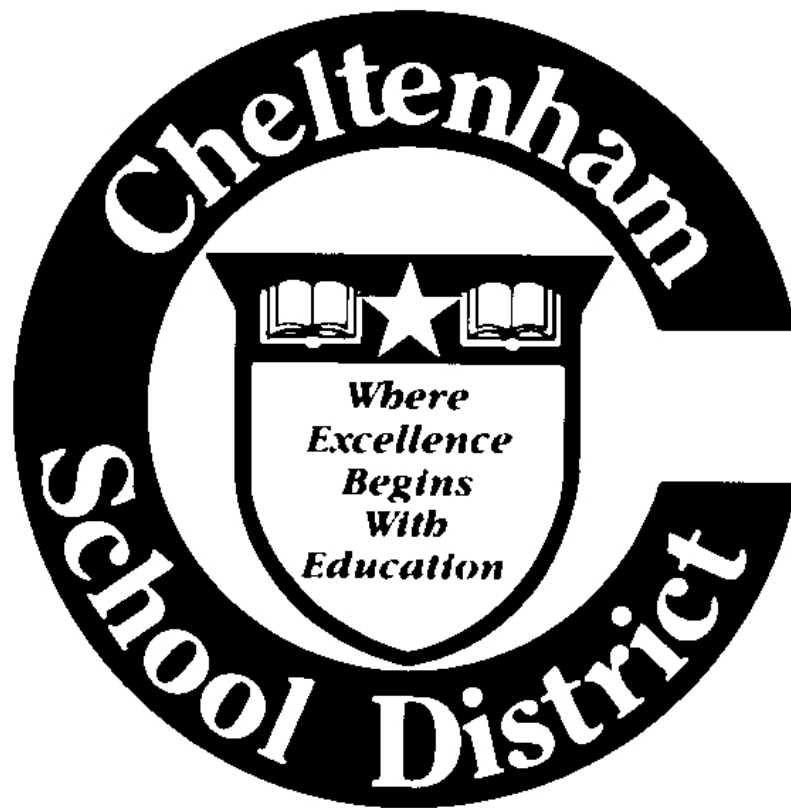


**CHELTENHAM SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2021*

**INTRODUCTORY SECTION**



# CHELTENHAM SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

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	Page
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	16
Statement of Activities	17
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	18
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24
<b><i>Fiduciary Funds</i></b>	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Basic Financial Statements	27

# CHELTENHAM SCHOOL DISTRICT

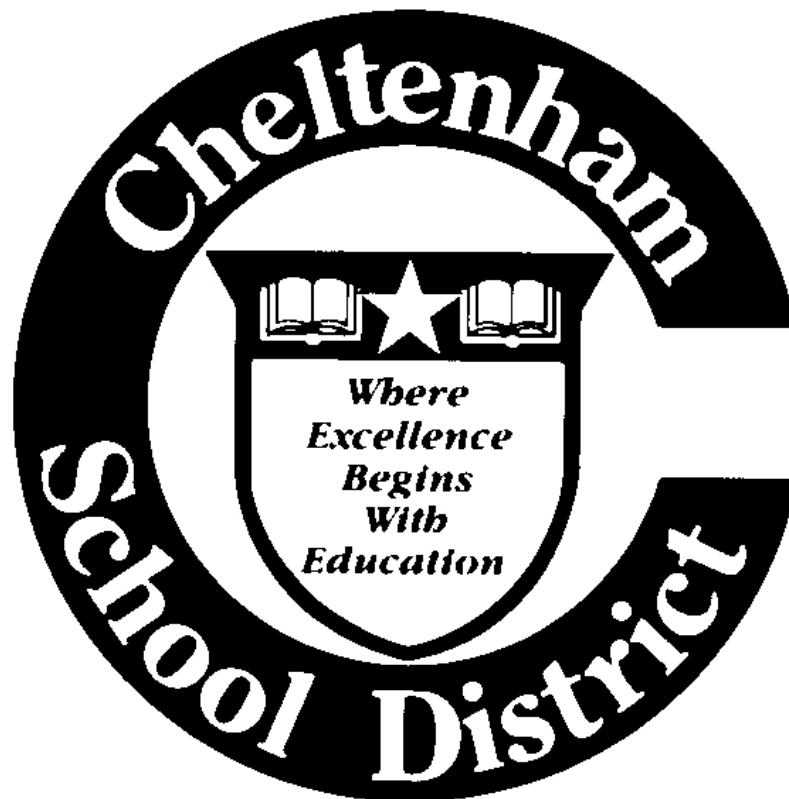
## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

---

	<b>Page</b>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	60
Notes to the Budgetary Comparison Schedule	61
Schedule of the School District's Proportionate Share of the PSERS Net Pension Liability	62
Schedule of School District's PSERS Pension Contributions	63
Schedule of the School District's Proportionate Share of the PSERS Net Other Postemployment Benefit Plan Liability	64
Schedule of the School District's PSERS Other Postemployment Benefit Plan Contributions	65
Schedule of Changes in the Net Other Postemployment Benefit Plan Liability and Related Ratios	66
Schedule of Other Postemployment Benefit Plan Contributions	67
Schedule of Other Postemployment Benefit Plan Investment Returns	68
<b>Supplementary Information Section</b>	
<b>Independent Auditors' 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</b>	69
<b>Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance</b>	71
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal and Certain State Awards	73
Notes to the Schedule of Expenditures of Federal and Certain State Awards	75
Schedule of Findings and Questioned Costs	76
Schedule of Prior Audit Findings	79
<b>Corrective Action Plan</b>	80

**FINANCIAL SECTION**



## ***Independent Auditors' Report***

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cheltenham School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cheltenham School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Cheltenham School District's 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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cheltenham School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note R, for the year ended June 30, 2021, Cheltenham School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 60 and 61, schedule of the School District's proportionate share of the PSERS net pension liability on page 62, schedule of School District's PSERS pension contributions on page 63 and postemployment benefits other than pension schedules on pages 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

The schedule of expenditures of federal awards 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 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 February 8, 2022 on our consideration of the 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 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 the Cheltenham School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania  
February 8, 2022

# CHELTENHAM SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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The discussion and analysis of the Cheltenham School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

### SCHOOL DISTRICT HIGHLIGHTS

The School District is located in Cheltenham Township, a diverse, suburban community in Montgomery County, Pennsylvania, which covers approximately nine square miles. The school district's 2020-21 enrollment is in excess of 4,200 students. The school district employs approximately 400 professional staff and administrators and 290 classified staff.

The district comprises seven schools: four elementary schools (grades K-4), upper elementary (grades 5-6), middle school (grades 7 and 8) and high school (9-12). Like the township, the district is diverse, with students with different racial, religious, social, and economic backgrounds.

The Cheltenham School District prepares its students for success in their post-secondary pursuits through academic achievement, excellent co-curricular activities and a focus on equity, social justice and activism. Some examples of the district's successes include:

- Approximately 82 percent of Cheltenham High School graduates continue to enroll in higher education: 59 percent enroll in four-year colleges, and 23 percent enroll in two-year colleges. The remaining 18 percent enlist in the military, take in a gap year or are employed full-time.
- "Niche" Top 25 Ranking, Best Teachers in Pennsylvania, 2016.
- CSD offers 31 Advanced Placement courses in the Arts, English, History and Social Sciences, STEM, World Languages and Cultures; and 28 Honors courses.
- District mean SAT score was 1098
- Project-Based Learning implemented in grades 7 through 12.
- State of the art Project-Based Learning labs in the High and Middle School buildings
- Cheltenham Elementary was recognized with a 2018 Montgomery Award from the Montgomery County Planning Commission for its "green" planning and design.
- The CHS Youth Court program earned a President's Award from Pennsylvania Council for the Social Studies (PCSS).
- This past fall, six CHS seniors earned National Merit Commended Scholars recognition and one CHS senior was a semi-finalist for the National Merit Scholar recognition.
- CSD was approved for approximately \$6.2 million in ESSER grants to combat COVID-19 and learning loss.

**CHELTENHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**FINANCIAL HIGHLIGHTS**

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Analysis of our revenues and expenditures reveals that actual revenues were greater than budgeted revenues due to grants awarded to help combat COVID-19. Actual General Fund revenues exceeded actual expenditures by \$17,268,394 for the year ended June 30, 2021. \$8,845,264 and \$130,526 was transferred to the Debt Service Fund and Food Service Fund, respectively.

Overall general fund expenditures for the 2020-2021 school year were \$107,203,104 and were under budget by \$6,075,843. The difference between budgeted and actual amounts was the result of decreased salaries and benefits, operational costs and instructional programs, specifically Special Education and Transportation.

General Fund fund balance increased by \$8,292,604 during 2020-2021, bringing our total fund balance at June 30, 2021, to \$18,730,477 or approximately 17% of our General Fund budgeted expenditures. \$1,114,679 of this fund balance is in nonspendable form for inventories and prepaid expenses. In addition, \$2,000,000 of this fund balance has been committed for capital projects and \$465,699 is committed to the 2021-22 budget. The remaining unassigned fund balance of the General Fund was \$15,150,099 at June 30, 2021.

**CHELTENHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

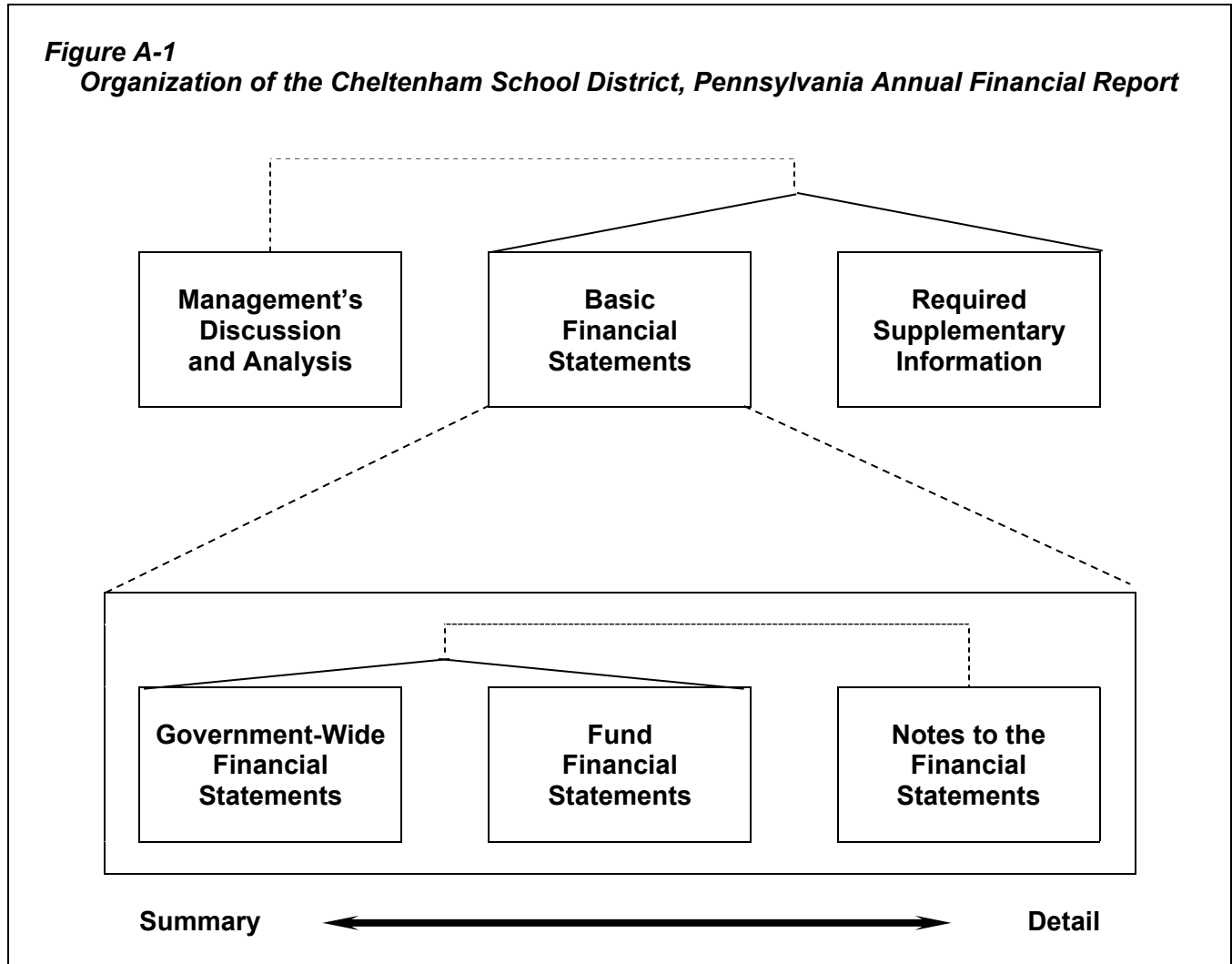
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The Proprietary Fund statements offer short- and long-term financial information about the activities the School District operates like businesses, such as food services.
- Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**CHELTENHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another.



**CHELTENHAM SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private businesses--food services	Instances in which the School District is the trustee or agent to someone else’s resources--Scholarship Funds
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

# CHELTENHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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## GOVERNMENT-WIDE STATEMENTS

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

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

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

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

- **Governmental Activities:** All the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The School District operates a food service operation and charges fees to staff, students and visitors to help cover the costs of the food service operation.

## FUND FINANCIAL STATEMENTS

The School District's fund financial statements provide detailed information about the most significant funds--not the School District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds:** Most of the School District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and Governmental Funds is reconciled in the financial statements.

**CHELTENHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

- **Proprietary Fund:** This fund is used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the School District charges customers for services it provides--whether to outside customers or to other units in the School District--these services are generally reported in the Proprietary Fund. The Food Service Fund is the School District's Proprietary Fund and is the same as the business-type activities we report in the government-wide statements but with more detail and additional information, such as cash flows.
- **Fiduciary Funds:** A trust fund was established for the District's OPEB obligations. The School District also maintains custodial funds on behalf of the student body. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**Net Position**

The following table reflects the condensed statements of net position. The School District's total net position was \$(143,709,509) at June 30, 2021 and \$(144,738,617) at June 30, 2020.

**Table A-1**  
**Net Position**  
**June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and other assets	\$ 48,148,483	\$ 43,219,930	\$ 156,520	\$ 260,953	\$ 48,305,003	\$ 43,480,883
Capital assets	158,039,209	162,900,132	22,699	26,911	158,061,908	162,927,043
<b>TOTAL ASSETS</b>	<b>206,187,692</b>	<b>206,120,062</b>	<b>179,219</b>	<b>287,864</b>	<b>206,366,911</b>	<b>206,407,926</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	27,211,734	23,741,989	-	-	27,211,734	23,741,989
<b>LIABILITIES</b>						
Current and other liabilities	14,016,563	14,715,570	84,246	58,560	14,100,809	14,774,130
Long-term liabilities	350,049,141	348,451,407	-	-	350,049,141	348,451,407
<b>TOTAL LIABILITIES</b>	<b>364,065,704</b>	<b>363,166,977</b>	<b>84,246</b>	<b>58,560</b>	<b>364,149,950</b>	<b>363,225,537</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	13,138,204	11,616,430	-	-	13,138,204	11,616,430
<b>NET POSITION</b>						
Net investment in capital assets	901,991	2,143,423	22,699	26,911	924,690	2,170,334
Restricted to capital projects	12,476,568	12,607,490	-	-	12,476,568	12,607,490
Unrestricted	(157,183,041)	(159,672,269)	72,274	202,393	(157,110,767)	(159,469,876)
<b>TOTAL NET POSITION, RESTATED</b>	<b>\$ (143,804,482)</b>	<b>\$ (144,921,356) *</b>	<b>\$ 94,973</b>	<b>\$ 229,304</b>	<b>\$ (143,709,509)</b>	<b>\$ (144,692,052) *</b>

**CHELTENHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

Most of the School District's net position is invested in capital assets (building, land and equipment) or in the form of invested bond proceeds to be used for future capital expenditures.

**Statement of Activities**

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers. The following schedule represents the condensed statements of activities for the years ended June 30, 2021 and 2020.

**Table A-2**  
**Changes in Net Position**  
**June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 69,198	\$ 1,005,911	\$ 3,091	\$ 870,011	\$ 72,289	\$ 1,875,922
Operating grants and contributions	18,212,720	17,940,601	342,802	457,479	18,555,522	18,398,080
Capital grants and contributions	586,536	667,740	-	-	586,536	667,740
General revenues						
Taxes, levied for general purposes	93,654,001	91,540,574	-	-	93,654,001	91,540,574
Grants and contributions not restricted to specific programs	8,670,121	8,684,204	-	-	8,670,121	8,684,204
Investment earnings	11,613	842,151	16	2,906	11,629	845,057
Miscellaneous	1,461,356	170,221	-	-	1,461,356	170,221
<b>TOTAL REVENUES</b>	<b>122,665,545</b>	<b>120,851,402</b>	<b>345,909</b>	<b>1,330,396</b>	<b>123,011,454</b>	<b>122,181,798</b>
<b>EXPENSES</b>						
Instruction	73,023,909	74,393,380	-	-	73,023,909	74,393,380
Support services	36,292,427	36,387,007	-	-	36,292,427	36,387,007
Operation of non-instructional services	1,608,364	2,700,482	-	-	1,608,364	2,700,482
Interest on long-term debt	4,981,981	9,218,520	-	-	4,981,981	9,218,520
Depreciation and amortization, unallocated	4,985,099	5,181,250	-	-	4,985,099	5,181,250
Refund of prior year revenues	526,365	566,542	-	-	526,365	566,542
Food services	-	-	610,766	1,474,840	610,766	1,474,840
<b>TOTAL EXPENSES</b>	<b>121,418,145</b>	<b>128,447,181</b>	<b>610,766</b>	<b>1,474,840</b>	<b>122,028,911</b>	<b>129,922,021</b>
<b>TRANSFERS</b>	<b>(130,526)</b>	<b>(194,116)</b>	<b>130,526</b>	<b>194,116</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,116,874</b>	<b>\$ (7,789,895)</b>	<b>\$ (134,331)</b>	<b>\$ 49,672</b>	<b>\$ 982,543</b>	<b>\$ (7,740,223)</b>

**CHELTENHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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**Capital Assets and Debt Administration**

**Capital Assets** - At June 30, 2021 and 2020, the School District had \$158,061,908 and \$162,927,043, respectively, invested in a broad range of capital assets, including land, construction in progress, buildings, leasehold improvements and furniture and equipment. More detailed information about our capital assets is included in Note F of the financial statements.

**Table A-3**  
**Capital Assets - Net of Depreciation**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Land	\$ 209,837	\$ 209,837
Buildings and improvements	156,542,250	160,891,070
Furniture and equipment	<u>1,309,821</u>	<u>1,826,136</u>
	<u>\$ 158,061,908</u>	<u>\$ 162,927,043</u>

**Table A-4**  
**Outstanding Debt**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Series of 2012	\$ -	\$ 2,260,000
Series of 2013	-	425,000
Series of 2014	10,825,000	10,955,000
Series of 2015	-	3,880,000
Series A of 2015	-	9,350,000
Series B of 2015	-	9,670,000
Series C of 2015	-	5,105,000
Series A of 2016	11,730,000	11,730,000
Series B of 2016	8,655,000	8,655,000
Series C of 2016	26,520,000	26,945,000
Series of 2017	8,920,000	9,310,000
Series A of 2017	4,675,000	4,890,000
Series of 2018	7,585,000	7,605,000
Series of 2019	9,810,000	9,925,000
Series A of 2019	9,485,000	9,490,000
Series of 2020	26,315,000	26,315,000
Series A of 2020	9,480,000	-
Series of 2021	8,700,000	-
Series A of 2021	<u>9,230,000</u>	-
	<u>\$ 151,930,000</u>	<u>\$ 156,510,000</u>

**CHELTENHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**Debt Administration** - As of June 30, 2020, the School District had total outstanding bond and note principal of \$156,510,000. During the 2020-2021 school year, the School District issued additional debt of \$27,475,000, refunded \$28,150,000 and made payments against principal of \$3,905,000, resulting in ending outstanding debt as of June 30, 2021, of \$151,930,000.

Other obligations include bond premiums, compensated absences (accrued vacation pay and sick leave for specific employees of the School District), and other postemployment benefits payable. More detailed information about our long-term liabilities is included in Note H of the financial statements.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the 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

JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,084,522	\$ 84,806	\$ 28,169,328
Investments	5,897,189	-	5,897,189
Taxes receivable, net	3,363,167	-	3,363,167
Internal balances	18,820	(18,820)	-
Due from other governments	5,364,163	27,961	5,392,124
Due from fiduciary fund	59,101	-	59,101
Other receivables, net	192,252	-	192,252
Inventories	124,226	62,573	186,799
Prepaid items	5,045,043	-	5,045,043
Capital assets			
Land and site improvements	209,837	-	209,837
Buildings and building improvements	213,526,301	228,750	213,755,051
Furniture and equipment	15,423,217	555,555	15,978,772
Accumulated depreciation	(71,120,146)	(761,606)	(71,881,752)
<b>TOTAL ASSETS</b>	<u>206,187,692</u>	<u>179,219</u>	<u>206,366,911</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	25,895,000	-	25,895,000
Deferred outflows of resources, OPEB activity	1,316,734	-	1,316,734
	<u>27,211,734</u>	<u>-</u>	<u>27,211,734</u>
<b>LIABILITIES</b>			
Accounts payable	4,784,321	53,580	4,837,901
Liability for assessment appeals	1,700,000	-	1,700,000
Accrued salaries and benefits	5,817,884	-	5,817,884
Accrued interest	1,636,592	-	1,636,592
Unearned revenue	77,766	30,666	108,432
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	5,250,000	-	5,250,000
Portion due or payable after one year			
Bonds payable	150,380,235	-	150,380,235
Net pension liability	182,775,000	-	182,775,000
Net OPEB liability	10,484,774	-	10,484,774
Compensated absences	1,159,132	-	1,159,132
<b>TOTAL LIABILITIES</b>	<u>364,065,704</u>	<u>84,246</u>	<u>364,149,950</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charge on refunding	3,930,518	-	3,930,518
Deferred inflows of resources, pension activity	7,333,000	-	7,333,000
Deferred inflows of resources, OPEB activity	1,874,686	-	1,874,686
	<u>13,138,204</u>	<u>-</u>	<u>13,138,204</u>
<b>NET POSITION</b>			
Net investment in capital assets	901,991	22,699	924,690
Restricted for capital projects	12,476,568	-	12,476,568
Unrestricted	(157,183,041)	72,274	(157,110,767)
<b>TOTAL NET POSITION</b>	<u>\$ (143,804,482)</u>	<u>\$ 94,973</u>	<u>\$ (143,709,509)</u>

See accompanying notes to the basic financial statements.

# CHELTENHAM SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 49,244,820	\$ -	\$ 10,826,171	\$ -
Special programs	21,126,402	-	5,401,172	-
Vocational education	2,502,413	-	-	-
Other instructional programs	150,274	2,700	692,895	-
Support services				
Pupil personnel services	4,442,032	-	-	-
Instructional staff services	3,319,874	-	-	-
Administration services	7,318,652	-	-	-
Pupil health services	1,037,523	-	6,690	-
Business services	2,016,015	-	-	-
Operation and maintenance of plant services	10,231,925	-	-	-
Student transportation services	5,246,902	-	1,227,801	-
Central services	2,678,426	-	-	-
Other services	1,078	-	-	-
Operation of non-instructional services				
Student activities	1,162,470	1,098	-	-
Community services	408,419	65,400	-	-
Scholarships and awards	37,475	-	57,991	-
Interest on general long-term debt	4,981,981	-	-	586,536
Depreciation and amortization, unallocated	4,985,099	-	-	-
Refund of prior year revenues	526,365	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>121,418,145</b>	<b>69,198</b>	<b>18,212,720</b>	<b>586,536</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	610,766	3,091	342,802	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 122,028,911</b>	<b>\$ 72,289</b>	<b>\$ 18,555,522</b>	<b>\$ 586,536</b>

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

### TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, RESTATED\*

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (38,418,649)	\$ -	\$ (38,418,649)
(15,725,230)	-	(15,725,230)
(2,502,413)	-	(2,502,413)
545,321	-	545,321
(4,442,032)	-	(4,442,032)
(3,319,874)	-	(3,319,874)
(7,318,652)	-	(7,318,652)
(1,030,833)	-	(1,030,833)
(2,016,015)	-	(2,016,015)
(10,231,925)	-	(10,231,925)
(4,019,101)	-	(4,019,101)
(2,678,426)	-	(2,678,426)
(1,078)	-	(1,078)
(1,161,372)	-	(1,161,372)
(343,019)	-	(343,019)
20,516	-	20,516
(4,395,445)	-	(4,395,445)
(4,985,099)	-	(4,985,099)
<u>(526,365)</u>	<u>-</u>	<u>(526,365)</u>
(102,549,691)	-	(102,549,691)
<u>-</u>	<u>(264,873)</u>	<u>(264,873)</u>
<u>(102,549,691)</u>	<u>(264,873)</u>	<u>(102,814,564)</u>
89,190,659	-	89,190,659
86,482	-	86,482
4,376,860	-	4,376,860
8,670,121	-	8,670,121
11,613	16	11,629
1,461,356	-	1,461,356
<u>(130,526)</u>	<u>130,526</u>	<u>-</u>
<u>103,666,565</u>	<u>130,542</u>	<u>103,797,107</u>
1,116,874	(134,331)	982,543
<u>(144,921,356) *</u>	<u>229,304</u>	<u>(144,692,052)</u>
<u>\$ (143,804,482)</u>	<u>\$ 94,973</u>	<u>\$ (143,709,509)</u>

# CHELTENHAM SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,737,253	\$ 5,210,289	\$ -	\$ 27,947,542
Investments	-	5,897,189	-	5,897,189
Taxes receivable, net	3,363,167	-	-	3,363,167
Due from other funds	1,027,868	3,797,125	-	4,824,993
Due from fiduciary fund	59,101	-	-	59,101
Due from other governments	5,364,163	-	-	5,364,163
Other receivables	192,252	-	-	192,252
Inventories	124,226	-	-	124,226
Prepaid items	990,453	-	-	990,453
	<u>33,858,483</u>	<u>14,904,603</u>	<u>-</u>	<u>48,763,086</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,072,064	\$ -	\$ -	\$ 2,072,064
Due to other funds	3,797,125	-	-	3,797,125
Unearned revenue	77,766	-	-	77,766
Accrued salaries and benefits	5,817,884	-	-	5,817,884
	<u>11,764,839</u>	<u>-</u>	<u>-</u>	<u>11,764,839</u>
<b>TOTAL LIABILITIES</b>				
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues from property taxes	3,363,167	-	-	3,363,167
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Inventories	124,226	-	-	124,226
Prepaid expenses	990,453	-	-	990,453
Restricted for capital projects	-	14,904,603	-	14,904,603
<b>Committed to</b>				
Capital projects	2,000,000	-	-	2,000,000
2021/2022 budget	465,699	-	-	465,699
Unassigned	15,150,099	-	-	15,150,099
	<u>18,730,477</u>	<u>14,904,603</u>	<u>-</u>	<u>33,635,080</u>
<b>TOTAL FUND BALANCES</b>				
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ 33,858,483</u>	<u>\$ 14,904,603</u>	<u>\$ -</u>	<u>\$ 48,763,086</u>

See accompanying notes to the basic financial statements.

# CHELTENHAM SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 33,635,080
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land and site improvements	209,837
Buildings and building improvements	213,526,301
Furniture and equipment	15,423,217
Accumulated depreciation	(71,120,146)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
	(3,930,518)
<p>The assets and liabilities of the Internal Service Fund are not included in the fund financial statements but are included in the governmental activities on the statement of net position.</p>	
	470,265
<p>Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	18,004,048
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,636,592)
Bonds payable	(151,930,000)
Bond discounts	119,181
Bond premium	(3,819,416)
Compensated absences	(1,159,132)
Liability for assessment appeals	(1,700,000)
Net OPEB liability	(10,484,774)
Net pension liability	(182,775,000)
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>3,363,167</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (143,804,482)</u>

*See accompanying notes to the basic financial statements.*

**CHELTENHAM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 97,960,695	\$ 10,228	\$ -	\$ 97,970,923
State sources	24,778,833	-	-	24,778,833
Federal sources	1,731,970	-	-	1,731,970
<b>TOTAL REVENUES</b>	<u>124,471,498</u>	<u>10,228</u>	<u>-</u>	<u>124,481,726</u>
<b>EXPENDITURES</b>				
Instruction	69,717,129	-	-	69,717,129
Support services	35,404,819	-	-	35,404,819
Operation of non-instructional services	1,554,806	-	-	1,554,806
Refund of prior year revenues	526,350	24,448	-	550,798
Facilities acquisition, construction and improvement services	-	111,957	-	111,957
Debt service expenditures	-	-	8,845,264	8,845,264
Bond issue costs	-	539,936	-	539,936
<b>TOTAL EXPENDITURES</b>	<u>107,203,104</u>	<u>676,341</u>	<u>8,845,264</u>	<u>116,724,709</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>17,268,394</u>	<u>(666,113)</u>	<u>(8,845,264)</u>	<u>7,757,017</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of refunding bonds	-	27,475,000	-	27,475,000
Payments to refund bonds	-	(28,517,195)	-	(28,517,195)
Bond premium	-	1,582,131	-	1,582,131
Transfers in	-	-	8,845,264	8,845,264
Transfers out	(8,975,790)	-	-	(8,975,790)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,975,790)</u>	<u>539,936</u>	<u>8,845,264</u>	<u>409,410</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,292,604	(126,177)	-	8,166,427
<b>FUND BALANCES AT BEGINNING OF YEAR, RESTATED*</b>	<u>10,437,873</u> *	<u>15,030,780</u>	<u>-</u>	<u>25,468,653</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 18,730,477</u>	<u>\$ 14,904,603</u>	<u>\$ -</u>	<u>\$ 33,635,080</u>

*See accompanying notes to the basic financial statements.*

# CHELTENHAM SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 8,166,427

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$4,985,099) exceeds capital outlays (\$124,176) in the current period. (4,860,923)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unearned tax revenues decreased by this amount this year. (91,755)

The repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 32,055,000

The issuance of long-term debt (e.g., bonds) provides current financial resources to Governmental Fund; however, this is an increase to liabilities in the statement of net position. (27,475,000)

Bond discounts are reported in Governmental Funds as expenses and bond premiums are reported as revenues; however, in the statement of activities, the expenses from bond discounts and revenues from bond premiums are allocated over the term lives of debt instruments as an increase to net interest expense. This is the amount by which bond premium capitalization, deferred charge and bond discount amortization exceeds bond premium amortization. (960,754)

The change in liability for real estate assessment appeals affects real estate tax revenue in the Statement of Activities, but is not reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds. (1,700,000)

The Internal Service Fund is used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities. (991,148)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest not reflected in governmental funds	244,036
Changes in net OPEB plan liability and related deferrals	(134,318)
Pension plan expense	(3,132,000)
Compensated absences payments	(2,691)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,116,874

*See accompanying notes to the basic financial statements.*

**CHELTENHAM SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

JUNE 30, 2021

	Business-Type Activities <u>Enterprise Fund</u> Food <u>Service Fund</u>	Governmental Activities <u>Internal Service Fund</u> Self-Insurance <u>Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,806	\$ 136,980
Due from other governments	27,961	-
Inventories	62,573	-
Prepaid expenses	-	4,054,590
TOTAL CURRENT ASSETS	<u>175,340</u>	<u>4,191,570</u>
CAPITAL ASSETS		
Accumulated depreciation	784,305	-
TOTAL CAPITAL ASSETS	<u>(761,606)</u> <u>22,699</u>	<u>-</u> <u>-</u>
TOTAL ASSETS	<u>\$ 198,039</u>	<u>\$ 4,191,570</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 53,580	\$ 2,712,257
Due to other funds	18,820	1,009,048
Unearned revenue	30,666	-
TOTAL CURRENT LIABILITIES	<u>103,066</u>	<u>3,721,305</u>
NET POSITION		
Net investment in capital assets	22,699	-
Unrestricted	72,274	470,265
TOTAL NET POSITION	<u>94,973</u>	<u>470,265</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 198,039</u>	<u>\$ 4,191,570</u>

*See accompanying notes to the basic financial statements.*

**CHELTENHAM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Self-Insurance Fund
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 3,091	\$ -
Premiums transferred from General Fund	-	9,857,858
<b>TOTAL OPERATING REVENUES</b>	<u>3,091</u>	<u>9,857,858</u>
<b>OPERATING EXPENSES</b>		
Employee benefits	-	10,849,029
Food service management	594,872	-
Supplies	72	-
Depreciation	4,212	-
Miscellaneous	11,610	-
<b>TOTAL OPERATING EXPENSES</b>	<u>610,766</u>	<u>10,849,029</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(607,675)</u>	<u>(991,171)</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	16	23
State sources	7,885	-
Federal sources	334,917	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>342,818</u>	<u>23</u>
<b>TRANSFERS IN</b>	<u>130,526</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>(134,331)</u>	<u>(991,148)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>229,304</u>	<u>1,461,413</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 94,973</u>	<u>\$ 470,265</u>

*See accompanying notes to the basic financial statements.*

# CHELTENHAM SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Service Fund</u>	Governmental Activities <u>Internal Service Fund</u> <u>Self-Insurance Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,091	\$ -
Premiums transferred from General Fund	-	8,091,726
Payments to suppliers	<u>(510,271)</u>	<u>(8,906,992)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(507,180)</u>	<u>(815,266)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Received from other funds	177,609	-
Federal sources	278,977	-
State sources	<u>7,764</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>464,350</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	<u>16</u>	<u>23</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>16</u>	<u>23</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,814)	(815,243)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>127,620</u>	<u>952,223</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 84,806</u></u>	<u><u>\$ 136,980</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (607,675)	\$ (991,171)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,212	-
Donated commodities	52,641	-
(Increase) decrease in		
Inventories	19,607	-
Prepaid expenses	-	1,625,774
Increase (decrease) in		
Accounts payable	24,035	316,263
Interfund payables	<u>-</u>	<u>(1,766,132)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (507,180)</u></u>	<u><u>\$ (815,266)</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash activities		
Donated foods	\$ 52,641	\$ -

See accompanying notes to the basic financial statements.

**CHELTENHAM SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

	<u>OPEB Trust Fund</u>	<u>Custodial Fund Student Activities Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 157,122
Investments	<u>1,240,231</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,240,231</u>	<u>\$ 157,122</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 565
Due to primary government	<u>-</u>	<u>59,101</u>
TOTAL LIABILITIES	<u>-</u>	<u>59,666</u>
<b>NET POSITION</b>		
Restricted for other postemployment benefits	1,240,231	-
Restricted for custodial funds	<u>-</u>	<u>97,456</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,240,231</u>	<u>\$ 157,122</u>

*See accompanying notes to the basic financial statements.*

**CHELTENHAM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<u>OPEB Trust Fund</u>	<u>Custodial Fund Student Activities Fund</u>
<b>ADDITIONS</b>		
Investment earnings	\$ 226,313	\$ 13
Student activities collections	-	97,296
TOTAL ADDITIONS	<u>226,313</u>	<u>97,309</u>
<b>DEDUCTIONS</b>		
Dues and fees	9,926	-
Payments for student activities	-	68,425
TOTAL DEDUCTIONS	<u>9,926</u>	<u>68,425</u>
CHANGE IN NET POSITION	216,387	28,884
NET POSITION AT BEGINNING OF YEAR, RESTATE <sup>d</sup> *	<u>1,023,844</u>	<u>68,572</u> *
NET POSITION AT END OF YEAR	<u>\$ 1,240,231</u>	<u>\$ 97,456</u>

*See accompanying notes to the basic financial statements.*

**CHELTENHAM SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Cheltenham School District (the "School District") is located in Elkins Park, Pennsylvania. The School District's tax base includes Montgomery County and consists of Cheltenham Township.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out the local level of the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such district who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools, or to pay any school indebtedness which the School District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949 as amended.

The more significant of the School District's accounting policies are described below.

**Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. 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.

The tax collector is an elected officer who collects taxes on behalf of the School District. The School District regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

**CHELtenham SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are also susceptible to accrual and are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus and the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**CHELTENHAM SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Governmental Funds***

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Project Fund** - The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

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

***Proprietary Fund***

**Food Service Fund** - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund** - The Internal Service Fund (Self-Insurance Fund) is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

***Fiduciary Funds***

**Trust and Custodial Funds** - Trust and Custodial Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. The Trust Fund holds assets for payment of other post-employment benefits. The Custodial Fund accounts for funds held on behalf of students of the School District.

**Cash and Cash Equivalents**

The School 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.

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2021, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

**CHELtenham SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories and Prepaid Items**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	15-40
Furniture and equipment	5-20

**Unearned Revenue**

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Unearned revenue also arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the fund financial statements, Governmental Funds 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences**

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

**Pension**

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides guidance on employer reporting for pensions. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

**Other Postemployment Benefits**

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses the information state and local government OPEB plans should report in the footnotes to the financial statements related to their costs and obligations related to postemployment healthcare and other non-pension benefits.

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on employer reporting for postemployment benefits (OPEB) other than pensions. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the deferred outflow related to pension activity and the deferred outflow related to OPEB activity that are reported in the government-wide statement of net position. The deferred outflow related to pension activity is the difference between expected and actual experience, difference between projected and actual investment earnings, changes in the School District's proportionate share of the total plan from year to year, changes in proportions, and actual contributions subsequent to the measurement date. The deferred outflow related to OPEB activities is the difference between expected and actual experience, changes in assumptions, changes in proportion, changes in the School District's proportionate share of the total plan from year to year, difference between employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has four items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience, changes in proportions, and the difference between employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The fourth item, deferred inflows of resources related to OPEB activities, are reported in the government-wide statement of net position. The deferred inflow related to OPEB activities is the result of the differences between expected and actual experience, the changes in assumption, the net difference between projected and actual investment earnings, changes in proportions, and the difference between employer contributions and the School District's proportionate share of total contributions.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position Flow Assumption**

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

**Fund Balance and GASB Statement No. 54**

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. The Board of School Directors is the highest level of decision-making authority for the School District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board of School Directors set a policy to delegate such authority to the Director of Business Affairs.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the General Fund, the School District has nonspendable funds for the purposes of inventories and prepaid expenses, and commitments for capital projects and to the subsequent fiscal year's budget. The details of the fund balances are included in the Governmental Funds balance sheet (page 18).

**Use of Estimates**

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

**NOTE B - CASH AND INVESTMENTS**

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The School District does not have a policy for custodial credit risk. At June 30, 2021, the carrying amount of the School District's deposits was \$28,324,118 and the bank balance was \$29,251,464. Of the bank balance, \$250,000 was covered by federal depository insurance. Cash deposits of the School District totaling \$28,951,464 are in the Pennsylvania Local Government Investment Trust (PLGIT), PSDLAF and PA Invest Program, and are uninsured. \$50,000 of the deposits exceeded the FDIC insurance coverage and was properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT, PSDLAF and PA Invest Program act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share and are rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Investments**

As of June 30, 2021, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Total</u>
State investment pools	Less than one year	\$ 5,401,189	\$ -	\$ 5,401,189
Certificates of deposit	Less than one year	496,000	-	496,000
Pennsylvania OPEB Trust Fund	Less than one year	-	1,240,231	1,240,231
		<u>\$ 5,897,189</u>	<u>\$ 1,240,231</u>	<u>\$ 7,137,420</u>

A portion of the School District's investments is in the PSDLAF program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, these investments will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2021, is \$5,897,189. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District valued its investment in the Pennsylvania OPEB Trust Fund based on Level 2 inputs, which were the total master trust's fair market value multiplied by the School District's percentage of ownership in the master trust.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE C - TAXES - REAL ESTATE AND OTHER**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a \$52 local services tax and a 1% earned income tax. Property taxes are based on assessed valuations of real property within the School District. Assessed values are established by the county by using square footage, market value and “like-kind” property comparisons.

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

Discount period ..... July 1 to September 3 - 2% of gross levy  
 Face period ..... September 4 to November 3  
 Penalty period ..... November 4 to collection - 10% of gross levy  
 Lien date ..... December 31

School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 3,363,167	\$ -
Due from other governments	5,364,163	27,961
Other revenue	<u>192,252</u>	<u>-</u>
	<u>\$ 8,919,582</u>	<u>\$ 27,961</u>

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 3,797,125
General Fund	Self-Insurance Fund	1,009,048
General Fund	Food Service	<u>18,820</u>
		<u>\$ 4,824,993</u>

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**Interfund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 130,526
Debt Service Fund	General Fund	8,845,264
		<u>\$ 8,975,790</u>

The School District typically transfers funds from the General Fund to the Debt Service Fund to pay for principal and interest due on outstanding bonds payable. Funds transferred to the Food Service Fund from the General Fund are for operating purposes.

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land and site improvements	\$ 209,837	\$ -	\$ -	\$ 209,837
Capital assets being depreciated				
Buildings and building improvements	213,414,344	111,957	-	213,526,301
Accumulated depreciation	(52,523,274)	(4,460,779)	-	(56,984,053)
	<u>160,891,070</u>	<u>(4,348,822)</u>	<u>-</u>	<u>156,542,248</u>
Furniture and equipment	15,410,998	12,219	-	15,423,217
Accumulated depreciation	(13,611,773)	(524,320)	-	(14,136,093)
	<u>1,799,225</u>	<u>(512,101)</u>	<u>-</u>	<u>1,287,124</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>162,690,295</u>	<u>(4,860,923)</u>	<u>-</u>	<u>157,829,372</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>162,900,132</u>	<u>(4,860,923)</u>	<u>-</u>	<u>158,039,209</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Buildings and building improvements	228,750	-	-	228,750
Accumulated depreciation	(228,750)	-	-	(228,750)
Furniture and equipment	555,555	-	-	555,555
Accumulated depreciation	(528,644)	(4,212)	-	(532,856)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>26,911</u>	<u>(4,212)</u>	<u>-</u>	<u>22,699</u>
CAPITAL ASSETS, net	<u>\$ 162,927,043</u>	<u>\$ (4,865,135)</u>	<u>\$ -</u>	<u>\$ 158,061,908</u>

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE G - UNEARNED REVENUE**

**General Fund**

Unearned revenue of \$77,766 in the General Fund represents grant revenues received from the federal government that will not be spent until the next school year.

**Food Service Fund**

Unearned revenue of \$30,666 in the Food Service Fund represents donated commodities remaining in inventory at June 30, 2021.

**NOTE H - LONG-TERM DEBT**

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. During the 2020-2021 school year, the School District made payments against principal of \$3,905,000. The School District issued general obligation bond Series A of 2020 for \$9,480,000 to currently refund \$9,635,000 of the outstanding general obligation bonds Series B of 2015 and to pay the costs of issuance. The School District also issued general obligation bond Series of 2021 for \$8,700,000 to currently refund \$8,930,000 of the outstanding general obligation bonds Series A of 2015 and to pay the costs of issuance. Additionally, the School District also issued general obligation bond Series A of 2021 for \$9,295,000 to currently refund \$3,265,000 of the outstanding general obligation bonds Series of 2015, \$4,255,000 of the outstanding general obligation bonds Series C of 2015 and to pay the costs of issuance. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. The refundings of Series B of 2015, Series A of 2015, and Series of 2012, 2015, and Series C of 2015 were undertaken to reduce debt payments by \$1,106,761, \$797,417, and \$318,925 respectively and had an overall economic gain of approximately \$1,101,242, \$793,440, and \$317,335 respectively.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 5,250,000	\$ 5,268,686
2023	5,780,000	5,133,645
2024	5,980,000	4,968,622
2025	6,165,000	4,778,407
2026	6,280,000	4,569,848
2027 to 2031	34,330,000	20,198,992
2032 to 2036	40,155,000	14,313,089
2037 to 2041	47,990,000	6,236,962
	<u>\$ 151,930,000</u>	<u>\$ 65,468,251</u>

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE I - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>
GENERAL OBLIGATION BONDS			
Series of 2012	0.60% to 4.00%	August 15, 2040	\$ 2,260,000
Series of 2013	0.50% to 4.00%	February 15, 2035	425,000
Series of 2014	0.55% to 5.00%	February 15, 2040	10,955,000
Series of 2015	0.40% to 2.40%	September 15, 2025	3,880,000
Series A of 2015	0.28% to 4.00%	September 15, 2034	9,350,000
Series B of 2015	0.25% to 4.00%	September 15, 2034	9,670,000
Series C of 2015	0.24% to 2.50%	September 15, 2026	5,105,000
Series A of 2016	0.80% to 5.00%	February 15, 2035	11,730,000
Series B of 2016	0.80% to 5.00%	February 15, 2040	8,655,000
Series C of 2016	1.25% to 5.00%	March 15, 2041	26,945,000
Series of 2017	1.05% to 4.00%	February 15, 2035	9,310,000
Series A of 2017	1.00% to 4.00%	February 15, 2035	4,890,000
Series of 2018	1.00% to 5.00%	February 15, 2040	7,605,000
Series of 2019	1.80% to 4.00%	February 15, 2040	9,925,000
Series A of 2019	1.35% to 4.00%	February 15, 2035	9,490,000
Series of 2020	1.36% to 3.32%	February 15, 2040	26,315,000
Series A of 2020	0.35% to 1.35%	September 15, 2034	-
Series of 2021	0.33% to 1.18%	September 15, 2034	-
Series A of 2021	0.28% to 1.12%	September 15, 2029	-
TOTAL GENERAL OBLIGATION BONDS			156,510,000
Deferred amounts			
Bond discount			(125,580)
Bond premium			2,884,149
TOTAL BONDS PAYABLE			159,268,569
NET PENSION LIABILITY			176,277,000
NET OPEB LIABILITY			11,749,397
COMPENSATED ABSENCES			1,156,441
TOTAL LONG-TERM LIABILITIES			\$ 348,451,407

<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ -	\$ (2,260,000)	\$ -	\$ -
-	(425,000)	-	-
-	(130,000)	10,825,000	645,000
-	(3,880,000)	-	-
-	(9,350,000)	-	-
-	(9,670,000)	-	-
-	(5,105,000)	-	-
-	-	11,730,000	490,000
-	-	8,655,000	265,000
-	(425,000)	26,520,000	425,000
-	(390,000)	8,920,000	405,000
-	(215,000)	4,675,000	225,000
-	(20,000)	7,585,000	20,000
-	(115,000)	9,810,000	305,000
-	(5,000)	9,485,000	435,000
-	-	26,315,000	260,000
9,480,000	-	9,480,000	5,000
8,700,000	-	8,700,000	175,000
<u>9,295,000</u>	<u>(65,000)</u>	<u>9,230,000</u>	<u>1,595,000</u>
27,475,000	(32,055,000)	151,930,000	5,250,000
-	6,399	(119,181)	-
<u>1,582,131</u>	<u>(646,864)</u>	<u>3,819,416</u>	<u>-</u>
29,057,131	(32,695,465)	155,630,235	5,250,000
6,498,000	-	182,775,000	-
-	(1,264,623)	10,484,774	-
<u>2,691</u>	<u>-</u>	<u>1,159,132</u>	<u>-</u>
<u>\$ 35,557,822</u>	<u>\$ (33,960,088)</u>	<u>\$ 350,049,141</u>	<u>\$ 5,250,000</u>

**CHELTENHAM SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE J - PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing 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 the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

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

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

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE J - PENSION PLAN (Continued)**

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***

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% 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 School District were \$16,485,000 for the year ended June 30, 2021.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE J - PENSION PLAN (Continued)**

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

At June 30, 2021, the School District reported a liability of \$182,775,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.3697%, which was a decrease of 0.0071% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$19,617,000. At June 30, 2021, the School 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 expected and actual experience	\$ 478,000	\$ 4,381,000
Net difference between projected and actual investment earnings	8,033,000	-
Changes in proportions	723,000	2,219,000
Difference between employer contributions and proportionate share of total contributions	176,000	733,000
Contributions subsequent to the measurement date	<u>16,485,000</u>	<u>-</u>
	<u>\$ 25,895,000</u>	<u>\$ 7,333,000</u>

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE J - PENSION PLAN (Continued)**

\$16,485,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new 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:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ (119,000)
2023	(450,000)
2024	207,000
2025	<u>2,439,000</u>
	<u>\$ 2,077,000</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - The Investment Rate of Return of 7.25%. Inflation assumption of 2.75%.
- **Salary Increases** - Salary growth at an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- **Mortality Rates** - Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE J - PENSION PLAN (Continued)**

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 weighting 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE J - PENSION PLAN (Continued)**

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>226,132,000</u>	\$ <u>182,775,000</u>	\$ <u>146,046,000</u>

***Pension Plan Fiduciary Net Position*** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS**

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

**General Information about the Health Insurance Premium Assistance Program**

***Health Insurance Premium Assistance Program***

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

***Premium Assistance Eligibility Criteria***

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

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

***Pension Plan Description***

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

***Benefits Provided***

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either the school employer or the PSERS's Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

***Contributions***

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$403,000 for the year ended June 30, 2021.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

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

At June 30, 2021, the District reported a liability of \$7,988,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2021, the District's proportion was 0.3697% percent, which was a decrease of 0.0071% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$405,000. At June 30, 2021, 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>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 74,000	\$ -
Changes in assumptions	326,000	175,000
Net difference between projected and actual investment earnings	14,000	-
Changes in proportions	74,000	142,000
Difference between employer contributions and proportionate share of total contributions	8,000	249,000
Contributions subsequent to the measurement date	403,000	-
	<u>\$ 899,000</u>	<u>\$ 566,000</u>

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

\$403,000 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:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2022	\$ 6,000
2023	6,000
2024	(43,000)
2025	(4,000)
2026	(3,000)
Thereafter	<u>(32,000)</u>
	<u>\$ (70,000)</u>

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:  
 Eligible retirees will elect to participate Pre age 65 at 50%  
 Eligible retirees will elect to participate Post age 65 at 70%

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	-1.00%
US Core Fixed Income	46.50%	-0.10%
Non-US Developed Fixed	3.20%	-0.10%
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimate for geometric real rates of return for each major asset class as of June 30, 2020.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

The discount rate used to measure the Total OPEB liability decreased from 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020.

***Sensitivity 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 Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the District’s net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 7,987,000	\$ 7,988,000	\$ 7,989,000

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

***Sensitivity of the District's Proportionate Share of Net OPEB Liability to Change in the Discount Rate***

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ <u>9,108,000</u>	\$ <u>7,988,000</u>	\$ <u>7,061,000</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 the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE L - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN**

**Plan Description**

The School District provides medical, prescription drug and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District board members and can be amended by the School District through its personnel manual and union contracts. The plan is accounted for as a trust fund and reported in the financial statements as a Fiduciary Fund. The plan does not issue a stand-alone financial report. The School District's contributions to the plan are reported in the School District's General Fund.

**Plan Membership** - At July 1, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	165
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>620</u>
	<u>785</u>

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)**

**Funding Policy**

The School District negotiates the contribution percentage between the School District and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District. In addition, the School District agreed in June 2011 to participate in the Pennsylvania OPEB Trust (OPEB Trust) for the purposes of investment and accumulation of assets to fund future OPEB payments. The OPEB Trust allows participating employers to make irrevocable payments of some or all assets required to fund its OPEB obligations.

**Benefits Provided**

The School District provides medical, prescription drug, and dental benefits to retirees as follows:

- For all employees, medical, prescription drug and dental benefits are provided for themselves and the spouse. If the member retires through PSERS, the member and spouse may elect medical, prescription drug, and dental by paying the full premiums. Upon reaching Medicare age, the member may continue coverage either under the core group plan or by moving to a Medicare supplement plan. For the member, the benefits are available for life and the members spouse benefits cease 36 months after the member terminates coverage.

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Discount Rate** - 3.81%, based on the long-term expected rate of return on OPEB investments and the municipal bond rate based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.

**Salary** - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)**

**Withdrawal** - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rate for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

**Mortality** - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

**Disability** - No disability was assumed.

**Retirement** - Assumed retirement rates based on PSERS plan experience and vary by age, service and gender.

**Percent of Eligible Retirees Electing Coverage in Plan** - 50% of Teachers and Administrators and 40% of the Support Staff are assumed to elect coverage.

**Percent Married at Retirement** - 20% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

**Spouse** - Wives are assumed to be two years younger than their husbands.

**Retiree Contributions** - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

**Health Care Cost Trend Rate** - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Actuarial Value of Assets** - Equal to the Market Value of Assets

**Actuarial Cost Method - Entry Age Normal** - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)**

**Changes in Assumptions** - In the 2020 actuarial valuation, the discount rate changed from 3.28% to 3.81%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**Changes in the Total OPEB Liability**

	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balance at June 30, 2020	\$ 4,759,242	\$ 1,023,845	\$ 3,735,397
Changes for the year			
Service cost	361,495	-	361,495
Interest cost	163,683	-	163,683
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(1,183,311)	-	(1,183,311)
Changes in assumptions	(123,391)	-	(123,391)
Net investment income	-	226,312	(226,312)
Administrative expenses	-	(9,926)	9,926
Benefit payments	(240,713)	-	(240,713)
Net changes	<u>(1,022,237)</u>	<u>216,386</u>	<u>(1,238,623)</u>
Balance at June 30, 2021	<u>\$ 3,737,005</u>	<u>\$ 1,240,231</u>	<u>\$ 2,496,774</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(2.81%)</u>	Current Discount Rate <u>(3.81%)</u>	1% Increase <u>(4.81%)</u>
Net OPEB liability	<u>\$ 2,774,428</u>	<u>\$ 2,496,774</u>	<u>\$ 2,235,076</u>

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)**

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** - The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ <u>2,063,132</u>	\$ <u>2,496,774</u>	\$ <u>3,007,935</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2021, the School District recognized OPEB expense of \$132,318. At June 30, 2021, the School 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>
Differences between expected and actual experience	\$ 46,533	\$ 1,075,737
Changes in assumptions	371,201	112,174
Net difference between projected and actual investments earnings	<u>-</u>	<u>120,775</u>
	<u>\$ 417,734</u>	<u>\$ 1,308,686</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (90,753)
2023	(91,166)
2024	(91,221)
2025	(92,119)
2026	(61,121)
Thereafter	<u>(464,572)</u>
	<u>\$ (890,952)</u>

**CHELtenham SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE M - COMPENSATED ABSENCES**

**Vacation, Sick and Personal Leave**

Upon retirement, contractual provisions provide for severance pay based upon certain compensated absences. Severance pay for professionals is equal to \$70, \$75 and \$80 per day for the first 100, 101 to 200 and 201 to 300 days, respectively, for each unused day of sick and personal leave to a maximum of \$22,500. Severance pay for classified employees is equal to the number of unused days of personal leave based on the daily rate earned plus the unused days of sick leave based upon 25% of the daily rate to a maximum of \$3,500. Severance pay for administrators is equal to the number of unused days of sick and personal leave and unused vacation days based upon 50% of the daily rate to a maximum of \$22,500.

The amount is determined by the appropriate vacation, sick and personal leave payments which would be available to employees if they would leave or retire from the School District and is adjusted for expected turnover rates of employees. Accrued benefit days are multiplied by the appropriate salary and any additional salary-related amounts. Unused sick and personal leave and unused vacation time in the amount of \$1,159,132 were recorded in compensated absences in the statement of net position at June 30, 2021.

**Sabbatical Leave**

Unrestricted sabbatical leave is available to professionals and administrators in the Pennsylvania Public School System. Effective July 1, 1998, the Pennsylvania law was changed to require professionals and administrators return to work after being on sabbatical. The first sabbatical is earned with ten years in the system, and another sabbatical is earned seven years after the last sabbatical taken.

An employee on sabbatical is paid one-half salary and receives full benefits. The amount is based on the periods during which the rights to sabbatical leaves are earned and the probable amounts of salary and salary-related payments that will be paid under the sabbatical program.

Compensated absences are reflected as a long-term liability unless the compensated absences have matured. Those costs, determined to be current year costs, are reflected as a liability of the General Fund.

**NOTE N - COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact for the majority of the appeals. See Note P for further details.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE O - RISK MANAGEMENT**

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The School District is self-insured for medical and prescription drug benefits. The monthly premium is determined annually and is based upon the estimated actual costs for the upcoming fiscal year. An adjustment is then performed after the fiscal year has ended and may result in the School District paying additional premiums or a refund of overpaid premiums.

**NOTE P - REAL ESTATE ASSESSMENT APPEALS**

The School District is involved in legal actions in which property owners are seeking to reduce their properties' assessments for purposes of assessing real estate taxes on those properties. The School District is currently involved in various legal actions in which a significant reduction in a property assessments, including substantial refunds and/or credits due to property owners is approximated to be \$1,700,000.

**NOTE Q - SUBSEQUENT EVENT**

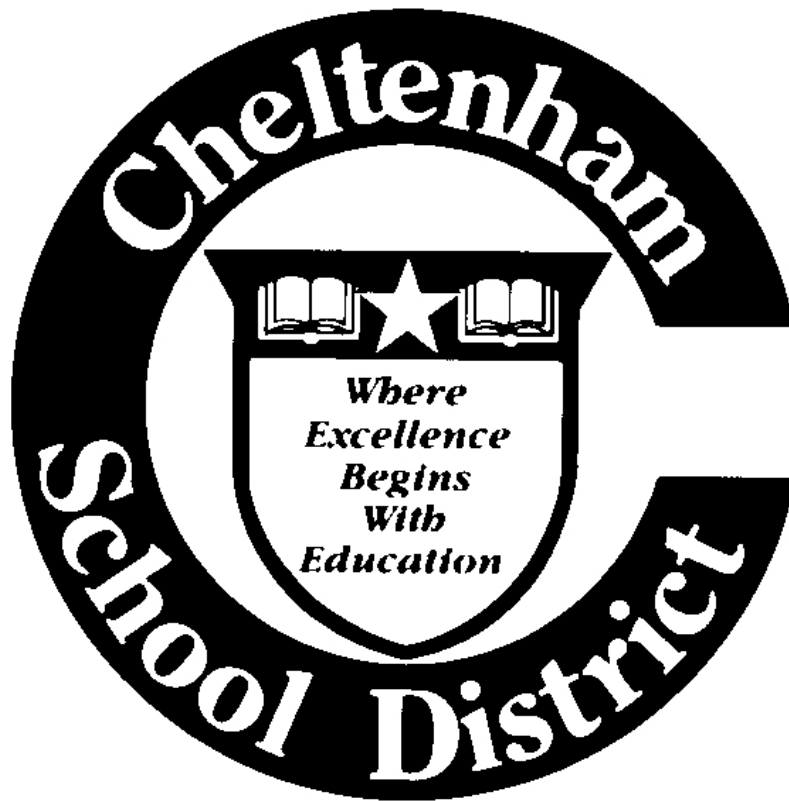
During November 2021 the School District issued General Obligation Bonds Series B of 2021 in the amount of \$9,000,000 to currently refund all or a portion of the outstanding General Obligation Bonds, Series of 2017 and to pay the issuance costs and expenses of the bonds.

**NOTE R - PRIOR PERIOD RESTATEMENT**

The School District implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

For fiduciary fund custodial activities, the School District has treated the beginning of year net position for student activities of \$68,572 as having been recognized in the prior period as incurred. The School District has adjusted beginning of year net position for their fiduciary activities from \$0 to \$68,572 to reflect the transaction discussed above and to reclassify previously recognized liabilities to net position. Additionally, the beginning net position for the General Fund and the Government Activities has been impacted. The beginning net position for General Fund increased from \$10,391,308 to \$10,437,873 due to the addition of the Scholarship Fund balance of \$46,565. The beginning net position for the Governmental Activities increased from \$(144,967,921) to \$(144,921,356) due to the addition of the Scholarship Fund balance of \$46,565.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CHELTENHAM SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 93,915,327	\$ 93,915,327	\$ 97,960,695	\$ 4,045,368
State sources	25,378,378	25,378,378	24,778,833	(599,545)
Federal sources	635,042	635,042	1,731,970	1,096,928
TOTAL REVENUES	<u>119,928,747</u>	<u>119,928,747</u>	<u>124,471,498</u>	<u>4,542,751</u>
EXPENDITURES				
Instruction	70,684,135	70,684,135	69,717,129	967,006
Support services	39,655,224	39,655,224	35,404,819	4,250,405
Operation of non-instructional services	2,939,588	2,939,588	1,554,806	1,384,782
Refund of prior year revenues	-	-	526,350	(526,350)
TOTAL EXPENDITURES	<u>113,278,947</u>	<u>113,278,947</u>	<u>107,203,104</u>	<u>6,075,843</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,649,800</u>	<u>6,649,800</u>	<u>17,268,394</u>	<u>10,618,594</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(7,749,434)</u>	<u>(7,749,434)</u>	<u>(8,975,790)</u>	<u>(1,226,356)</u>
NET CHANGE IN FUND BALANCE	(1,099,634)	(1,099,634)	8,292,604	9,392,238
FUND BALANCE AT BEGINNING OF YEAR, restated	<u>10,437,873</u>	<u>10,437,873</u>	<u>10,437,873</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,338,239</u>	<u>\$ 9,338,239</u>	<u>\$ 18,730,477</u>	<u>\$ 9,392,238</u>

See accompanying notes to the budgetary comparison schedule.

**CHELTENHAM SCHOOL DISTRICT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2021**

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**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Project Funds.

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

1. Prior to May 15, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2021, expenditures exceeded appropriations in the following object levels (the legal level of budgetary control). Excess expenditures were funded by excess revenues or available fund balances.

Refund of prior year revenues	\$ <u>526,350</u>
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**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability (asset)	<u>0.3697%</u>	<u>0.3768%</u>	<u>0.3777%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>182,775,000</u>	\$ <u>176,277,000</u>	\$ <u>181,315,000</u>
School District's covered payroll	\$ <u>51,963,318</u>	\$ <u>51,785,159</u>	\$ <u>50,857,126</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>351.74%</u>	<u>340.40%</u>	<u>356.52%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.3775%</u>	<u>0.3698%</u>	<u>0.3568%</u>	<u>0.3559%</u>
\$ <u>186,441,000</u>	\$ <u>183,261,000</u>	\$ <u>154,549,000</u>	\$ <u>140,868,000</u>
\$ <u>49,956,613</u>	\$ <u>47,898,999</u>	\$ <u>45,417,896</u>	\$ <u>140,868,000</u>
<u>373.21%</u>	<u>382.60%</u>	<u>336.68%</u>	<u>310.16%</u>
<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

**CHELTENHAM SCHOOL DISTRICT****SCHEDULE OF SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 16,485,000	\$ 17,011,000	\$ 16,923,000
Contributions in relation to the contractually required contribution	<u>16,485,000</u>	<u>17,011,000</u>	<u>16,923,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 51,888,688</u>	<u>\$ 51,963,318</u>	<u>\$ 51,785,159</u>
Contributions as a percentage of covered payroll	<u>31.77%</u>	<u>32.74%</u>	<u>32.68%</u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 14,972,000	\$ 13,729,000	\$ 12,109,000	\$ 9,400,000
<u>14,972,000</u>	<u>13,729,000</u>	<u>12,109,000</u>	<u>9,400,000</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>50,857,126</u></u>	\$ <u><u>49,956,613</u></u>	\$ <u><u>47,898,999</u></u>	\$ <u><u>45,904,376</u></u>
<u><u>29.44%</u></u>	<u><u>27.48%</u></u>	<u><u>25.28%</u></u>	<u><u>20.48%</u></u>

# CHELTENHAM SCHOOL DISTRICT

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.3697%</u>	<u>0.3768%</u>	<u>0.3777%</u>	<u>0.3775%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u>\$ 7,988,000</u>	<u>\$ 8,014,000</u>	<u>\$ 7,875,000</u>	<u>\$ 7,691,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 51,963,318</u>	<u>\$ 51,785,159</u>	<u>\$ 50,857,126</u>	<u>\$ 49,956,613</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>15.37%</u>	<u>15.48%</u>	<u>15.48%</u>	<u>15.40%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

### NOTES TO SCHEDULE

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**CHELTENHAM SCHOOL DISTRICT****SCHEDULE OF SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT  
BENEFIT PLAN CONTRIBUTIONS  
LAST FOUR FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 403,000	\$ 206,000	\$ 431,000	\$ 391,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>403,000</u>	<u>206,000</u>	<u>431,000</u>	<u>391,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u><u>51,888,688</u></u>	\$ <u><u>51,963,318</u></u>	\$ <u><u>51,785,159</u></u>	\$ <u><u>50,857,126</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u><u>0.78%</u></u>	<u><u>0.40%</u></u>	<u><u>0.83%</u></u>	<u><u>0.77%</u></u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 361,495	\$ 336,185
Interest	163,683	158,580
Differences between expected and actual experience	(1,183,311)	-
Changes of assumptions	(123,391)	44,216
Benefit payments	<u>(240,713)</u>	<u>(205,063)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(1,022,237)	333,918
TOTAL OPEB LIABILITY, BEGINNING	<u>4,759,242</u>	<u>4,425,324</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u><u>\$ 3,737,005</u></u>	<u><u>\$ 4,759,242</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 240,713	\$ 205,063
Member	-	-
Net investment income	226,312	63,069
Benefit payments, including refunds of member contributions	(240,713)	(205,063)
Administrative expense	<u>(9,926)</u>	<u>(8,833)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	216,386	54,236
Plan fiduciary net position, beginning	<u>1,023,845</u>	<u>969,609</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 1,240,231</u></u>	<u><u>\$ 1,023,845</u></u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u><u>\$ 2,496,774</u></u>	<u><u>\$ 3,735,397</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>33.19%</u>	<u>21.51%</u>
COVERED PAYROLL	<u><u>\$ 47,783,292</u></u>	<u><u>\$ 50,120,654</u></u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>5.23%</u>	<u>7.45%</u>

**NOTES TO SCHEDULE**

Changes in assumptions: In the 2020 actuarial valuation, the discount rate changed from 3.28% to 3.81%. The trend assumption was updated.

Changes in assumptions: In the 2018 actuarial valuation, the discount rate changed from 3.41% to 3.28%. The trend assumption was updated.

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 4.12% to 3.56%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

\* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$	299,271	\$ 232,861	\$ 220,358
	152,725	143,778	135,123
	63,984	-	-
	2,084	524,084	-
	<u>(182,190)</u>	<u>(148,735)</u>	<u>(168,750)</u>
	335,874	751,988	186,731
	<u>4,089,450</u>	<u>3,337,462</u>	<u>3,150,731</u>
\$	<u><u>4,425,324</u></u>	<u><u>4,089,450</u></u>	<u><u>3,337,462</u></u>
\$	182,190	\$ 143,778	\$ 168,750
	-	-	-
	63,452	58,158	71,401
	<u>(182,190)</u>	<u>(143,778)</u>	<u>(168,750)</u>
	<u>(8,325)</u>	<u>(8,242)</u>	<u>(7,558)</u>
	55,127	49,916	63,843
	<u>914,482</u>	<u>864,566</u>	<u>800,723</u>
\$	<u><u>969,609</u></u>	<u><u>914,482</u></u>	<u><u>864,566</u></u>
\$	<u><u>3,455,715</u></u>	<u><u>3,174,968</u></u>	<u><u>2,472,896</u></u>
	<u>21.91%</u>	<u>22.36%</u>	<u>25.90%</u>
\$	<u><u>50,120,654</u></u>	<u><u>46,926,837</u></u>	<u><u>46,926,837</u></u>
	<u>6.89%</u>	<u>6.77%</u>	<u>5.27%</u>

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>
ACTUARIAL DETERMINED CONTRIBUTION	\$ 240,713	\$ 205,063
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>240,713</u>	<u>205,063</u>
CONTRIBUTION DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 47,783,292</u>	<u>\$ 50,120,654</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>0.50%</u>	<u>0.41%</u>

**NOTES TO SCHEDULE**

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Market value
Health care cost trend rate	5.5%
Salary increases	3.50% to 6.25% annual increases
Investment rate of return	3.81% for June 30, 2020
Retirement age	Normal retirement age based on PSERS plan experience
Mortality	Rates assumed in the PSERS defined benefit pension plan actuarial valuation

\* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

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<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 182,190	\$ 143,778	\$ 168,750
<u>182,190</u>	<u>143,778</u>	<u>168,750</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>50,120,654</u></u>	\$ <u><u>46,926,837</u></u>	\$ <u><u>46,926,837</u></u>
<u><u>0.36%</u></u>	<u><u>0.31%</u></u>	<u><u>0.36%</u></u>

**CHELTENHAM SCHOOL DISTRICT**  
SCHEDULE OF OTHER POSTEMPLOYMENT  
BENEFIT PLAN INVESTMENT RETURNS  
LAST FIVE FISCAL YEARS

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	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>19.99%</u>	<u>6.33%</u>

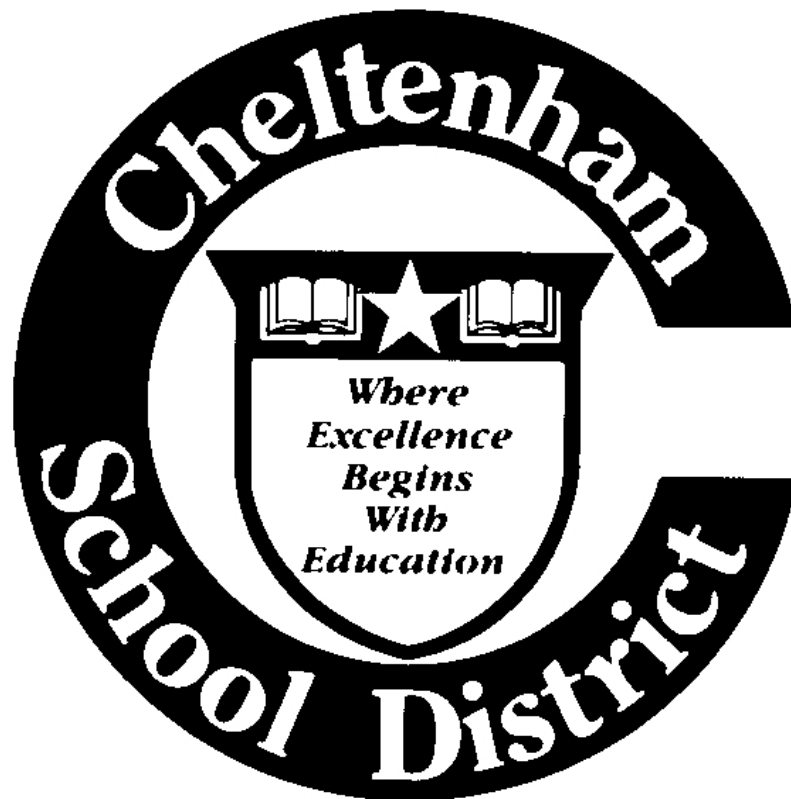
**NOTE TO SCHEDULE**

\* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

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<u>2019</u>	<u>2018</u>	<u>2017</u>
<u><u>6.74%</u></u>	<u><u>6.54%</u></u>	<u><u>8.58%</u></u>

**SUPPLEMENTARY INFORMATION SECTION**



***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cheltenham School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cheltenham School District's basic financial statements, and have issued our report thereon dated February 8, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 the Cheltenham School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cheltenham School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

**Cheltenham School District’s, Pennsylvania’s Response to Findings**

Cheltenham School District’s, Pennsylvania’s responses to the findings identified in our audit are described in the corrective action plan. Cheltenham School District’s, Pennsylvania’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



Limerick, Pennsylvania  
February 8, 2022

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the Cheltenham School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cheltenham School District's major federal programs for the year ended June 30, 2021. Cheltenham School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2021.

To the Board of School Directors  
Cheltenham School District  
Elkins Park, Pennsylvania

### ***Report on Internal Control Over Compliance***

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

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

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

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

Maillie LLP

Limerick, Pennsylvania  
February 8, 2022

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**



**CHELtenham SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I, Improving Basic Programs	I	84.010	013-200080	September 4, 2019 to September 30, 2020
Title I, Improving Basic Programs	I	84.010	013-210080	September 29, 2020 to September 30, 2021
TOTAL AL 84.010 TITLE I				
Title II, Improving Teach Quality	I	84.367	020-190080	October 3, 2018 to September 30, 2019
Title II, Improving Teach Quality	I	84.367	020-200080	September 4, 2019 to September 30, 2020
Title II, Improving Teach Quality	I	84.367	020-210080	September 29, 2020 to September 30, 2021
TOTAL AL 84.367 TITLE II				
Drug-Free Schools and Communities	I	84.186	100-090080	July 1, 2008 to September 30, 2009
Title IV, Student Support/Academic Enrichment	I	84.424	144-190080	October 3, 2018 to September 30, 2019
Title IV, Student Support/Academic Enrichment	I	84.424	144-200080	September 4, 2019 to September 30, 2020
Title IV, Student Support/Academic Enrichment	I	84.424	144-210080	September 29, 2020 to September 30, 2021
TOTAL AL 84.424 TITLE IV				
Elementary and Secondary School Emergency Relief (ESSER) Fund	I	84.425D	200-200080	March 13, 2020 to September 30, 2021
Special Education COVID-19 Impact Mitigation (SECIM) Grant	I	84.425C	252-200080	March 13, 2020 to September 30, 2021
Continuity of Education Grant for A-TSI Schools	I	84.425C	254-200080	March 13, 2020 to September 30, 2021
SUBTOTAL AL 84.425 EDUCATION STABILIZATION FUND				
<b>Passed through the Montgomery County Intermediate Unit No. 23</b>				
Title III, Language Instruction	I	84.365	N/A	July 1, 2019 to September 30, 2020
Title III, EL Allocation	I	84.365	N/A	July 1, 2020 to September 30, 2021
TOTAL AL 84.365 TITLE III				
Disabilities Act - Part B (IDEA-B)	I	84.027	N/A	July 1, 2019 to September 30, 2020
Disabilities Act - Part B (IDEA-B)	I	84.027	N/A	July 1, 2020 to September 30, 2021
TOTAL AL 84.027				
Disabilities Act - Part B (IDEA-B Section 619)	I	84.173	N/A	July 1, 2020 to September 30, 2021
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				
TOTAL PASSED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION				
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>				
Elementary and Secondary School Emergency Relief (ESSER) Fund	I	84.425D	N/A	March 13, 2020 to September 30, 2021
TOTAL AL 84.425 EDUCATION STABILIZATION FUND				
TOTAL U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
\$ 472,252	\$ 72,631	\$ 53,656	\$ -	\$ -	\$ (18,975)	\$ -
526,227	<u>208,927</u>	<u>-</u>	<u>526,227</u>	<u>526,227</u>	<u>317,300</u>	<u>-</u>
	<u>281,558</u>	<u>53,656</u>	<u>526,227</u>	<u>526,227</u>	<u>298,325</u>	<u>-</u>
113,969	9,443	-	-	-	(9,443)	-
107,152	66,601	66,601	-	-	-	-
113,469	<u>44,595</u>	<u>-</u>	<u>49,710</u>	<u>49,710</u>	<u>5,115</u>	<u>-</u>
	<u>120,639</u>	<u>66,601</u>	<u>49,710</u>	<u>49,710</u>	<u>(4,328)</u>	<u>-</u>
-	<u>-</u>	<u>4,417</u>	<u>-</u>	<u>-</u>	<u>4,417</u>	<u>-</u>
34,146	17,073	17,073	-	-	-	-
35,968	2,767	(5,866)	-	-	(8,633)	-
35,815	<u>13,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,775)</u>	<u>-</u>
	<u>33,615</u>	<u>11,207</u>	<u>-</u>	<u>-</u>	<u>(22,408)</u>	<u>-</u>
387,882	<u>81,659</u>	<u>-</u>	<u>81,659</u>	<u>81,659</u>	<u>-</u>	<u>-</u>
31,363	<u>8,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,253)</u>	<u>-</u>
71,012	<u>18,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,687)</u>	<u>-</u>
	<u>108,599</u>	<u>-</u>	<u>81,659</u>	<u>81,659</u>	<u>(26,940)</u>	<u>-</u>
5,961	-	5,961	-	-	5,961	-
5,495	<u>-</u>	<u>-</u>	<u>5,495</u>	<u>5,495</u>	<u>5,495</u>	<u>-</u>
	<u>-</u>	<u>5,961</u>	<u>5,495</u>	<u>5,495</u>	<u>11,456</u>	<u>-</u>
883,356	-	132,503	-	-	132,503	-
894,165	<u>-</u>	<u>-</u>	<u>894,165</u>	<u>894,165</u>	<u>894,165</u>	<u>-</u>
	<u>-</u>	<u>132,503</u>	<u>894,165</u>	<u>894,165</u>	<u>1,026,668</u>	<u>-</u>
2,418	<u>-</u>	<u>-</u>	<u>2,418</u>	<u>2,418</u>	<u>2,418</u>	<u>-</u>
	<u>-</u>	<u>132,503</u>	<u>896,583</u>	<u>896,583</u>	<u>1,029,086</u>	<u>-</u>
	<u>544,411</u>	<u>274,345</u>	<u>1,559,674</u>	<u>1,559,674</u>	<u>1,289,608</u>	<u>-</u>
125,870	<u>-</u>	<u>-</u>	<u>125,870</u>	<u>125,870</u>	<u>125,870</u>	<u>-</u>
	<u>108,599</u>	<u>-</u>	<u>207,529</u>	<u>207,529</u>	<u>98,930</u>	<u>-</u>
	<u>544,411</u>	<u>274,345</u>	<u>1,685,544</u>	<u>1,685,544</u>	<u>1,415,478</u>	<u>-</u>
	<u>\$ 544,411</u>	<u>\$ 274,345</u>	<u>\$ 1,685,544</u>	<u>\$ 1,685,544</u>	<u>\$ 1,415,478</u>	<u>\$ -</u>

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
SUBTOTAL FORWARDED				
<b>U.S. DEPARTMENT OF TREASURY</b>				
<b>Passed through the Montgomery County Intermediate Unit No. 23</b>				
Coronavirus Relief Fund	I	21.019	N/A	March 13, 2020 to December 30, 2020
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>				
Coronavirus Relief Fund	I	21.019	N/A	March 13, 2020 to October 30, 2020
TOTAL AL 21.019 CORONAVIRUS RELIEF FUND				
TOTAL U.S. DEPARTMENT OF TREASURY				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Medical Assistance-Administration	I	93.778	N/A	July 1, 2019 to June 30, 2020
Medical Assistance-Administration	I	93.778	N/A	July 1, 2020 to June 30, 2021
TOTAL MEDICAIDE CLUSTER				
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program	I	10.555	N/A	July 1, 2020 to June 30, 2021
<b>Passed through the Pennsylvania Department of Agriculture</b>				
Value of U.S.D.A. Donated Commodities	I, N	10.555	N/A	July 1, 2020 to June 30, 2021
TOTAL AL 10.555 NATIONAL SCHOOL LUNCH PROGRAM AND CHILD NUTRITION PROGRAM CLUSTER, FEDERAL				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	S	N/A	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program	S	N/A	N/A	July 1, 2020 to June 30, 2021
TOTAL CHILD NUTRITION PROGRAM CLUSTER, FEDERAL AND STATE				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE AWARDS				
TOTAL FEDERAL AWARDS				

**Source Codes:**

I = Indirect funding S = State Share D = Direct funding N = Noncash assistance

*See accompanying notes to the schedule of expenditures of federal and certain state awards.*

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
	\$ 544,411	\$ 274,345	\$ 1,685,544	\$ 1,685,544	\$ 1,415,478	\$ -
\$ 640,630	<u>640,630</u>	<u>-</u>	<u>640,630</u>	<u>640,630</u>	<u>-</u>	<u>-</u>
298,000	<u>298,000</u>	<u>-</u>	<u>298,000</u>	<u>298,000</u>	<u>-</u>	<u>-</u>
	<u>938,630</u>	<u>-</u>	<u>938,630</u>	<u>938,630</u>	<u>-</u>	<u>-</u>
	<u>938,630</u>	<u>-</u>	<u>938,630</u>	<u>938,630</u>	<u>-</u>	<u>-</u>
4,982	4,982	4,982	-	-	-	-
4,379	<u>4,379</u>	<u>-</u>	<u>4,379</u>	<u>4,379</u>	<u>-</u>	<u>-</u>
	<u>9,361</u>	<u>4,982</u>	<u>4,379</u>	<u>4,379</u>	<u>-</u>	<u>-</u>
	<u>9,361</u>	<u>4,982</u>	<u>4,379</u>	<u>4,379</u>	<u>-</u>	<u>-</u>
N/A	22,251	22,251	-	-	-	-
N/A	255,075	-	282,276	282,276	27,201	-
N/A	<u>54,292</u>	<u>(29,015)</u>	<u>52,641</u>	<u>52,641</u>	<u>(30,666)</u>	<u>-</u>
	<u>331,618</u>	<u>(6,764)</u>	<u>334,917</u>	<u>334,917</u>	<u>(3,465)</u>	<u>-</u>
N/A	639	639	-	-	-	-
N/A	<u>7,125</u>	<u>-</u>	<u>7,885</u>	<u>7,885</u>	<u>760</u>	<u>-</u>
	<u>339,382</u>	<u>(6,125)</u>	<u>342,802</u>	<u>342,802</u>	<u>(2,705)</u>	<u>-</u>
	<u>339,382</u>	<u>(6,125)</u>	<u>342,802</u>	<u>342,802</u>	<u>(2,705)</u>	<u>-</u>
	1,831,784	273,202	2,971,355	2,971,355	1,412,773	-
	<u>(7,764)</u>	<u>(639)</u>	<u>(7,885)</u>	<u>(7,885)</u>	<u>(760)</u>	<u>-</u>
	<u>\$ 1,824,020</u>	<u>\$ 272,563</u>	<u>\$ 2,963,470</u>	<u>\$ 2,963,470</u>	<u>\$ 1,412,013</u>	<u>\$ -</u>

# **CHELTENHAM SCHOOL DISTRICT**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2021**

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### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District uses the modified accrual basis of accounting and the accrual basis of accounting (child nutrition programs) to report federal grants from the U.S. Department of Education. The School District uses the accrual basis of accounting to report grants under the National School Lunch Program.

#### **Donated Food**

Donated food was valued according to cost estimates provided by the U.S.D.A.

### **NOTE B - INDIRECT COST RATES**

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Cheltenham School District.
2. No material weaknesses and two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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 were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Cheltenham School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs include:

Program	ALN
Coronavirus Relief Fund (COVID-19)	21.019
Education Stabilization Fund	84.425C, 84.425D
Special Education Cluster (IDEA)	84.027, 84.173

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The Cheltenham School District was not determined to be a low-risk auditee.

**CHELtenham SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**B. 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 School District to the actuary to determine the total OPEB liability for June 30, 2021.

**Cause:** The School 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.

**Recommendation:** We recommend the School District institute procedures to review the census data annually and check the census data against the School District's internal records to ensure that the data is accurate and complete. A second review procedure from another individual that did not prepare the information should be put in place to verify the accuracy of the information provided to the actuary.

**Repeat Finding:** This is a repeat finding from the previous audit, 2020-001

**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 School 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 School 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 School District may not be upholding its fiduciary duty to the organizations for which it manages these funds.

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**Recommendation:** We recommend the School District institute controls and procedures that all student organizations must follow. Each student activity must report all revenues and expenses to the business office on a timely basis for inclusion in the School District's financial reports. This will also allow the School District Business Office to perform monitoring duties by reviewing the revenue and expenses of each individual student activity to ensure that the account balances are accurate and complete. The School District can use this information to better evaluate and resolve any large accounts receivable or accounts payable balances.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

None.

**CHELTENHAM SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2021**

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**2020-001      Controls Over OPEB Census Data**

**Description of Finding:** The School District did not have controls in place to ensure that the actuaries receive accurate census data in order to properly calculate the total other post-employment benefit (OPEB) liability.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2021-001.

Cheltenham School District  
June 30, 2021 Audit  
Corrective Action Plan

This letter is in response to the significant deficiency in financial reporting identified during the School District's 2020-2021 audit. The following is our corrective action plan to address the finding and rectify it going forward.

Significant Deficiency - Financial Statements Audit

**Finding 2021-001 Controls Over OPEB Census Data**

Our annual audit identified an issue where the OPEB census data that was provided to our actuaries for calculation of the OPEB liability included incorrect dates of hire and dates of retirement for several individuals. This is reported as finding 2020-001 in the June 30, 2020 audit report.

**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 School District to the actuary to determine the total OPEB liability for June 30, 2020.

**Cause:** The School 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.

**Recommendation:** We recommend the School District institute procedures to review the census data annually and check the census data against the School District's internal records to ensure that the data is accurate and complete. A second review procedure from another individual that did not prepare the information should be put in place to verify the accuracy of the information provided to the actuary.

**Repeat Finding:** This is a repeat finding from the previous audit, 2020-001

**ACTION PLAN:**

In response to Finding 2021-001, the School District is instituting the following procedures:

Audit recommendation has been noted and discussed with the auditor. The business office will formulate

a plan for monitoring and training for a staff member The corrections were immediately made as soon as it was brought to our attention. This was just an oversight due to changing of staff retiring. The district will focus on having procedures in place.

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

**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 School 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 School 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 School District may not be upholding its fiduciary duty to the organizations for which it manages these funds.

**Recommendation:** We recommend the School District institute controls and procedures that all student organizations must follow. Each student activity must report all revenues and expenses to the business office on a timely basis for inclusion in the School District’s financial reports. This will also allow the School District Business Office to perform monitoring duties by reviewing the revenue and expenses of each individual student activity to ensure that the account balances are accurate and complete. The School District can use this information to better evaluate and resolve any large accounts receivable or accounts payable balances.

**ACTION PLAN:**

In response to Finding 2021-002, the School District is instituting the following procedures:

The business office has purchased copies of the Student Activity Funds Guide from PASBO to be properly distributed to each building. The guide includes dos and don’ts when handling student-raised funds. The business office will on top set up a presentation with each building principal and class/club sponsors to review the procedures of Student Activity Funds. The presentation will include the timeline for sending in deposits and utilizing the funds to make payments. All student activity accounts will be reviewed every May and adjustments will be made to ensure there is no large accounts receivable and accounts payable balance.

Sincerely,



Charles E. Linderman  
Interim Business Manager