



Cheltenham School District
Elkins Park, Pennsylvania
Montgomery County

Financial Statements
Year Ended June 30, 2022



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

CHELTENHAM SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	16
<i>Statement of Activities</i>	17
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	18
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	19
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	20
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	21
<i>Statement of Net Position – Proprietary Funds</i>	22
<i>Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Proprietary Funds</i>	23
<i>Statement of Cash Flows – Proprietary Funds</i>	24
<i>Statement of Net Position – Fiduciary Funds</i>	25
<i>Statement of Changes in Net Position – Fiduciary Funds</i>	26
Notes to Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	52
<i>Schedule of the District’s Proportionate Share of the Net Pension Liability - PSERS</i>	53
<i>Schedule of the District’s Pension Plan Contributions - PSERS</i>	54
<i>Schedule of Changes in Net OPEB Liability – Single Employer Plan</i>	55
<i>Schedule of the District’s Proportionate Share of the Net OPEB Liability - PSERS</i>	56
<i>Schedule of the District’s OPEB Plan Contributions - PSERS</i>	57

CHELTENHAM SCHOOL DISTRICT

CONTENTS

SINGLE AUDIT

<i>Schedule of Expenditures of Federal Awards and Certain State Awards</i>	58
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Awards</i>	61
<i>Summary Schedule of Prior Audit Findings</i>	62
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	63
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	65
<i>Schedule of Findings and Questioned Costs</i>	68



INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Cheltenham School District
Elkins Park, Pennsylvania**

Opinions

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 Cheltenham School District, Elkins Park, Pennsylvania as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cheltenham School District's basic financial statements as listed in the table of contents.

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 Cheltenham School District, Elkins Park, Pennsylvania as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cheltenham School District, Elkins Park, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 14 to the financial statements, Cheltenham School District adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheltenham School District, Elkins Park, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cheltenham School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheltenham School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Cheltenham School District as of and for the year ended June 30, 2021, were audited by other auditors whose report, dated February 8, 2022, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS on pages 4 through 15 and 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cheltenham School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023 on our consideration of Cheltenham 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 Cheltenham 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 Cheltenham School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
March 13, 2023**

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of the Cheltenham School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of seven schools – four elementary schools (grades K-4), one upper elementary school (grades 5-6), one middle school (grades 7-8) and one high school (grades 9-12) consisting of in excess of 4,200 students. The District is located in Montgomery County, Pennsylvania, which sits on the northwest border of the City of Philadelphia, and is comprised of the communities of Glenside, Laverock, Edge Hill, Wyncote, Cedarbrook, Cheltenham Hills, La Mott, Elkins Park, Melrose Park and Cheltenham Village. The District covers 9.0 square miles and is approximately 25 miles east of Reading, Pennsylvania; 25 miles northwest of Center City Philadelphia, Pennsylvania; 20 miles north of West Chester, Pennsylvania; 5 miles northwest of Valley Forge, Pennsylvania; and 30 miles south of Allentown, Pennsylvania. There are approximately 673 employees in the District including 634 full-time and 39 part-time employees, including 437 teachers and administrators and 236 support personnel including secretaries, maintenance and custodial staff and teacher aides.

Drawing on its cultural richness, creativity and tradition of scholastic excellence, the Cheltenham School District strives to nurture each child through a wealth of academic endeavors and community partnerships that provide the skills and vision needed to lead a productive and meaningful life beyond our classroom walls.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2021-2022 fiscal year of \$125,091,201. During the 2021-2022 fiscal year, the District had an increase in total net position of \$17,906,748. The net position of governmental activities increased by \$17,279,287 and net position of business-type activities increased by \$627,461.
- The General Fund reported an increase in fund balance of \$6,500,233, bringing the cumulative balance to \$25,230,710 at the conclusion of the 2021-2022 fiscal year.
- At June 30, 2022, the General Fund fund balance includes \$1,494,719 which is considered nonspendable, \$13,000,000 assigned for capital projects, \$2,000,000 assigned for strategic academic planning unassigned amounts of \$8,735,991 or 6.87% of the \$127,100,000 2022-2023 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- Total General Fund revenues were \$8,274,046 or 6.75% more than budgeted amounts and total General Fund expenditures and other financing uses were \$1,308,114 or 1.06% more than budgeted amounts resulting in a net positive variance of \$6,965,932.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses an internal service fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for the Food Service and Internal Service funds.

The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of a trust for other postemployment benefits and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 25 and 26 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 27 through 51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The required supplementary information can be found on Pages 52 through 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$125,091,201. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 56,136,235	\$ 48,148,484	\$ 995,079	\$ 156,520	\$ 57,131,314	\$ 48,305,004
Noncurrent assets	<u>154,850,792</u>	<u>160,222,948</u>	<u>18,380</u>	<u>22,699</u>	<u>154,869,172</u>	<u>160,245,647</u>
Total assets	<u>210,987,027</u>	<u>208,371,432</u>	<u>1,013,459</u>	<u>179,219</u>	<u>212,000,486</u>	<u>208,550,651</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>26,257,164</u>	<u>27,211,734</u>	<u>-</u>	<u>-</u>	<u>26,257,164</u>	<u>27,211,734</u>
LIABILITIES						
Current liabilities	12,943,531	12,316,563	291,025	84,246	13,234,556	12,400,809
Noncurrent liabilities	<u>310,450,049</u>	<u>353,221,321</u>	<u>-</u>	<u>-</u>	<u>310,450,049</u>	<u>353,221,321</u>
Total liabilities	<u>323,393,580</u>	<u>365,537,884</u>	<u>291,025</u>	<u>84,246</u>	<u>323,684,605</u>	<u>365,622,130</u>
DEFERRED INFLOWS OF RESOURCES	<u>39,664,246</u>	<u>13,138,204</u>	<u>-</u>	<u>-</u>	<u>39,664,246</u>	<u>13,138,204</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	567,482	1,613,551	18,380	22,699	585,862	1,636,250
Restricted	14,275,967	12,476,568	-	-	14,275,967	12,476,568
Unrestricted (deficit)	<u>(140,657,084)</u>	<u>(157,183,041)</u>	<u>704,054</u>	<u>72,274</u>	<u>(139,953,030)</u>	<u>(157,110,767)</u>
Total net position (deficit)	<u>\$(125,813,635)</u>	<u>\$(143,092,922)</u>	<u>\$ 722,434</u>	<u>\$ 94,973</u>	<u>\$(125,091,201)</u>	<u>\$(142,997,949)</u>

The District's total assets as of June 30, 2022 were \$212,000,486 of which \$42,022,698 or 19.82% consisted of cash and investments and \$154,869,172 or 73.05% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2022 were \$323,684,605 of which \$152,397,612 or 47.08% consisted of general obligation debt used to acquire and construct capital assets and \$143,452,215 or 44.32% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$139,953,030 as of June 30, 2022. The District's unrestricted net position increased by \$17,157,737 during 2021-2022 primarily due to the current results of operations and the current year change in the net pension liability and related deferred outflows and inflows or resources.

A portion of the District's net position reflects its restricted net position which totaled \$14,275,967 as of June 30, 2022. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position 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. For the year ended June 30, 2022, the District's net investment in capital assets, net of related debt, decreased by \$1,050,388 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,134,978	\$ 69,198	\$ 254,439	\$ 3,091	\$ 1,389,417	\$ 72,289
Operating grants and contributions	20,310,014	18,799,256	2,071,268	342,802	22,381,282	19,142,058
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	92,854,415	90,010,615	-	-	92,854,415	90,010,615
Earned income taxes levied for general purposes	4,268,813	3,964,545	-	-	4,268,813	3,964,545
Other taxes levied for general purposes	2,789,208	1,470,598	-	-	2,789,208	1,470,598
Grants and entitlements not restricted to specific programs	8,903,666	8,670,121	-	-	8,903,666	8,670,121
Investment earnings	<u>58,827</u>	<u>11,613</u>	<u>1,229</u>	<u>16</u>	<u>60,056</u>	<u>11,629</u>
Total revenues	<u>130,319,921</u>	<u>122,995,946</u>	<u>2,326,936</u>	<u>345,909</u>	<u>132,646,857</u>	<u>123,341,855</u>
EXPENSES						
Instruction	69,097,143	76,608,663	-	-	69,097,143	76,608,663
Instructional student support services	7,935,032	9,219,015	-	-	7,935,032	9,219,015
Administrative and financial support services	12,236,703	12,589,254	-	-	12,236,703	12,589,254
Operation and maintenance of plant services	9,561,816	10,725,460	-	-	9,561,816	10,725,460
Pupil transportation	6,421,559	5,246,902	-	-	6,421,559	5,246,902
Student activities	1,659,474	1,257,292	-	-	1,659,474	1,257,292
Community services	23,911	408,419	-	-	23,911	408,419
Interest and amortization expense related to noncurrent liabilities	6,104,996	4,981,981	-	-	6,104,996	4,981,981
Food service	<u>-</u>	<u>-</u>	<u>1,699,475</u>	<u>610,766</u>	<u>1,699,475</u>	<u>610,766</u>
Total expenses	<u>113,040,634</u>	<u>121,036,986</u>	<u>1,699,475</u>	<u>610,766</u>	<u>114,740,109</u>	<u>121,647,752</u>
Change in net position before transfers	17,279,287	1,958,960	627,461	(264,857)	17,906,748	1,694,103
TRANSFERS	<u>-</u>	<u>(130,526)</u>	<u>-</u>	<u>130,526</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 17,279,287</u>	<u>\$ 1,828,434</u>	<u>\$ 627,461</u>	<u>\$(134,331)</u>	<u>\$ 17,906,748</u>	<u>\$ 1,694,103</u>

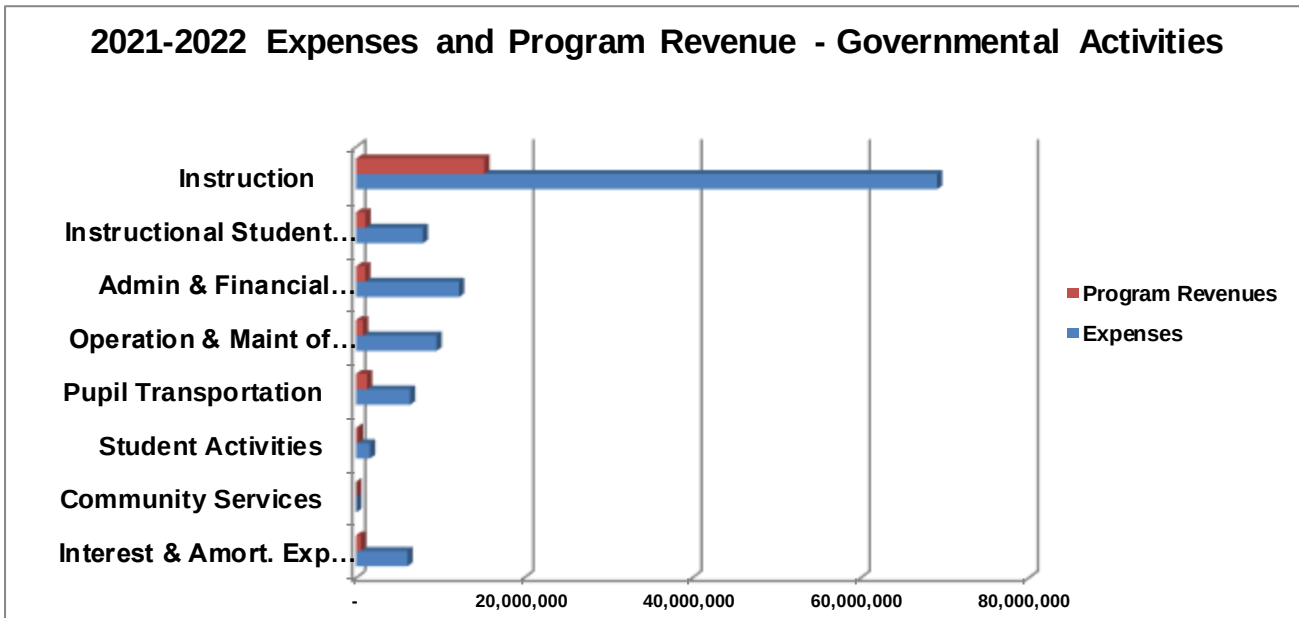
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively 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 is primarily residential in character with approximately 95% of the community consisting of private homes. There is a representative number of commercial establishments for a residential area and few manufacturing.

CHELTENHAM SCHOOL DISTRICT

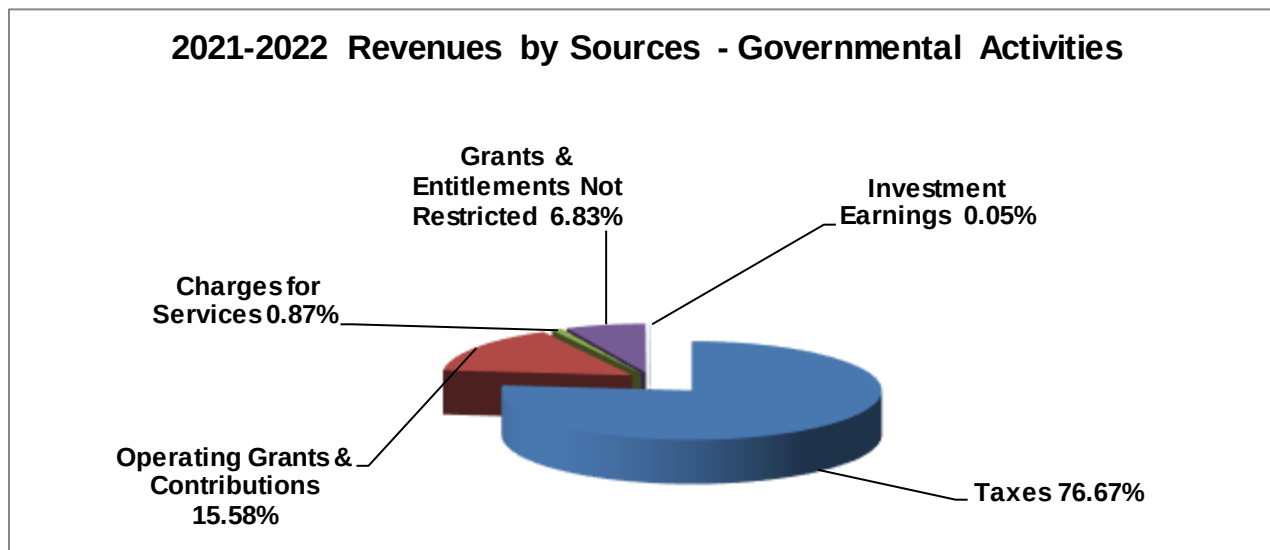
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues and grants and entitlements not restricted for specific programs to finance its governmental activities.



CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GOVERNMENTAL FUNDS

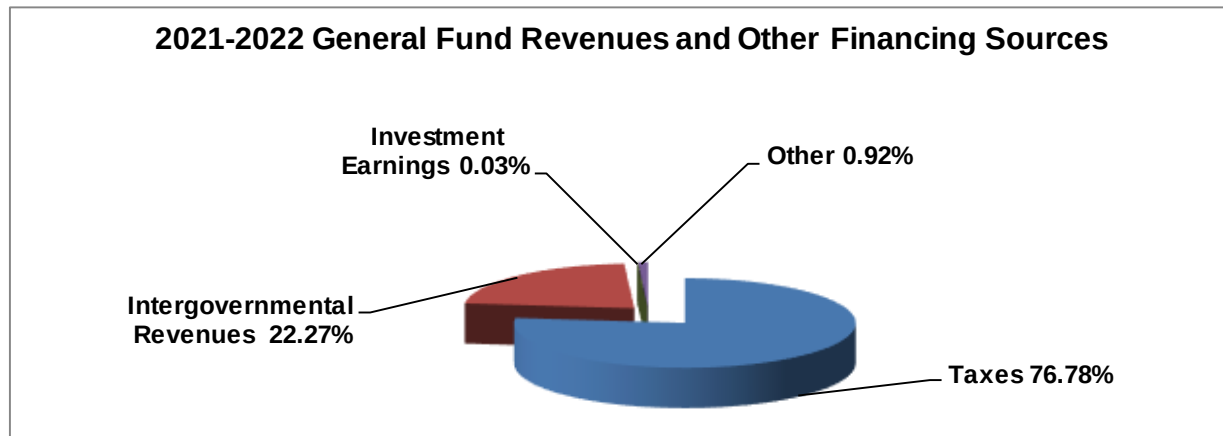
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$41,932,500 which is an increase of \$8,297,420 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>
General Fund	\$25,230,710	\$18,730,477	\$6,500,233
Capital Projects Fund	16,701,790	14,904,603	1,797,187
Debt Service Fund	-	-	-
	<u>\$41,932,500</u>	<u>\$33,635,080</u>	<u>\$8,297,420</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$25,230,710 representing an increase of \$6,500,233 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 76.78% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$100,489,913	\$ 95,445,758	\$5,044,155	5.28
Intergovernmental revenues	29,145,715	27,407,387	1,738,328	6.34
Investment earnings	47,058	5,861	41,197	702.90
Other	<u>1,202,942</u>	<u>1,612,492</u>	<u>(409,550)</u>	<u>(25.40)</u>
	<u>\$130,885,628</u>	<u>\$124,471,498</u>	<u>\$6,414,130</u>	<u>\$ 5.15</u>

Net tax revenues increased by \$5,044,155 or 5.28% primarily due to a millage increase of 3.00% and an increase in collections of real estate transfer taxes due to a favorable housing market in 2021-2022 when compared to 2020-2021 accounted for most of the change. The following table summarizes changes in the District's tax revenues for 2022 compared to 2021:

CHELTENHAM SCHOOL DISTRICT

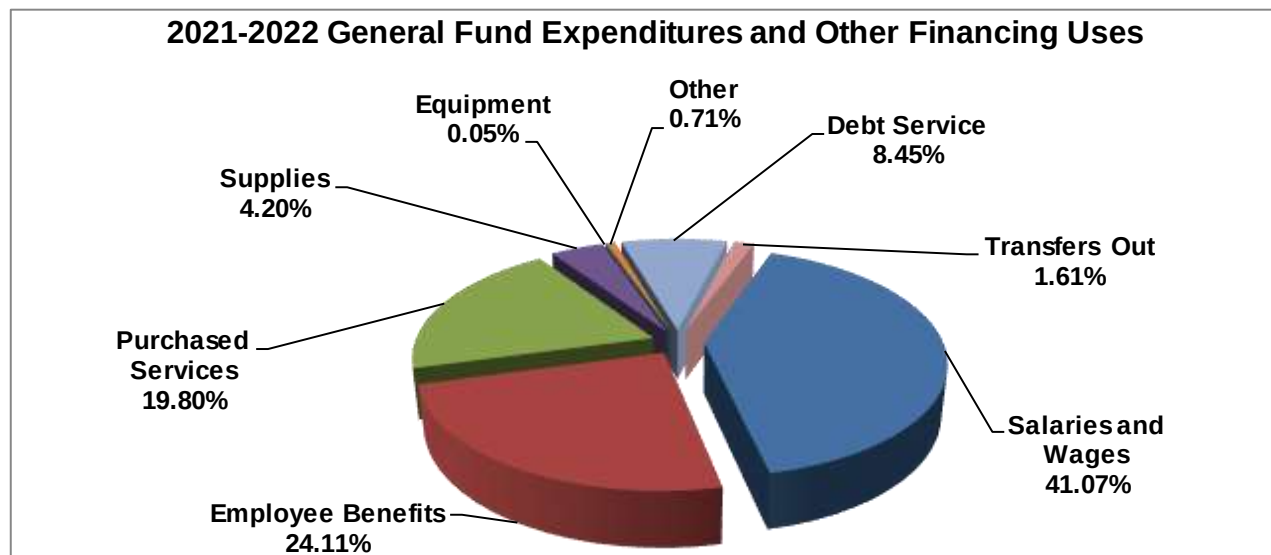
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$ 90,361,826	\$87,108,232	\$3,253,594	3.74
Interim tax	454,024	330,616	123,408	37.33
PURTA tax	90,681	86,482	4,199	4.86
Earned income tax	4,268,813	3,964,545	304,268	7.67
Local services tax	57,967	55,205	2,762	5.00
Transfer tax	1,980,307	971,801	1,008,506	103.78
Mercantile tax	660,254	357,110	303,144	84.89
Delinquent real estate tax	<u>2,616,041</u>	<u>2,571,767</u>	<u>44,274</u>	<u>1.72</u>
	<u>\$100,489,913</u>	<u>\$95,445,758</u>	<u>\$5,044,155</u>	<u>5.28</u>

Intergovernmental revenues increased primarily due to the receipt of federal grants through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**") coupled with increases in the basic education subsidy and retirement subsidy reimbursement that increased commensurate with the increase in salaries and wages.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 51,083,024	\$ 49,810,197	\$1,272,827	2.56
Employee benefits	29,983,944	29,866,789	117,155	0.39
Purchased services	24,631,102	21,184,457	3,446,645	16.27
Supplies	5,230,378	4,578,256	652,122	14.24
Equipment	64,546	209,875	(145,329)	(69.25)
Other	880,546	1,553,530	(672,984)	(43.32)
Debt service	10,511,855	8,845,263	1,666,592	18.84
Transfers out	<u>2,000,000</u>	<u>130,526</u>	<u>1,869,474</u>	<u>1432.26</u>
	<u>\$124,385,395</u>	<u>\$116,178,893</u>	<u>\$8,206,502</u>	<u>7.06</u>

Salaries and wages increased by \$1,272,827 or 2.56% in 2021-2022 compared to 2020-2021 primarily as a result of scheduled salary increases within the District's collective bargaining agreements negotiated with various employee groups.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Purchased services increased by \$3,446,645 or 16.27% as a direct result of the District resuming full operations after the closures associated with COVID-19 primarily related to contracted services for pupil transportation. The District also experience increased costs in charter school tuition due to increasing enrollment.

Debt service increased by \$1,666,592 in 2021-2022 compared to 2020-2021 due to savings recognized in prior year related to general obligation debt refundings.

Transfers out in 2021-2022 represents a \$2,000,000 appropriation to the Capital Projects Fund for future capital expenditures.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of long-term debt and transfers from the General Fund. During 2021-2022, the Capital Projects Fund reported an increase in fund balance of \$1,797,187 due to transfers from the General Fund in excess of capital expenditures. The remaining fund balance of \$16,701,790 is restricted for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due. During 2021-2022, the Debt Service Fund fund balance remained the same and at June 30, 2022, the Debt Service Fund reported no fund balance.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Total General Fund revenues were \$8,274,046 or 6.75% more than budgeted amounts and total General Fund expenditures and other financing uses were \$1,308,114 or 1.06% more than budgeted resulting in a net positive variance of \$6,965,932. Major budgetary highlights for 2021-2022 were as follows:

- Total revenues were \$8,274,046 more than budgeted amounts due to a strong real estate market that led to more than anticipated collections for real estate tax and realty transfer tax collections unbudgeted Federal revenues for ESSER received to aid in the District's response to COVID-19.
- Total expenditures were \$691,886 less than budgeted due to less than anticipated spending on pupil transportation and the outsourcing of the District's after-school daycare program, which was offset by an increase in expenditures related to Federal appropriation received to aid in the District's response to COVID-19.
- Transfers out were \$2,000,000 more than budget due to an unbudgeted transfers to the Capital Projects Fund.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2021-2022, the net position of the business-type activities and Food Service Fund increased by \$627,461 due to increased federal reimbursements for operations. As of June 30, 2022, the business-type activities and Food Service Fund had net position of \$722,434.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

CAPITAL ASSETS

The District's net investment in capital asset for its governmental and business-type activities as of June 30, 2022 amounted to \$154,869,172 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$5,376,475 or 3.36%.

Current year capital additions were \$1,028,655 and depreciation expense and net book value of disposed of capital assets was \$6,405,130.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$152,397,612 consisting of \$150,265,000 in bonds payable and net deferred credits of \$2,132,612. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$3,232,623 or 2.08% during the fiscal year.

During 2021-2022, the District issued general obligation bonds, Series of 2021B, 2022A and 2022, to refund various previously issued general obligation bonds, which will reduce future debt service payments by approximately \$5 million.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$152,397,612 is within the current debt limitation of the District which was \$280,377,701 as of June 30, 2022.

The District maintains an AA ("Stable Outlook") rating from Standard and Poor's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$143,452,215 as of June 30, 2022. The District's net pension liability decreased by \$39,322,785 or 21.51% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$10,861,735 as of June 30, 2022. The District's OPEB liability increased by \$376,961 or 3.60% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences, leases payable and other long-term liabilities, which totaled \$3,738,487 as of June 30, 2022. Other noncurrent liabilities decreased by \$592,825 or 13.69% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Real estate taxes, the primary source of revenue for the District, are governed by the Taxpayer Relief Act ("**Act 1**") enacted in June 2006. In accordance with Act 1, property taxes increases are limited each year by an index established by the Pennsylvania Department of Education ("**PDE**"). For the 2022-2023 fiscal year the District adopted a balanced budget totaling \$127,100,000 which increased the real estate tax millage rate by 1.62%. The increase in the real estate tax millage was less than the 3.40% index for 2022-2023 for the District under Act 1.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Real estate taxes are billed off of property assessments. Due to a favorable housing and lending market, the District saw a slight increase in assessment for the 2022-2023. However, the District, like many older suburban communities in close proximity to a major city, has very little land for future development. This means no significant changes in assessment are expected. Recent changes to infrastructure heighten the expectation that the District's assessment will continue to trend upward.

- The District returned to full in person learning for the 2021-2022 school year with operational and educational expenditures returning to pre-COVID-19 levels.

In response to COVID-19 the Federal government has passed three pieces of legislation known as the Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**"), the Coronavirus Response and Relief Supplemental Appropriations Act ("**CRRSA**") and the American Rescue Plan ("**ARPA**") to provide funding to schools to mitigate the impact of COVID-19 through the Elementary and Secondary School Emergency Relief ("**ESSER**"). The District has been appropriated approximately \$6.7 million in ESSER funding to be passed-through the Pennsylvania Department of Education which will be used to coordinate preparedness and response efforts to COVID-19 and can be utilized through September 30, 2024.

- Growth in expenditures and costs of services continue to keep pace or outpace state and federal funding. In addition, the Commonwealth of Pennsylvania's financial model continues to push more of the taxing burden onto local governments, such as the District. Nineteen percent of the District's funding comes from State sources meaning the District is partially reliant on increases in state subsidies and support. The impact of future education equitable funding lawsuits and administrative changes at the State level currently have an unknown impact on school funding. Although the District's State appropriation for basic education subsidy did increase by approximately 10% for 2022-2023.
- Salaries and benefits make up approximately 65% of the District's expenditures. In recent years, benefits have been the primary driver of increases in expenditures. Benefits primarily consist of health insurance and employer retirement contributions. Health insurance premiums increased by approximately 10% during 2021-2022. PSERS is the defined benefit pension plan for Pennsylvania school district employees. The employers' share of retirement contributions has traditionally been funded half by the Commonwealth and half by the District. Over the past 10 years, the employer contribution rate has increased approximately 300% from 8.65% in 2011-2012 to 34.94% in 2021-2022. The employer contribution rate increased 0.92% to 35.26% in for the 2022-2023 school year and is projected to decrease to 34.00% for the 2023-2024 school year.
- As mentioned previously, the District's open space and land is mostly developed. This means that the likelihood of a significant change in enrollment is low. Past and future enrollment trends for a five year period are summarized in the table below:

<u>Fiscal Year</u>	<u>Enrollment</u>
2020-2021	4,217
2021-2022	4,199
2022-2023	4,132
2023-2024	4,077 (projected)
2024-2025	4,029 (projected)

- The District may consider issuing additional general obligation debt for capital projects in the next 2-3 years but at this time the amount is uncertain. If market conditions are favorable, the District may refund portions of its existing general obligation debt.
- The District remains committed to providing a high quality education to its students and financial stability to the residents of Cheltenham Township.

CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Cheltenham School District, Administration Building, 2000 Ashbourne Road, Elkins Park, PA 19027, 215-881-6342.

CHELTENHAM SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 22,067,039	\$ 932,897	\$ 22,999,936	\$ 28,169,328
Investments	19,022,762	-	19,022,762	5,897,189
Taxes receivable	2,785,691	-	2,785,691	3,363,167
Internal balances	303,011	(303,011)	-	-
Due from other governments	7,016,738	317,529	7,334,267	5,392,124
Other receivables	461,949	-	461,949	251,354
Inventories	124,268	47,664	171,932	186,799
Prepaid expenses	4,402,054	-	4,402,054	5,045,043
Total current assets	56,183,512	995,079	57,178,591	48,305,004
NONCURRENT ASSETS				
Capital assets, net	154,850,792	18,380	154,869,172	160,245,647
Total assets	211,034,304	1,013,459	212,047,763	208,550,651
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges OPEB - single employer	566,783	-	566,783	417,734
Deferred charges on proportionate share of OPEB - PSERS	1,426,054	-	1,426,054	899,000
Deferred charges on proportionate share of pension - PSERS	24,264,327	-	24,264,327	25,895,000
Total deferred outflows of resources	26,257,164	-	26,257,164	27,211,734
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	3,526,462	263,189	3,789,651	4,837,901
Accrued salaries, payroll withholdings and benefits	5,350,761	-	5,350,761	5,817,884
Insurance claims payable	2,450,107	-	2,450,107	-
Accrued interest payable	1,538,435	-	1,538,435	1,636,592
Unearned revenue	125,043	27,836	152,879	108,432
Total current liabilities	12,990,808	291,025	13,281,833	12,400,809
NONCURRENT LIABILITIES				
Due within one year	8,161,027	-	8,161,027	5,250,000
Due in more than one year	302,289,022	-	302,289,022	347,971,321
Total noncurrent liabilities	310,450,049	-	310,450,049	353,221,321
Total liabilities	323,440,857	291,025	323,731,882	365,622,130
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on refunding	3,583,903	-	3,583,903	3,930,518
Deferred credits OPEB - single employer	1,448,343	-	1,448,343	1,308,686
Deferred credits on proportionate share of OPEB - PSERS	601,000	-	601,000	566,000
Deferred credits on proportionate share of pension - PSERS	34,031,000	-	34,031,000	7,333,000
Total deferred inflows of resources	39,664,246	-	39,664,246	13,138,204
NET POSITION (DEFICIT)				
Net investment in capital assets	567,482	18,380	585,862	1,636,250
Restricted	14,275,967	-	14,275,967	12,476,568
Unrestricted (deficit)	(140,657,084)	704,054	(139,953,030)	(157,110,767)
Total net position (deficit)	\$ (125,813,635)	\$ 722,434	\$ (125,091,201)	\$ (142,997,949)

See accompanying notes

CHELTENHAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 69,097,143	\$ 1,012,332	\$ 14,602,036	\$ -	\$ (53,482,775)	\$ -	\$ (53,482,775)	\$ (59,914,424)
Instructional student support services	7,935,032	-	1,239,622	-	(6,695,410)	-	(6,695,410)	(9,212,325)
Administrative and financial support services	12,236,703	-	1,515,468	-	(10,721,235)	-	(10,721,235)	(12,589,254)
Operation and maintenance of plant services	9,561,816	91,281	896,669	-	(8,573,866)	-	(8,573,866)	(10,725,460)
Pupil transportation	6,421,559	-	1,293,658	-	(5,127,901)	-	(5,127,901)	(4,019,101)
Student activities	1,659,474	31,365	198,758	-	(1,429,351)	-	(1,429,351)	(379,850)
Community services	23,911	-	5,487	-	(18,424)	-	(18,424)	(343,019)
Interest and amortization expense related to noncurrent liabilities	6,104,996	-	558,316	-	(5,546,680)	-	(5,546,680)	(4,985,099)
Total governmental activities	<u>113,040,634</u>	<u>1,134,978</u>	<u>20,310,014</u>	<u>-</u>	<u>(91,595,642)</u>	<u>-</u>	<u>(91,595,642)</u>	<u>(102,168,532)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,699,475	254,439	2,071,268	-	-	626,232	626,232	(264,873)
Total primary government	<u>\$ 114,740,109</u>	<u>\$ 1,389,417</u>	<u>\$ 22,381,282</u>	<u>\$ -</u>	<u>(91,595,642)</u>	<u>626,232</u>	<u>(90,969,410)</u>	<u>(102,433,405)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					92,854,415	-	92,854,415	90,010,615
Earned income taxes levied for general purposes					4,268,813	-	4,268,813	3,964,545
Other taxes levied for general purposes					2,789,208	-	2,789,208	1,470,598
Grants and entitlements not restricted to specific programs					8,903,666	-	8,903,666	8,670,121
Investment earnings					58,827	1,229	60,056	11,629
Total general revenues					<u>108,874,929</u>	<u>1,229</u>	<u>108,876,158</u>	<u>104,127,508</u>
CHANGE IN NET POSITION (DEFICIT)					17,279,287	627,461	17,906,748	1,694,103
NET POSITION (DEFICIT)								
Beginning of year					(143,092,922)	94,973	(142,997,949)	(144,692,052)
End of year					<u>\$ (125,813,635)</u>	<u>\$ 722,434</u>	<u>\$ (125,091,201)</u>	<u>\$ (142,997,949)</u>

See accompanying notes

CHELTENHAM SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Debt		
	Fund	Projects	Service	2022	2021
		Fund	Fund		
ASSETS					
Cash	\$ 9,029,707	\$ 12,904,665	\$ -	\$ 21,934,372	\$ 33,844,731
Investments	19,022,762	-	-	19,022,762	-
Taxes receivable	2,785,691	-	-	2,785,691	3,363,167
Due from other funds	956,949	3,797,125	-	4,754,074	4,824,993
Due from other governments	7,016,738	-	-	7,016,738	5,364,163
Other receivables	461,949	-	-	461,949	251,353
Inventories	124,268	-	-	124,268	124,226
Prepaid items	1,417,728	-	-	1,417,728	990,453
Total assets	\$ 40,815,792	\$ 16,701,790	\$ -	\$ 57,517,582	\$ 48,763,086
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,526,462	\$ -	\$ -	\$ 3,526,462	\$ 2,072,064
Due to other funds	3,797,125	-	-	3,797,125	3,797,125
Unearned revenue	125,043	-	-	125,043	77,766
Accrued salaries, payroll withholdings and benefits	5,350,761	-	-	5,350,761	5,817,884
Total liabilities	12,799,391	-	-	12,799,391	11,764,839
DEFERRED INFLOW OF RESOURCES					
Unavailable revenues - property taxes	2,785,691	-	-	2,785,691	3,363,167
FUND BALANCES					
Nonspendable					
Inventories	124,268	-	-	124,268	124,226
Prepaid items	1,417,728	-	-	1,417,728	990,453
Restricted for capital projects	-	16,701,790	-	16,701,790	14,904,603
Assigned for					
Capital projects	13,000,000	-	-	13,000,000	-
Strategic academic planning	2,000,000	-	-	2,000,000	-
Committed to					
Capital projects	-	-	-	-	2,000,000
Balance 2021-2022 budget	-	-	-	-	465,699
Unassigned	8,688,714	-	-	8,688,714	15,150,099
Total fund balances	25,230,710	16,701,790	-	41,932,500	33,635,080
Total liabilities, deferred inflow of resources and fund balances	\$ 40,815,792	\$ 16,701,790	\$ -	\$ 57,517,582	\$ 48,763,086

CHELTENHAM SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 41,932,500
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	154,850,792
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	(3,583,903)
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(9,823,179)
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	2,785,691
The Internal Service Fund is used by management to charge the cost of medical and prescription insurance to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position.	12,948
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(310,450,049)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,538,435)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (125,813,635)</u></u>

CHELTENHAM SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Debt	2022	2021
	Fund	Projects	Service		
		Fund	Fund		
REVENUES					
Local sources	\$ 101,739,913	\$ 13,269	-	\$ 101,753,182	\$ 97,970,923
State sources	25,346,020	-	-	25,346,020	24,778,833
Federal sources	3,799,695	-	-	3,799,695	1,731,970
Total revenues	<u>130,885,628</u>	<u>13,269</u>	<u>-</u>	<u>130,898,897</u>	<u>124,481,726</u>
EXPENDITURES					
Current					
Instruction	72,544,159	-	-	72,544,159	69,717,129
Support services	37,566,311	24,372	729,464	38,320,147	35,944,755
Operation of noninstructional services	1,763,070	-	-	1,763,070	1,554,806
Facilities acquisition, construction and improvement services	-	191,710	-	191,710	111,957
Debt service	10,511,855	-	-	10,511,855	8,845,264
Total expenditures	<u>122,385,395</u>	<u>216,082</u>	<u>729,464</u>	<u>123,330,941</u>	<u>116,173,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,500,233</u>	<u>(202,813)</u>	<u>(729,464)</u>	<u>7,567,956</u>	<u>8,307,815</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt - refunding	-	-	52,900,000	52,900,000	27,475,000
Payment of debt - refunding	-	-	(13,591,394)	(13,591,394)	(28,517,195)
Payment to bond refunding agent	-	-	(39,069,494)	(39,069,494)	-
Bond premiums	-	-	646,562	646,562	1,582,131
Bond discounts	-	-	(156,210)	(156,210)	-
Refund of prior year revenue	-	-	-	-	550,798
Transfers in	-	2,000,000	-	2,000,000	8,845,264
Transfers out	(2,000,000)	-	-	(2,000,000)	(8,975,790)
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>729,464</u>	<u>729,464</u>	<u>960,208</u>
NET CHANGE IN FUND BALANCES	<u>6,500,233</u>	<u>1,797,187</u>	<u>-</u>	<u>8,297,420</u>	<u>9,268,023</u>
FUND BALANCES					
Beginning of year	<u>18,730,477</u>	<u>14,904,603</u>	<u>-</u>	<u>33,635,080</u>	<u>25,468,653</u>
End of year	<u>\$ 25,230,710</u>	<u>\$ 16,701,790</u>	<u>\$ -</u>	<u>\$ 41,932,500</u>	<u>\$ 34,736,676</u>

See accompanying notes

CHELTENHAM SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 8,297,420
---	--	---------------------

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

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

Capital outlay expenditures	\$ 1,028,655	
Net book value of disposed of capital assets	(775,704)	
Depreciation expense	<u>(5,625,107)</u>	(5,372,156)

District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources June 30, 2021	(3,363,167)	
Deferred inflows of resources June 30, 2022	<u>2,785,691</u>	(577,476)

The Internal Service Fund is used by management to charge the cost of medical and prescription insurance to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

(457,317)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds payable	5,365,000	
Repayment of bonds payable - refunding	49,200,000	
Issuance of debt - refunding	(52,900,000)	
Proceeds from bond premiums	(646,562)	
Payment of bond discounts	156,210	
Repayment of leases payable	744,562	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>2,404,590</u>	4,323,800

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in the governmental funds.

Current year change in accrued interest payable	98,157	
Current year change in compensated absences	(151,737)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	10,994,111	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(86,349)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>210,834</u>	<u>11,065,016</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		\$ <u>17,279,287</u>
--	--	-----------------------------

See accompanying notes

CHELTENHAM SCHOOL DISTRICT**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2022 with summarized comparative totals for 2021

	Food Service Fund		Internal Service Fund	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 932,897	\$ 84,806	\$ 132,667	\$ 136,980
Due from other governments	317,529	27,961	-	-
Inventories	47,664	62,573	-	-
Prepaid expenses	-	-	2,984,326	4,054,590
Total current assets	<u>1,298,090</u>	<u>175,340</u>	<u>3,116,993</u>	<u>4,191,570</u>
NONCURRENT ASSETS				
Capital assets, net	18,380	22,699	-	-
Total assets	<u>1,316,470</u>	<u>198,039</u>	<u>3,116,993</u>	<u>4,191,570</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Accounts payable	263,189	53,580	-	-
Insurance claims payable	-	-	2,450,107	2,712,257
Due to other funds	303,011	18,820	653,938	1,009,048
Unearned revenues	27,836	30,666	-	-
Total liabilities	<u>594,036</u>	<u>103,066</u>	<u>3,104,045</u>	<u>3,721,305</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	18,380	22,699	-	-
Unrestricted (deficit)	704,054	72,274	12,948	470,265
Total net position (deficit)	<u>\$ 722,434</u>	<u>\$ 94,973</u>	<u>\$ 12,948</u>	<u>\$ 470,265</u>

See accompanying notes

CHELTENHAM SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (DEFICIT) - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Food Service Fund</u>		<u>Internal Service Fund</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES				
Food service revenues	\$ 254,439	\$ 3,091	\$ -	\$ -
Premiums transferred from General Fund	-	-	9,342,943	9,857,858
	<u>254,439</u>	<u>3,091</u>	<u>9,342,943</u>	<u>9,857,858</u>
OPERATING EXPENSES				
Employee benefits	-	-	9,800,428	10,849,029
Purchased services	1,683,419	594,872	-	-
Supplies	97	72	-	-
Depreciation	4,319	4,212	-	-
Miscellaneous	11,640	11,610	-	-
Total operating expenses	<u>1,699,475</u>	<u>610,766</u>	<u>9,800,428</u>	<u>10,849,029</u>
Operating loss	<u>(1,445,036)</u>	<u>(607,675)</u>	<u>(457,485)</u>	<u>(991,171)</u>
NONOPERATING REVENUES				
Earnings on investments	1,229	16	168	23
State sources	41,209	7,885	-	-
Federal sources	2,030,059	334,917	-	-
Total nonoperating revenues	<u>2,072,497</u>	<u>342,818</u>	<u>168</u>	<u>23</u>
Change in net position before capital contributions and transfers	627,461	(264,857)	(457,317)	(991,148)
Transfers in	-	130,526	-	-
CHANGE IN NET POSITION (DEFICIT)	627,461	(134,331)	(457,317)	(991,148)
NET POSITION (DEFICIT)				
Beginning of year	<u>94,973</u>	<u>229,304</u>	<u>470,265</u>	<u>1,461,413</u>
End of year	<u>\$ 722,434</u>	<u>\$ 94,973</u>	<u>\$ 12,948</u>	<u>\$ 470,265</u>

See accompanying notes

CHELtenham SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Food Service Fund		Internal Service Fund	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 254,439	\$ 3,091	\$ -	\$ -
Premiums transferred from General Fund	-	-	9,342,943	8,091,726
Cash payments to suppliers for goods or services	<u>(1,065,846)</u>	<u>(510,271)</u>	<u>(9,347,424)</u>	<u>(8,906,992)</u>
Net cash used for operating activities	<u>(811,407)</u>	<u>(507,180)</u>	<u>(4,481)</u>	<u>(815,266)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Received from other funds	-	177,609	-	-
Federal sources	1,623,570	278,977	-	-
State sources	<u>34,699</u>	<u>7,764</u>	<u>-</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>1,658,269</u>	<u>464,350</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>1,229</u>	<u>16</u>	<u>168</u>	<u>23</u>
Net increase (decrease) in cash	848,091	(42,814)	(4,313)	(815,243)
CASH				
Beginning of year	<u>84,806</u>	<u>127,620</u>	<u>136,980</u>	<u>952,223</u>
End of year	<u>\$ 932,897</u>	<u>\$ 84,806</u>	<u>\$ 132,667</u>	<u>\$ 136,980</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating income (loss)	\$ (1,445,036)	\$ (607,675)	\$ (457,485)	\$ (991,171)
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Depreciation	4,319	4,212	-	-
Donated commodities used	123,431	52,641	-	-
(Increase) decrease in				
Inventories	14,909	19,607	-	-
Prepaid expenses	-	-	1,070,264	1,625,774
Increase (decrease) in				
Accounts payable	209,609	24,035	(262,150)	316,263
Unearned revenue	(2,830)	-	-	-
Interfund payables	<u>284,191</u>	<u>-</u>	<u>(355,110)</u>	<u>(1,766,132)</u>
Net cash used for operating activities	<u>\$ (811,407)</u>	<u>\$ (507,180)</u>	<u>\$ (4,481)</u>	<u>\$ (815,266)</u>
SUPPLEMENTAL DISCLOSURES				
Noncash noncapital financing activity				
USDA donated commodities	<u>\$ 123,431</u>	<u>\$ 52,641</u>		

See accompanying notes

CHELTENHAM SCHOOL DISTRICT**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

June 30, 2022 with summarized comparative totals for 2021

	OPEB Trust Fund	Custodial Fund Student Activities Fund	Totals	
			<u>2022</u>	<u>2021</u>
ASSETS				
Cash	<u>\$ 1,072,450</u>	<u>\$ 174,115</u>	<u>\$ 1,246,565</u>	<u>\$ 1,397,353</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>126,096</u>	<u>126,096</u>	<u>59,666</u>
NET POSITION				
Restricted for other postemployment benefits	1,072,450	-	1,072,450	1,240,231
Restricted for student activities	<u>-</u>	<u>48,019</u>	<u>48,019</u>	<u>97,456</u>
Total liabilities and net position	<u>\$ 1,072,450</u>	<u>\$ 48,019</u>	<u>\$ 1,120,469</u>	<u>\$ 1,337,687</u>

See accompanying notes

CHELTENHAM SCHOOL DISTRICT**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended June 30, 2022 and summarized comparative data for 2021

	OPEB Trust Fund	Custodial Fund Student Activities Fund	Totals	
			<u>2022</u>	<u>2021</u>
ADDITIONS				
Investment earnings	\$ (157,141)	\$ -	\$ (157,141)	\$ 226,326
Receipts from student groups	-	237,836	237,836	97,296
Total additions	<u>(157,141)</u>	<u>237,836</u>	<u>80,695</u>	<u>323,622</u>
DEDUCTIONS				
Dues and fees	10,640	-	10,640	9,926
Student activity disbursements	-	287,273	287,273	68,425
Total deductions	<u>10,640</u>	<u>287,273</u>	<u>297,913</u>	<u>78,351</u>
CHANGE IN NET POSITION	(167,781)	(49,437)	(217,218)	245,271
NET POSITION				
Beginning of year	<u>1,240,231</u>	<u>97,456</u>	<u>1,337,687</u>	<u>1,092,416</u>
End of year	<u>\$ 1,072,450</u>	<u>\$ 48,019</u>	<u>\$ 1,120,469</u>	<u>\$ 1,337,687</u>

See accompanying notes

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cheltenham School District (the "**District**") operates four elementary schools (grades K-4), one upper elementary school (grades 5-6), one middle school (grades 7-8) and one high school (grades 9-12) to provide education and related services to the residents in the communities of Glenside, Laverock, Edge Hill, Wyncote, Cedarbrook, Cheltenham Hills, La Mott, Elkins Park, Melrose Park and Cheltenham Village. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the Cheltenham School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position (deficit) that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources that are restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for financial resources restricted for the payment of, long-term debt principal, interest and other related costs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage.

These 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 funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Private-purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has one trust fund, consisting of an other post-employment benefit fund. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
December 31	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2021-2022 was 51.0180 mills (\$51.0180 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years and furniture and equipment – 5-20 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Director of Business Services or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of 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.

Implementation of New Accounting Pronouncements

Effective July 1, 2021, the District adopted the provisions of GASB Statement No. 87 "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period", GASB Statement No. 91, "Conduit Debt Obligations", and GASB Statement No. 92, "Omnibus 2020".

The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for its operating leases for the year ended June 30, 2022.

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of GASB Statement No. 89 had no impact on the financial statements of the District for the year ended June 30, 2022.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

New Accounting Pronouncements

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without School Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and include the effect of approved budget amendments.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$24,246,501 and the bank balance was \$26,040,670. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any other political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$7,511,052 was covered by federal depository insurance and \$1,075,610 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"), Pennsylvania Local Government Investment Trust ("**PLGIT**") and the Pennsylvania Treasurer's Program for Local Governments ("**INVEST**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2022, PSDLAF, PLGIT and INVEST were rated as AAA by a nationally recognized statistical rating agency.

Investments

At June 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$ 2,992,000	\$ 2,992,000	\$ -	\$ -	\$ -
PSDLAF collateralized investment pools	<u>16,030,762</u>	<u>16,030,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$19,022,762</u>	<u>\$19,022,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools and U.S. treasury securities were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2022.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 209,837	\$ -	\$ -	\$ 209,837
Capital assets being depreciated				
Buildings and improvements	213,526,301	235,477	-	213,761,778
Furniture and equipment	18,032,979	793,178	5,189,487	13,636,670
Total capital assets being depreciated	231,559,280	1,028,655	5,189,487	227,398,448
Less accumulated depreciation for				
Buildings and improvements	(56,984,053)	(4,657,699)	-	(61,641,752)
Furniture and equipment	(14,562,116)	(967,408)	(4,413,783)	(11,115,741)
Total accumulated depreciation	(71,546,169)	(5,625,107)	(4,413,783)	(72,757,493)
Total capital assets being depreciated, net	160,013,111	(4,596,452)	775,704	154,640,955
Governmental activities, net	\$160,222,948	\$ (4,596,452)	\$ 775,704	\$154,850,792
Business-type activities				
Buildings and improvements	\$ 228,750	-	-	\$ 228,750
Furniture and equipment	555,555	-	-	555,555
Total capital assets being depreciated	784,305	-	-	784,305
Less accumulated depreciation for				
Buildings and improvements	(228,750)	-	-	(228,750)
Furniture and equipment	(532,856)	(4,319)	-	(537,175)
Total accumulated depreciation	(761,606)	(4,319)	-	(765,925)
Total capital assets being depreciated, net	22,699	(4,319)	-	18,380
Business-type activities, net	\$ 22,699	\$ (4,319)	\$ -	\$ 18,380

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

Governmental activities	
Instruction	\$3,873,588
Instructional student support	450,269
Administrative and financial support services	663,253
Operation and maintenance of plant services	545,418
Student activities	92,579
Total depreciation expense – governmental activities	\$5,625,107
Business-type activities	
Food service	\$ 4,319

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$3,797,125	General Fund	\$3,797,125
General Fund	653,938	Self-Insurance Fund	653,938
General Fund	303,011	Food Service Fund	303,011
	<u>\$4,754,074</u>		<u>\$4,754,074</u>

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$2,000,000</u>	General Fund	<u>\$2,000,000</u>

Transfers from the General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital assets.

(6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$151,930,000	\$52,900,000	\$54,565,000	\$150,265,000	\$6,325,000
Bond premiums	3,819,416	646,562	2,065,756	2,400,222	1,389,055
Bond discounts	<u>(119,181)</u>	<u>(156,210)</u>	<u>(7,781)</u>	<u>(267,610)</u>	<u>(14,693)</u>
Total general obligation debt	<u>155,630,235</u>	<u>53,390,352</u>	<u>56,622,975</u>	<u>152,397,612</u>	<u>7,699,362</u>
Other noncurrent liabilities					
Compensated absences	1,159,132	151,737	-	1,310,869	-
Leases payable	1,472,180	-	744,562	727,618	461,665
Other long-term liabilities	1,700,000	-	-	1,700,000	-
Net OPEB liability	2,496,774	95,741	-	2,592,515	-
Net OPEB liability - PSERS	7,988,000	281,220	-	8,269,220	-
Net pension liability - PSERS	<u>182,775,000</u>	<u>-</u>	<u>39,322,785</u>	<u>143,452,215</u>	<u>-</u>
Total other noncurrent liabilities	<u>197,591,086</u>	<u>528,698</u>	<u>40,067,347</u>	<u>158,052,437</u>	<u>461,665</u>
Total governmental activities	<u>\$353,221,321</u>	<u>\$53,919,050</u>	<u>\$96,690,322</u>	<u>\$310,450,049</u>	<u>\$8,161,027</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and are payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2022 consisted of the following:

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2014	0.55% - 4.00%	\$25,000,000	02/15/2034	\$ 10,180,000
Series of 2016A	0.80% - 4.00%	\$12,850,000	02/15/2029	4,755,000
Series of 2016B	0.80% - 4.00%	\$17,400,000	02/15/2031	2,130,000
Series of 2016C	1.25% - 5.00%	\$28,050,000	03/15/2029	3,010,000
Series of 2018	1.75% - 3.625%	\$7,610,000	02/15/2040	7,565,000
Series of 2019	1.80% - 4.00%	\$9,925,000	02/15/2040	9,505,000
Series of 2019A	1.35% - 4.00%	\$9,490,000	02/15/2035	9,050,000
Series of 2020	1.363% - 3.316%	\$26,315,000	02/15/2040	26,055,000
Series of 2020A	0.35% - 3.00%	\$9,480,000	09/15/2034	9,475,000
Series of 2021	1.00% - 4.00%	\$8,700,000	09/15/2034	8,525,000
Series of 2021A	0.28% - 4.00%	\$9,295,000	09/15/2029	7,635,000
Series of 2021B	1.00% - 4.00%	\$9,000,000	02/15/2035	8,480,000
Series of 2022A	1.88% - 3.64%	\$39,670,000	02/15/2041	39,670,000
Series of 2022B	4.00%	\$4,230,000	02/15/2035	<u>4,230,000</u>
Total general obligation debt				<u>\$150,265,000</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 6,325,000	\$ 4,310,471	\$ 10,635,471
2024	6,255,000	4,380,284	10,635,284
2025	6,455,000	4,177,353	10,632,353
2026	6,675,000	3,955,501	10,630,501
2027	6,830,000	3,786,637	10,616,637
2028-2032	36,810,000	16,194,154	53,004,154
2033-2037	42,185,000	10,718,899	52,903,899
2038-2041	<u>38,730,000</u>	<u>3,481,755</u>	<u>42,211,755</u>
	<u>\$150,265,000</u>	<u>\$51,005,054</u>	<u>\$201,270,054</u>

Series of 2021B General Obligation Bonds

On December 21, 2021, the District issued \$9,000,000 of general obligation bonds, Series of 2021B, to (1) currently refund all the District's general obligation bonds, Series of 2017 in the amount of \$8,920,000, and (2) to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$960,133.

Series of 2022A General Obligation Bonds

On April 13, 2022, the District the District issued \$39,670,000 of general obligation bonds, Series of 2022A, to (1) advance refund a portion of the District's general obligation bonds, Series of 2016A, in the amount of \$6,485,000, (2) advance refund a portion of the District's general obligation bonds, Series of 2016B, in the amount of \$6,260,000, (3) advance refund a portion of the District's general obligation bonds, Series of 2016C, in the amount of \$23,085,000, and (4) to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by \$4,211,027.

Series of 2022B General Obligation Bonds

On May 19, 2022, the District issued \$4,230,000 of general obligation bonds, Series of 2022B, to (1) currently refund all the District's general obligation bonds, Series of 2017A in the amount of \$4,450,000, and (2) to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$160,849.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

In-Substance Defeasance

The District has advance refunded a portion of its general obligation bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2022, the amount of defeased outstanding debt was as follows:

<u>Description</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Series of 2016A	08/15/2024	\$ 6,485,000
Series of 2016B	08/15/2024	6,260,000
Series of 2016C	08/15/2024	23,085,000
Series of 2017A	08/15/2022	<u>4,450,000</u>
		<u>\$40,280,000</u>

(8) LEASES PAYABLE

The District entered into a long-term lease agreement for the use of copier equipment. An initial lease liability was recorded in the amount of \$639,737. As of June 30, 2022, the value of the lease liability is \$255,919. The District was required to make monthly fixed payments \$10,663. The lease has an imputed interest rate of 3.63%. The equipment's estimated useful life is 5 years as of the contract commencement. The value of the capital asset as of June 30, 2022 is \$255,919, net of accumulated amortization of \$383,878, and is included with noncurrent assets on the statement of net position (deficit).

The District has entered into long-term lease agreements for personal computer devices. Initial lease liabilities were recorded in the amount of \$1,969,966. As of June 30, 2022, the value of the lease liabilities is \$471,699. The leases have interest rates ranging from 0.00% to 3.63% and useful lives ranging from 3 to 5 years. The value of the capital assets as of June 30, 2022 is \$1,092,193, net of accumulated depreciation of \$877,773, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2023	\$465,601
2024	265,953
Less: amount representing interest	<u>(3,936)</u>
Present value of minimum lease payments	<u>\$727,618</u>

(9) PENSION PLAN

Plan Description

The Pennsylvania Public School Employees' Retirement System ("**PSERS**") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public 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.state.pa.us.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 credited service; (b) age 60 with 30 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 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 2.00% or 2.50%, 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 2.00% or 2.50%, 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 PSERS 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 PSERS 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 PSERS 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 PSERS 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 T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 plan from the District were \$17,200,327 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$143,452,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.3494 percent, which was a decrease of 0.0203 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the net pension liability of \$143,452,215 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized pension expense of \$6,908,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 106,000	\$ 1,885,000
Changes in assumptions	6,958,000	-
Net difference between projected and actual investment earnings	-	22,834,000
Changes in proportions	-	9,312,000
Contributions subsequent to the measurement date	<u>17,200,327</u>	<u>-</u>
	<u>\$24,264,327</u>	<u>\$34,031,000</u>

\$17,200,327 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, 2022. 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,

2023	\$ (8,114,000)
2024	(6,077,000)
2025	(5,399,000)
2026	<u>(7,377,000)</u>
	<u>\$(26,967,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward PSERS's total pension liability as the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2020

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The 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	27.00 %	5.20%
Private equity	12.00 %	7.30%
Fixed income	35.00 %	1.80%
Commodities	10.00 %	2.00%
Absolute return	8.00 %	3.10%
Infrastructure/MLPs	8.00 %	5.10%
Real estate	10.00 %	4.70%
Cash	3.00 %	0.10%
Leverage	(13.00)%	0.10%
	<u>100.00 %</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, 2021.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the 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 represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
District's proportionate share of the net pension liability	<u>\$188,286,269</u>	<u>\$143,452,215</u>	<u>\$105,632,474</u>

Pension Plan Fiduciary Net Position

Detailed information about the 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.

(10) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("OPEB") include a single-employer defined benefit plan that provides medical, prescription drug and dental insurance to all retirees and their spouse. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active employees	620
Vested former participants	-
Retired participants	<u>165</u>
Total	<u>785</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis, with any additional amount to prefund as determined annually by the School Board. The contribution requirements of retirees are established and may be amended by the School Board. The costs of administering the OPEB plan are paid by the District.

Basis of Accounting

The OPEB Plan's financial statements are prepared using the accrual basis of accounting. OPEB plan member contributions by retired officers toward their postretirement benefits reduce the employer cost and the resulting liability. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions, including the implicit rate subsidy. Benefits and refunds are recognized when due and payable in accordance with terms of the OPEB plan, including the implicit rate subsidy.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Method Used to Value Investments

Investments in the OPEB Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Discount Rate

The discount rate used to measure the total net OPEB liability is 4.98% based upon the expected rate of return, net of expected investment expenses. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Rate of Return

The long-term expected rate of return on OPEB Plan investments was determined using the 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 class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. The long-term expected rate of return on OPEB Plan investments is 7.00%.

The annual money-weighted rate of return on OPEB Plan investments, net of investment expenses, was a loss of 12.78%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Investment Policy

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the School Board. It is the policy of the School Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB Plan's investment policy discourages the use of cash equivalent, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. A schedule of plan investments by asset class and target allocation as of June 30, 2022 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	29.00%
International equity	11.80%
Real estate	3.90%
Inflation hedge	4.50%
Fixed income	42.60%
Cash equivalent	<u>8.20%</u>
	<u>100.00%</u>

Net OPEB Liability

The District's net OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. At June 30, 2022, the net OPEB liability is \$2,592,515 and is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in total OPEB liability, plan fiduciary net position, and net OPEB liability for the year ended June 30, 2022 were as follows:

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	Plan Total OPEB Liability (A)	Fiduciary Net Position (B)	Net OPEB Liability (A) – (B)
Balance as of July 1, 2021	\$3,737,005	\$1,240,231	\$2,496,774
Changes for the year:			
Service cost	263,555	-	263,555
Interest	148,920	-	148,920
Changes in assumptions	(314,852)	-	(314,852)
Contributions – employer	-	169,663	(169,663)
Net investment income	-	(157,141)	157,141
Benefit payments	(169,663)	(169,663)	-
Administrative expense	-	(10,640)	10,640
Net changes	(72,040)	(167,781)	95,741
Balance as of June 30, 2022	\$3,664,965	\$1,072,450	\$2,592,515

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$266,012. At June 30, 2022, the District had deferred inflows or resources and deferred outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 40,716	\$ 968,163
Changes of assumptions	319,348	387,186
Net difference between projected and actual investment earnings	<u>196,719</u>	<u>92,994</u>
	<u>\$556,783</u>	<u>\$1,448,343</u>

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,

2023	\$ (71,072)
2024	(71,127)
2025	(72,025)
2026	(41,027)
2027	(89,744)
Thereafter	<u>(546,565)</u>
	<u>\$(891,560)</u>

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

The following presents the net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the 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>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$2,157,291</u>	<u>\$2,592,515</u>	<u>\$3,105,024</u>

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The following presents the net OPEB liability of the District calculated using the discount rate of 4.98%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.98%) or 1 percentage point higher (5.98%) than the current rate:

	<u>1% Decrease</u> <u>3.98%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>4.98%</u>	<u>1% Increase</u> <u>5.98%</u>
Net OPEB Liability	<u>\$2,863,676</u>	<u>\$2,592,515</u>	<u>\$2,338,693</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of June 1, 2020 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.98% – Standard and Poors 20-year municipal bond rate. The discount rate changed from 3.81% to 4.98%.
- Salary growth – effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.50% in 2022. Rates gradually decrease from 6.00% in 2023 to 3.90% in 2075 and later.
- Mortality – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance 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, 2021, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% 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 \$403,054 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$8,269,220 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.3489 percent, which was a decrease of 0.0208 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the net OPEB liability of \$8,269,220 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized OPEB expense of \$436,000. At June 30, 2022, 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 projected and actual experience	\$ 77,000	\$ -
Changes in assumptions	881,000	110,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportions	49,000	491,000
Contributions subsequent to the measurement date	<u>403,054</u>	<u>-</u>
	<u>\$1,426,054</u>	<u>\$601,000</u>

\$403,054 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, 2022. 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,

2023	\$ 74,000
2024	73,000
2025	103,000
2026	75,000
2027	49,000
Thereafter	<u>48,000</u>
	<u>\$422,000</u>

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Actuarial Assumptions

The net OPEB liability as of June 30, 2021, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The 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 June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short term assets designed to protect the principal of the OPEB 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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance 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	79.80%	0.10 %
US Core Fixed Income	17.50%	0.70 %
Non-US Developed Fixed	2.70%	(0.30)%
	<u>100.00%</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, 2021.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what 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>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$8,268,281</u>	<u>\$8,269,220</u>	<u>\$8,269,959</u>

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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.18%</u>	<u>2.18%</u>	<u>3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$9,489,961</u>	<u>\$8,269,220</u>	<u>\$7,263,756</u>

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 PSERS's website at www.psers.pa.gov.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

Eastern Center for Arts and Technology

The District is a participating member of the Eastern Center for Arts and Technology (the "**ECAT**"). The ECAT provides vocational-technical training and education to students of participating school districts. The ECAT is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the ECAT operations is the responsibility of the joint board. The District's share of operating costs for the ECAT fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2021-2022 was \$1,330,139. The ECAT prepares financial statements that are available to the public from its administrative offices located at 3075 Terwood Road, Willow Grove, PA 19090.

Montgomery County Intermediate Unit

The District and the other Montgomery County school districts are participating members of the Montgomery County Intermediate Unit (the "**MCIU**"). The MCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the MCIU but the participating districts have no ongoing fiduciary interest or responsibility to the MCIU. The MCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

The District is involved in litigation in which property owners are seeking to reduce their property assessments for purposes of assessing real estate taxes on those properties, which would result in significant reduction in property assessments, including substantial refunds and/or credits totaling \$1,700,000. The District has recorded this liability in the governmental activities on statement of net position (deficit) as of June 30, 2022.

Three contractors associated with the Cedarbrook Middle School construction project are seeking damages for alleged delays and amounts due on contract for the project totaling approximately \$4,400,000. Although the District may be held liable for some of the damages being sought, the District is disputing the total amount and cannot estimate or predict the scope of any settlement liability.

CHELTENHAM SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(13) RISK MANAGEMENT

Medical

The District participates in a consortium with other participating school districts and educational agencies from Montgomery County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. Since the District has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The District accounts for its participation in the consortium in an internal service fund in the accompanying financial statements.

Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium ("**SDIC**"), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2022, the District is not aware of any additional assessments relating to SDIC.

Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased a commercial insurance policy to safeguard its assets and there were no significant reductions in insurance coverage during 2021-2022. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

(14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 87 "Leases", the District made a prior period adjustment to record net position for an equipment lease asset and associated lease liability.

These prior period adjustments and its effect on net position at July 1, 2021 was an increase in net capital assets of \$2,183,740 and an increase in lease liabilities of \$1,472,180.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CHELTENHAM SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 96,177,127	\$ 96,177,127	\$ 101,739,913	\$ 5,562,786
State sources	24,701,922	24,701,922	25,346,020	644,098
Federal sources	1,732,533	1,732,533	3,799,695	2,067,162
Total revenues	<u>122,611,582</u>	<u>122,611,582</u>	<u>130,885,628</u>	<u>8,274,046</u>
EXPENDITURES				
Instruction				
Regular programs	46,737,521	46,727,424	50,347,355	(3,619,931)
Special programs	21,347,831	21,798,952	19,456,488	2,342,464
Vocational programs	2,514,557	2,509,745	2,289,354	220,391
Other instructional programs	214,500	273,725	424,332	(150,607)
Nonpublic school programs	-	-	26,630	(26,630)
Total instruction	<u>70,814,409</u>	<u>71,309,846</u>	<u>72,544,159</u>	<u>(1,234,313)</u>
Support services				
Pupil support services	4,637,452	4,589,825	4,107,428	482,397
Instructional staff services	4,271,034	4,298,123	3,300,411	997,712
Administrative services	7,627,116	7,146,789	7,412,049	(265,260)
Pupil health	1,134,680	1,138,080	1,024,760	113,320
Business services	1,373,698	1,357,993	2,119,670	(761,677)
Operation and maintenance of plant services	9,986,252	9,986,252	10,214,528	(228,276)
Student transportation services	7,918,691	7,918,691	6,449,769	1,468,922
Support services - central	2,381,357	2,406,587	2,889,617	(483,030)
Other support services	-	-	48,079	(48,079)
Total support services	<u>39,330,280</u>	<u>38,842,340</u>	<u>37,566,311</u>	<u>1,276,029</u>
Operation of noninstructional services				
Student activities	1,660,113	1,652,616	1,733,787	(81,171)
Community services	1,279,475	1,279,475	29,283	1,250,192
Total noninstructional services	<u>2,939,588</u>	<u>2,932,091</u>	<u>1,763,070</u>	<u>1,169,021</u>
Debt service	<u>9,993,004</u>	<u>9,993,004</u>	<u>10,511,855</u>	<u>(518,851)</u>
Total expenditures	<u>123,077,281</u>	<u>123,077,281</u>	<u>122,385,395</u>	<u>691,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(465,699)</u>	<u>(465,699)</u>	<u>8,500,233</u>	<u>8,965,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(2,000,000)	(2,000,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (465,699)</u>	<u>\$ (465,699)</u>	<u>6,500,233</u>	<u>\$ 6,965,932</u>
FUND BALANCE				
Beginning of year			18,730,477	
End of year			<u>\$ 25,230,710</u>	

CHELTENHAM SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.3494%	0.3697%	0.3768%	0.3777%	0.3775%	0.3598%	0.3568%	0.3559%
District's proportionate share of the net pension liability	\$ 143,452,215	\$ 182,775,000	\$ 176,277,000	\$ 181,315,000	\$ 186,441,000	\$ 183,261,000	\$ 154,549,000	\$ 140,868,000
District's covered-employee payroll	\$ 49,454,354	\$ 51,963,318	\$ 51,785,159	\$ 50,857,126	\$ 49,956,613	\$ 47,898,999	\$ 45,417,896	\$ 140,868,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.07%	351.74%	340.40%	356.52%	373.21%	382.60%	340.28%	100.00%
Plan fiduciary net position as a percentage of the total of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	45.64%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CHELtenham SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,602,290	\$ 16,485,000	\$ 17,011,000	\$ 16,923,000	\$ 14,972,000	\$ 13,729,000	\$ 12,109,000	\$ 9,400,000
Contributions in relation to the contractually required contribution	<u>16,602,290</u>	<u>16,485,000</u>	<u>17,011,000</u>	<u>16,923,000</u>	<u>14,972,000</u>	<u>13,729,000</u>	<u>12,109,000</u>	<u>9,400,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 49,454,354	\$ 51,888,688	\$ 51,963,318	\$ 51,785,159	\$ 50,857,126	\$ 49,956,613	\$ 47,898,999	\$ 45,904,376
Contributions as a percentage of covered-employee payroll	33.57%	31.77%	32.74%	32.68%	29.44%	27.48%	25.28%	20.48%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CHELTENHAM SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 263,555	\$ 361,495	\$ 336,185	\$ 299,271	\$ 232,861	\$ 220,358
Interest on total OPEB liability	148,920	163,683	158,580	152,725	143,778	135,123
Differences between projected and actual experience	-	(1,183,311)	-	63,984	-	-
Changes of assumptions	(314,852)	(123,391)	44,216	2,084	524,084	-
Benefit payments	<u>(169,663)</u>	<u>(240,713)</u>	<u>(205,063)</u>	<u>(182,190)</u>	<u>(148,735)</u>	<u>(168,750)</u>
Net change in total pension liability	(72,040)	(1,022,237)	333,918	335,874	751,988	186,731
Total OPEB liability, beginning	<u>3,737,005</u>	<u>4,759,242</u>	<u>4,425,324</u>	<u>4,089,450</u>	<u>3,337,462</u>	<u>3,150,731</u>
Total OPEB liability, ending	<u>\$ 3,664,965</u>	<u>\$ 3,737,005</u>	<u>\$ 4,759,242</u>	<u>\$ 4,425,324</u>	<u>\$ 4,089,450</u>	<u>\$ 3,337,462</u>
PLAN FIDUCIARY NET POSITION						
Contributions	\$ 169,663	\$ 240,713	\$ 205,063	\$ 182,190	\$ -	\$ 168,750
Net investment income	(157,141)	226,312	63,069	63,452	58,158	71,401
Benefit payments	(169,663)	(240,713)	(205,063)	(182,190)	-	(168,750)
Administrative expense	<u>(10,640)</u>	<u>(9,926)</u>	<u>(8,833)</u>	<u>(8,325)</u>	<u>(8,242)</u>	<u>(7,558)</u>
Net change in Plan fiduciary net position	(167,781)	216,386	54,236	55,127	49,916	63,843
Plan fiduciary net position, beginning	<u>1,240,231</u>	<u>1,023,845</u>	<u>969,609</u>	<u>914,482</u>	<u>864,566</u>	<u>800,723</u>
Plan fiduciary net position, ending	<u>\$ 1,072,450</u>	<u>\$ 1,240,231</u>	<u>\$ 1,023,845</u>	<u>\$ 969,609</u>	<u>\$ 914,482</u>	<u>\$ 864,566</u>
Net OPEB liability, ending	<u>\$ 2,592,515</u>	<u>\$ 2,496,774</u>	<u>\$ 3,735,397</u>	<u>\$ 3,455,715</u>	<u>\$ 3,174,968</u>	<u>\$ 2,472,896</u>
Fiduciary net position as a % of total OPEB liability	29.26%	33.19%	21.51%	21.91%	22.36%	25.90%
Covered payroll	\$ 47,783,292	\$ 47,783,292	\$ 50,120,654	\$ 50,120,654	\$ 46,926,837	\$ 46,926,837
Net OPEB liability as a % of covered payroll	5.43%	5.23%	7.45%	6.89%	6.77%	5.27%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CHELTENHAM SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.3489%	0.3697%	0.3768%	0.3777%	0.3775%
District's proportionate share of the net OPEB liability	\$ 8,269,220	\$ 7,988,000	\$ 8,014,000	\$ 7,875,000	\$ 7,691,000
District's covered-employee payroll	\$ 49,454,354	\$ 51,963,318	\$ 51,785,159	\$ 50,857,126	\$ 49,956,613
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.37%	15.48%	15.48%	15.40%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CHELtenham SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 405,997	\$ 403,000	\$ 206,000	\$ 431,000	\$ 391,000
Contributions in relation to the contractually required contribution	<u>405,997</u>	<u>403,000</u>	<u>206,000</u>	<u>431,000</u>	<u>391,000</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 49,454,354	\$ 51,888,688	\$ 51,963,318	\$ 51,785,159	\$ 50,857,126
Contributions as a percentage of covered-employee payroll	0.82%	0.78%	0.40%	0.83%	0.77%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

CHELTENHAM SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Sub-Recipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200080	07/01/19 - 09/30/20	\$ 472,252	\$ -	\$ (18,975)	\$ -	\$ -	\$ (18,975)	\$ -
Title I - Improving Basic Programs	I	84.010	013-210080	07/01/20 - 09/30/21	526,227	334,283	317,300	-	-	(16,983)	-
Title I - Improving Basic Programs	I	84.010	013-220080	07/01/21 - 09/30/22	543,171	-	-	543,171	543,171	543,171	-
Total ALN #84.010						334,283	298,325	543,171	543,171	507,213	-
Title II - Improving Teacher Quality	I	84.367	020-190080	07/01/19 - 09/30/20	113,969	-	(9,443)	-	-	(9,443)	-
Title II - Improving Teacher Quality	I	84.367	020-210080	07/01/20 - 09/30/21	113,469	-	5,115	63,759	63,759	68,874	-
Title II - Improving Teacher Quality	I	84.367	020-220080	07/01/21 - 09/30/22	109,186	-	-	109,186	109,186	109,186	-
Total ALN #84.367						-	(4,328)	172,945	172,945	168,617	-
Drug-Free Schools and Communities		84.186	100-090080	07/01/08 - 09/30/09	N/A	-	4,417	-	-	4,417	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200080	07/01/19 - 09/30/20	35,968	2,767	(8,633)	-	-	(11,400)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210080	07/01/20 - 09/30/21	35,815	-	(13,775)	35,815	35,815	22,040	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220080	07/31/21 - 09/30/22	39,549	-	-	39,549	39,549	39,549	-
Total ALN #84.424						2,767	(22,408)	75,364	75,364	50,189	-
COVID-19 - CARES Act - ESSER I	I	84.425D	200-200080	03/13/20 - 09/30/22	387,882	183,734	-	306,223	306,223	122,489	-
COVID-19 - SECIM	I	84.425C	252-200080	03/13/20 - 09/30/22	31,363	1,651	(8,253)	31,363	31,363	21,459	-
COVID-19 - aTSI GEER	I	84.425C	254-200080	03/13/20 - 09/30/22	71,012	37,375	(18,687)	29,121	29,121	(26,941)	-
COVID-19 - CRRSA - ESSER II	I	84.425D	200-210080	03/13/20 - 09/30/23	1,943,192	180,762	-	1,517,589	1,517,589	1,336,827	-
COVID-19 - ARP ESSER	i	84.425U	223-210080	03/13/20 - 09/30/24	3,930,515	285,856	-	-	-	(285,856)	-
COVID-19 - ARP ESSER 2.5%	I	84.425U	224-210080	03/13/20 - 09/30/24	63,086	-	-	38,457	38,457	38,457	-
COVID-19 - ARP ESSER 7%	i	84.425U	225-210080	03/13/20 - 09/30/24	305,489	16,662	-	-	-	(16,662)	-
COVID-19 - ARP ESSER Homeless Children and Youth	I	84.425W	181-210278	07/01/21 - 09/30/24	25,242	1,294	-	-	-	(1,294)	-
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 - ESSER School Health and Safety Grant	I	84.425D	2020-ES-01 35419	03/13/20 - 09/30/22	125,870	125,870	125,870	-	-	-	-
Total ALN #84.425						833,204	98,930	1,922,753	1,922,753	1,188,479	-
Passed Through the Montgomery County I.U.											
Title III - Language Instruction LEP/Immigrant Students	I	84.365	N/A	07/01/19 - 09/30/20	5,961	-	5,961	-	-	5,961	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	N/A	07/01/20 - 09/30/21	5,495	5,495	5,495	-	-	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	N/A	07/01/21 - 09/30/22	5,560	-	-	5,560	5,560	5,560	-
Total ALN #84.365						5,495	11,456	5,560	5,560	11,521	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>ALN Number</u>	<u>Pass-Grantor's Number</u>	<u>Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Received for Year</u>	<u>Accrued (Deferred) July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) June 30, 2022</u>	<u>Passed Through to Sub-Recipients</u>
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/19 - 09/30/20	883,356	-	132,503	-	-	132,503	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/20 - 09/30/21	894,165	894,165	894,165	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/21 - 09/30/22	850,212	-	-	850,212	850,212	850,212	-
COVID-19 - ARP I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/21 - 09/30/22	199,433	-	-	199,433	199,433	199,433	-
Total ALN #84.027						894,165	1,026,668	1,049,645	1,049,645	1,182,148	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/20 - 06/30/21	2,418	-	2,418	-	-	2,418	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/21 - 06/30/22	784	-	-	784	784	784	-
Total ALN #84.027						-	2,418	784	784	3,202	-
Total U.S. Department of Education						2,069,914	1,415,478	3,770,222	3,770,222	3,115,786	-
<u>U.S. Department of Health and Human Services</u>											
<u>Passed Through the Pennsylvania Department of Human Services</u>											
Medical Assistance - Administration	I	93.778	N/A	07/01/20 - 06/30/21	N/A	17,257	-	17,257	17,257	-	-
Medical Assistance - Administration	I	93.778	N/A	07/01/21 - 06/30/22	N/A	1,817	-	12,217	12,217	10,400	-
Total U.S. Department of Health and Human Services						19,074	-	29,474	29,474	10,400	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	760	760	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/21 - 06/30/22	N/A	33,939	-	41,209	41,209	7,270	-
Total ALN #10.555						34,699	760	41,209	41,209	7,270	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	3,063	-	3,063	3,063	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	36,209	-	45,298	45,298	9,089	-
Summer Food	I	10.559	N/A	07/01/21 - 06/30/22	N/A	20,013	-	20,013	20,013	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	27,201	27,201	-	-	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/22	N/A	84,773	-	84,773	84,773	-	-
SNP Emergency Operating Costs	I	10.555	N/A	07/01/21 - 06/30/22	N/A	75,833	-	75,833	75,833	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	1,376,477	-	1,677,647	1,677,647	301,170	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
USDA Donated Commodities	I	10.555	N/A	07/01/20 - 06/30/22	N/A	120,601	(30,666)	123,431	123,431	(27,836)	-
Total ALN #10.555						1,684,885	(3,465)	1,961,684	1,961,684	273,334	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>ALN Number</u>	<u>Pass- Grantor's Number</u>	<u>Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Received for Year</u>	<u>Accrued (Deferred) July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) June 30, 2022</u>	<u>Passed Through to Sub-Recipients</u>
Passed-Through the Pennsylvania Department of Education											
Total U.S. Department of Agriculture						<u>1,778,869</u>	<u>(2,705)</u>	<u>2,071,267</u>	<u>2,071,267</u>	<u>289,693</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 3,867,857</u>	<u>\$ 1,412,773</u>	<u>\$ 5,870,963</u>	<u>\$ 5,870,963</u>	<u>\$ 3,415,879</u>	<u>\$ -</u>
Total Federal Awards						<u>\$ 3,833,158</u>	<u>\$ 1,412,013</u>	<u>\$ 5,829,754</u>	<u>\$ 5,829,754</u>	<u>\$ 3,408,609</u>	<u>\$ -</u>
Total State Awards						<u>34,699</u>	<u>760</u>	<u>41,209</u>	<u>41,209</u>	<u>7,270</u>	<u>\$ -</u>
Total Federal Awards and Certain State Grants						<u>\$ 3,867,857</u>	<u>\$ 1,412,773</u>	<u>\$ 5,870,963</u>	<u>\$ 5,870,963</u>	<u>\$ 3,415,879</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 894,165</u>	<u>\$ 1,026,668</u>	<u>\$ 1,050,429</u>	<u>\$ 1,050,429</u>	<u>\$ 1,182,932</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553, #10.555 and #10.559)						<u>\$ 1,741,107</u>	<u>\$ (3,465)</u>	<u>\$ 2,026,995</u>	<u>\$ 2,026,995</u>	<u>\$ 282,423</u>	<u>\$ -</u>

Source Codes

D - Direct Funding
I - Indirect Funding
S - State Share

CHELTENHAM SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under Assistance Listing #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$0.

(5) INDIRECT COSTS

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

CHELTENHAM SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

FINDINGS - FINANCIAL STATEMENTS AUDIT

2021-001 Controls Over OPEB Census Data

Significant Deficiency

Criteria: Controls must be in place to ensure that the actuaries receive accurate census data in order to properly calculate the total other post-employment benefit ("**OPEB**") liability.

Condition: During the audit, we noted there were several individuals with incorrect dates of hire and dates of retirement within the census data which was provided by the District to the actuary to determine the total OPEB liability for June 30, 2021.

Cause: The District did not have controls in place to ensure all OPEB census data being utilized by the actuaries was accurate.

Effect: The census data used by the actuaries to calculate the total OPEB liability was not accurate for certain individuals. This could result in an incorrect actuarial value for the liability.

Status of Finding: During our current year audit procedures we noted that the District implemented procedures to properly report census data to the actuary and we did not identify any discrepancies during our OPEB census testing. This finding is no longer applicable.

2021-002 Large Balances in Student Activities Accounts Receivable and Accounts Payable

Significant Deficiency

Criteria: Controls must be in place to ensure the proper and timely transactions of monies being paid to and being paid from student activities accounts, including adequate monitoring of balances for each student activity fund. The District has a fiduciary duty to properly track and report these funds held on behalf of the student organizations.

Condition: During the audit, we noted there were several large balances in the student activity accounts that had steadily increased over multiple years, and in some cases, expenses were recorded without any corresponding revenues.

Cause: The District did not have controls in place to ensure proper and timely recording of monies being paid to and being paid from student activities accounts or an accurate and complete listing of the revenues and expenses incurred.

Effect: Balances due to and from student organizations could potentially be misstated. The District may not be upholding its fiduciary duty to the organizations for which it manages these funds.

Status of Finding: During our current year audit procedures we noted that the District implemented procedures related to financial reporting for student organizations and reconciled all student organization account balances as of June 30, 2022. This finding is no longer applicable.



**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**

**Board of School Directors
Cheltenham School District
Elkins Park, 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 Cheltenham School District, Elkins Park, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cheltenham School District's basic financial statements, and have issued our report thereon dated March 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cheltenham 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 Cheltenham School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Perkiomen Cheltenham 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 Cheltenham 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
March 13, 2023**



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

**Board of School Directors
Cheltenham School District
Elkins Park, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cheltenham School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Cheltenham School District's major federal programs for the year ended June 30, 2022. Cheltenham 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.

In our opinion, Cheltenham 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cheltenham School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cheltenham School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Cheltenham School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cheltenham School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cheltenham School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cheltenham School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cheltenham School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Cheltenham School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

BBD, LLP

Philadelphia, Pennsylvania
March 13, 2023

CHELTENHAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Cheltenham School District were prepared in accordance with GAAP.
2. No material weaknesses and two significant deficiencies relating to the audit of the financial statements of the Cheltenham School District are reported in the 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.
3. No instances of noncompliance material to the financial statements of the Cheltenham School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Cheltenham School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as a major programs were:

Child Nutrition Cluster:

School Breakfast Program – Assistance Listing #10.553
National School Lunch Program – Assistance Listing #10.555
Sumer Food Service Program – Assistance Listing #10.559

Education Stabilization Fund – Elementary and Secondary Education – Assistance Listing #84.425

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Cheltenham School District did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None