrophic losses. The Consortium or the School District does not maintain independent insurance coverage for catastrophic losses.

At June 30, 2019, such net residual net assets (deficit) were \$62,172,279 for the Consortium as a whole, of which a share of the residual net assets of \$1,559,330 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. Participating entities that withdraw are entitled to receive a pro rate share of the allocable net assets as reduced by any amount billed and payable to the Consortium as well as any remaining buy-in amounts. Participating entities must reimburse the Consortium for their pro rate share of any deficiency in net assets. In such event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium's net assets or deficit as determined on the date of withdrawal.

Audited financial statements for the consortium through the fiscal year ended June 30, 2019 are available by calling the School District business office.

Note 14 – Beginning Balance Restatement

Chartiers Valley School District restated the opening Governmental Activities Net Position by reducing the net position \$4,779,809 for a change in accounting method regarding the recognition of long-term debt subsidy revenue. This revenue will now be recognized as received and the total balance of the receivable will be offset by deferred inflows of resources.

Required Supplementary Information

CHARTIERS VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
District's Proportion of the Net Pension Liability	0.2263%	0.2292%	0.2305%	0.2246%	0.2168%	0.2088%
District's Proportionate Share of the Net Pension Liability	\$ 108,635,000	\$ 113,198,000	\$ 114,228,000	\$ 97,286,000	\$ 85,811,000	\$ 84,875,000
District's Covered-employee Payroll	\$ 30,470,363	\$ 30,519,414	\$ 29,855,138	\$ 28,892,090	\$ 27,671,120	\$ 26,792,883
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	356.53%	370.90%	382.61%	336.72%	310.11%	316.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

CHARTIERS VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.2263%	0.2292%	0.2305%
District's Proportionate Share of the Net OPEB Liability	\$ 4,718,000	\$ 4,670,000	\$ 4,965,000
District's Covered-employee Payroll	\$ 30,470,363	\$ 30,519,414	\$ 29,855,138
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	15.48%	15.30%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%	5.47%

Supplementary Information

CHARTIERS VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Expendable Funds	District Activities Fund	Concession Stand Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments		49,472		49,472
Due From Other Funds	<u>72,834</u>	<u>49,447</u>		<u>122,281</u>
TOTAL ASSETS	<u><u>\$ 72,834</u></u>	<u><u>\$ 98,919</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 171,753</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	<u>\$ 737</u>	<u>\$ 960</u>	<u>\$ -</u>	<u>\$ 1,697</u>
Total Liabilities	<u>737</u>	<u>960</u>		<u>1,697</u>
Deferred Inflows of Resources:				
Unearned Revenue	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Fund Balances				
Committed to Designated Purposes	<u>72,097</u>	<u>97,959</u>		<u>170,056</u>
Total Fund Balances	<u><u>72,097</u></u>	<u><u>97,959</u></u>		<u><u>170,056</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 72,834</u></u>	<u><u>\$ 98,919</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 171,753</u></u>

CHARTIERS VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Expendable Funds	District Activities Fund	Concession Stand Fund	Total
Revenues				
Local Sources	\$ 27,544	\$ 152,373	\$ 1,320	\$ 181,237
Interest Income		469		469
Total Revenues	<u>27,544</u>	<u>152,842</u>	<u>1,320</u>	<u>181,706</u>
Expenditures				
Instruction	40,848	1,508		42,356
Support		236		236
Operation of Non-Instructional Services		161,213	2,565	163,778
Debt Service				
Principal and Interest	30,780			30,780
Total Expenditures	<u>71,628</u>	<u>162,957</u>	<u>2,565</u>	<u>237,150</u>
Excess (Deficiency) of Revenues Over Expenditures	(44,084)	(10,115)	(1,245)	(55,444)
Other Financing Sources & (Uses)				
Interfund Transfers (Out)				
Interfund Transfers In				
Total Other Financing Sources & (Uses)				
Net Change in Fund Balances	(44,084)	(10,115)	(1,245)	(55,444)
Fund Balance - July 1, 2018	<u>116,181</u>	<u>108,074</u>	<u>1,245</u>	<u>225,500</u>
Fund Balance - June 30, 2019	<u>\$ 72,097</u>	<u>\$ 97,959</u>	<u>\$</u>	<u>\$ 170,056</u>

CHARTIERS VALLEY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

Student Activity Fund

	June 30, 2018	Additions	Reductions	June 30, 2019
Assets				
Cash and Cash Equivalents	\$ 90,821	\$ 177,178	\$ 175,442	\$ 92,557
Investments	33,494	236		33,730
Other Assets	182	566	182	566
	<u>182</u>	<u>566</u>	<u>182</u>	<u>566</u>
Total Assets	<u>\$ 124,497</u>	<u>\$ 177,980</u>	<u>\$ 175,624</u>	<u>\$ 126,853</u>
Liabilities				
Accounts Payable	\$ 902	\$ 1,837	\$ 902	\$ 1,837
Other Liabilities	123,595	176,143	174,722	125,016
	<u>123,595</u>	<u>176,143</u>	<u>174,722</u>	<u>125,016</u>
Total Liabilities	<u>\$ 124,497</u>	<u>\$ 177,980</u>	<u>\$ 175,624</u>	<u>\$ 126,853</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Chartiers Valley School District
Pittsburgh, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chartiers Valley School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Chartiers Valley School District's basic financial statements, and have issued our report thereon dated January 24, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CYPHER & CYPHER

A handwritten signature in dark ink that reads "Cypher & Cypher". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
January 24, 2020

Independent Auditor's Report on Compliance for Each Major Program
And on Internal Control Over Compliance Required by the Uniform Guidance

Chartiers Valley School District
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Chartiers Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chartiers Valley School District's major federal programs for the year ended June 30, 2019. Chartiers Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Chartiers Valley School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

CYPHER & CYPHER

A handwritten signature in dark ink that reads "Cypher & Cypher". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
January 24, 2020

Chartiers Valley School District
Schedule of Findings and Questioned Costs
June 30, 2019

Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued:	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No

vii.	Major Programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	84.027 84.173	Special Education Cluster (IDEA)
	10.555 10.553	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between type A and type B programs:	\$750,000
ix.	Auditee qualify as low-risk auditee?	No

Section 2 – Findings – Financial Statement Audit

None.

Section 3 – Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Section 4 –Summary of Prior Findings

None.

Chartiers Valley School District
Schedule of Expenditure of Federal Awards
School Year Ended June 30, 2019

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 18/19	Accrued/ Deferred Revenue 7/1/18	Revenues Recognized 18/19	Expenditures Recognized 18/19	Accrued/ Deferred Revenue 6/30/19	Carryover To 19/20
Special Education Cluster (IDEA)											
Department of Education											
Passed from Allegheny Intermediate Unit #3											
IDEA, Part B	I	84.027	RA-062-19-0-003 RA-062-18-0-003	18/19 17/18	\$ 406,040.49 423,283.78	\$ 158,827.95 124,989.60	\$ 124,989.60	\$ 406,040.49	\$ 406,040.49	\$ 247,212.54	\$
Passed from Lancaster-Lebanon Intermediate Unit #13											
IDEA, Part B - RtI Secondary Learning Sites Project	I	84.027	062-18-0-033	17/18	10,000.00	10,000.00	10,000.00	-	-		
Subtotal CFDA #84.027					<u>839,324.27</u>	<u>293,817.55</u>	<u>134,989.60</u>	<u>406,040.49</u>	<u>406,040.49</u>	<u>247,212.54</u>	
Passed from Allegheny Intermediate Unit #3											
IDEA, Section 619 - Preschool	I	84.173	131-13-0-003	18/19	3,458.00	3,458.00		3,458.00	3,458.00		
Total Special Education Cluster (IDEA)					<u>\$ 842,782.27</u>	<u>\$ 297,275.55</u>	<u>\$ 134,989.60</u>	<u>\$ 409,498.49</u>	<u>\$ 409,498.49</u>	<u>\$ 247,212.54</u>	<u>\$</u>
Child Nutrition Cluster											
U.S. Department of Agriculture											
Passed from Pennsylvania Department of Education											
National School Lunch Program	I	10.555		18/19 17/18	\$ 428,042.43 437,066.94	\$ 424,552.87 10,381.29	\$ 10,381.29	\$ 428,042.43	\$ 428,042.43	\$ 3,489.56	\$
Passed From Pennsylvania Department of Agriculture											
National School Lunch Program - Donated Commodities	I	10.555		18/19 17/18	65,324.61 79,687.63	65,324.61 a a	(17,800.53)	42,474.84 17,800.53	42,474.84 c c	(22,849.77) d d	22,849.77
Subtotal CFDA #10.555					<u>1,010,121.61</u>	<u>500,258.77</u>	<u>(7,419.24)</u>	<u>488,317.80</u>	<u>488,317.80</u>	<u>(19,360.21)</u>	<u>22,849.77</u>
Passed from Pennsylvania Department of Education											
School Breakfast Program	I	10.553		18/19 17/18	81,027.46 93,120.35	80,087.99 2,830.78	2,830.78	81,027.46	81,027.46	939.47	
Subtotal CFDA 10.553					<u>174,147.81</u>	<u>82,918.77</u>	<u>2,830.78</u>	<u>81,027.46</u>	<u>81,027.46</u>	<u>939.47</u>	
Total Child Nutrition Cluster					<u>\$ 1,184,269.42</u>	<u>\$ 583,177.54</u>	<u>\$ (4,588.46)</u>	<u>\$ 569,345.26</u>	<u>\$ 569,345.26</u>	<u>\$ (18,420.74)</u>	<u>\$ 22,849.77</u>
Department of Health and Human Services											
Passed from Pennsylvania Department of Public Welfare											
Medical Assistance - Access Time Study	I	93.778	140078 140078	18/19 17/18	\$ 7,165.55 5,765.30	\$ 3,719.29 4,140.00	\$ 4,140.00	\$ 7,165.55	\$ 7,165.55	\$ 3,446.26	\$
Total Department of Health and Human Services					<u>\$ 12,930.85</u>	<u>\$ 7,859.29</u>	<u>\$ 4,140.00</u>	<u>\$ 7,165.55</u>	<u>\$ 7,165.55</u>	<u>\$ 3,446.26</u>	<u>\$</u>

Chartiers Valley School District
Schedule of Expenditure of Federal Awards
School Year Ended June 30, 2019

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 18/19	Accrued/ Deferred Revenue 7/1/18	Revenues Recognized 18/19	Expenditures Recognized 18/19	Accrued/ Deferred Revenue 6/30/19	Carryover To 19/20
Department of Education											
Passed from the Pennsylvania Department of Education											
Title I, Part A	I	84.010	013-190078 013-180078	18/19 17/18	\$ 360,414.00 390,377.00	\$ 256,896.80 60,058.00	\$ 60,058.00	\$ 360,414.00	\$ 360,414.00	\$ 103,517.20	\$ -
Title II-Improving Teacher Quality	I	84.367	020-190078 020-180078	18/19 17/18	77,566.00 85,149.00	66,450.99 12,899.92	12,899.92	77,566.00	77,566.00	11,115.01 -	
Title IV-Student Support and Academic Enrichment Program	I	84.424	144-19-0078 144-18-0078	18/19 17/18	28,127.00 10,000.00	18,081.63 768.54	768.54	17,514.05 -	17,514.05 -	(567.58) -	
Passed from Allegheny Intermediate Unit #3											
Title III - English as a Second Language	I	84.365	FA-999-15-0603 FA-999-15-0603	18/19 17/18	4,000.00 4,000.00	4,000.00 -	(1,154.61)	4,000.00 1,154.61	4,000.00 1,154.61	- -	
Title III - Immigration Allocation	I	84.365		18/19	5,416.00	5,416.00	-	1,442.79	1,442.79	(3,973.21)	3,973.21
Subtotal CFDA #84.365					<u>13,416.00</u>	<u>9,416.00</u>	<u>(1,154.61)</u>	<u>6,597.40</u>	<u>6,597.40</u>	<u>(3,973.21)</u>	<u>3,973.21</u>
Total Department of Education					<u>\$ 965,049.00</u>	<u>\$ 424,571.88</u>	<u>\$ 72,571.85</u>	<u>\$ 462,091.45</u>	<u>\$ 462,091.45</u>	<u>\$ 110,091.42</u>	<u>\$ 3,973.21</u>
Grand Total					<u>\$ 3,005,031.54</u>	<u>\$ 1,312,884.26</u>	<u>\$ 207,112.99</u>	<u>\$ 1,448,100.75</u>	<u>\$ 1,448,100.75</u>	<u>\$ 342,329.48</u>	<u>\$ 26,822.98</u>
State Portion of School Lunch Program	I	N/A		18/19		\$ 37,515.68			\$ 37,515.68		
						<u>37,515.68</u>			<u>37,515.68</u>		

Footnotes:

- (a) Total amount of Commodities received from Dept of Agriculture
(b) Beginning inventory at July 1
(c) Total amount of Commodities Used
(d) Ending Inventory at June 30

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Charters Valley School District (the "School District") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Charters Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Charters Valley School District.

Note 2 – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the District had food commodities totaling \$22,850 in inventory.

Note 4 – Indirect Cost Rates

The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.