

Chartiers Valley School District

Single Audit

June 30, 2020

MaherDuessel

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CHARTIERS VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

**Board of Directors
Chartiers Valley
School District**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chartiers Valley School District (School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xiv and the required supplementary information on pages 55 through 60, 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 School District's basic financial statements. The combining non-major fund financial statements and the statement of changes in assets and liabilities – Agency Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes

of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
March 22, 2021

**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2020**

Our Management's Discussion and Analysis (MD&A) of Chartiers Valley School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The trends of prior years indicated that during the fiscal year 2019-2020, the District would experience another year of increases in the costs for educational instruction. The Board of School Directors approved a budget that included a .4885 tax millage increase. This is a tax increase to the index of 2.3% (.3926) plus special education and pension exceptions increases of .0959. Even with the increase in revenue expected to be generated by the tax increase, the 2019-2020 General Fund budget included a deficit of \$934,591. All of the deficit was to be covered by the Debt Stabilization Fund.

District-Wide

- Total end of year net position (deficit) of \$(45,409,515) in government and business-type activities represents an increase in the deficit of \$2,975,008 from fiscal year 2018-2019.
- As evident on the Statement of Activities, total general revenue of \$55,554,772 accounts for 81.04% of total revenues from both governmental and business-type activities. Program-specific revenues of \$12,998,112 account for 18.96%.
- Capital assets, net of accumulated depreciation, for governmental activities increased \$2,683,780 from fiscal year 2018-2019. Capital assets, net of accumulated depreciation, for business-type activities decreased by \$50,193, which was a result of the assets being depreciated.
- Total long-term debt (includes general obligation bonds, extended-term financing, other long-term liabilities, net pension liability, and net OPEB liability) decreased by \$2,427,511 (not including bond discount and premium).

Fund-Level

- The District has General Fund revenues and other financing sources of \$66,604,123 and expenditures and other financing uses of \$65,165,005, resulting in an increase of \$1,439,118 to the fund balance for the year.
- The ending fund balance in the General Fund was \$2,925,777. Of that fund balance, the District had nonspendable fund balance of \$688,118 for prepaid expenditures and \$150,226 to future benefit and pension obligations. The total fund balance at the end of the year for all governmental funds was \$11,069,869.

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

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of three parts: the MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

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

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

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

District-wide Statements

The District-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted above, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2019-2020 fiscal year, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$45,409,515 at June 30, 2020. At the close of the 2018-2019 fiscal year, liabilities and deferred inflows exceeded assets and deferred outflows by \$42,434,507.

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

	2020			2019		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 25,094,100	\$ (159,862)	\$ 24,934,238	\$ 33,267,219	\$ 1,426,553	\$ 34,693,772
Capital assets	135,711,184	395,866	136,107,050	133,027,404	446,059	133,473,463
Deferred outflows	<u>13,505,182</u>	<u>-</u>	<u>13,505,182</u>	<u>16,079,189</u>	<u>-</u>	<u>16,079,189</u>
Total Assets and deferred outflows	<u>\$174,310,466</u>	<u>\$ 236,004</u>	<u>\$174,546,470</u>	<u>\$182,373,812</u>	<u>\$ 1,872,612</u>	<u>\$184,246,424</u>
Current and other liabilities	\$ 10,024,169	\$ 16,727	\$ 10,040,896	\$ 11,599,327	\$ 185,416	\$ 11,784,743
Long-term liabilities	204,104,479	-	204,104,479	206,808,842	-	206,808,842
Deferred inflows	<u>5,810,610</u>	<u>-</u>	<u>5,810,610</u>	<u>8,087,436</u>	<u>-</u>	<u>8,087,436</u>
Total Liabilities and deferred inflows	<u>\$219,939,258</u>	<u>\$ 16,727</u>	<u>\$219,955,985</u>	<u>\$226,495,605</u>	<u>\$ 185,416</u>	<u>\$226,681,021</u>
Net investment in capital assets	\$ 51,755,620	\$ 395,866	\$52,151,486	\$ 48,098,722	\$ 446,059	\$ 48,544,781
Restricted	-	-	-	14,695,858	1,241,137	15,936,995
Unrestricted	<u>(97,384,412)</u>	<u>(176,589)</u>	<u>(97,561,001)</u>	<u>(106,916,283)</u>	<u>-</u>	<u>(106,916,283)</u>
Total Net Position	<u>\$(45,628,792)</u>	<u>\$ 219,277</u>	<u>\$(45,409,515)</u>	<u>\$(44,121,703)</u>	<u>\$1,687,196</u>	<u>\$(42,434,507)</u>

- The District's total net position (deficit) was \$(45,409,515) at June 30, 2020. Net position showed a decrease of \$2,975,008; or 7.01% over that for fiscal year 2018-2019.
- The District's total assets and deferred outflows as of June 30, 2020 were \$174,546,470, of which \$16,457,256 or 9.42% consisted of cash, and \$136,107,050 or 77.98% consisted of the District's investment in capital assets.
- The District's liabilities and deferred inflows as of June 30, 2020 were \$219,955,985, of which \$82,128,144 or 37.34% consisted of general obligation bonds from prior capital projects, and \$105,027,000 or 47.75% consisted of the net pension liability.

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

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

The following table presents information for the Statement of Activities of the District for 2020 and 2019.

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

	2020			2019		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:						
<i>Program revenues:</i>						
Charges for services	\$ 878,821	\$ 583,984	\$ 1,462,805	\$ 928,132	\$ 728,084	\$ 1,656,216
Operating grants and contributions	10,916,239	619,068	11,535,307	11,030,261	692,392	11,722,653
Capital grants and contributions	-	-	-	-	-	-
<i>General revenues:</i>						
Property and other taxes	48,828,894	-	48,828,894	46,194,412	-	46,194,412
Grants, subsidies and contributions, unrestricted	6,211,742	-	6,211,742	6,012,688	-	6,012,688
Investment earnings	309,124	-	309,124	674,999	29,479	704,478
Other	<u>1,446,149</u>	<u>(1,241,137)</u>	<u>205,012</u>	<u>234,917</u>	<u>(53,175)</u>	<u>181,742</u>
Total Revenues	<u>\$68,590,969</u>	<u>\$ (38,085)</u>	<u>\$68,552,884</u>	<u>\$65,075,409</u>	<u>\$ 1,396,780</u>	<u>\$66,472,189</u>

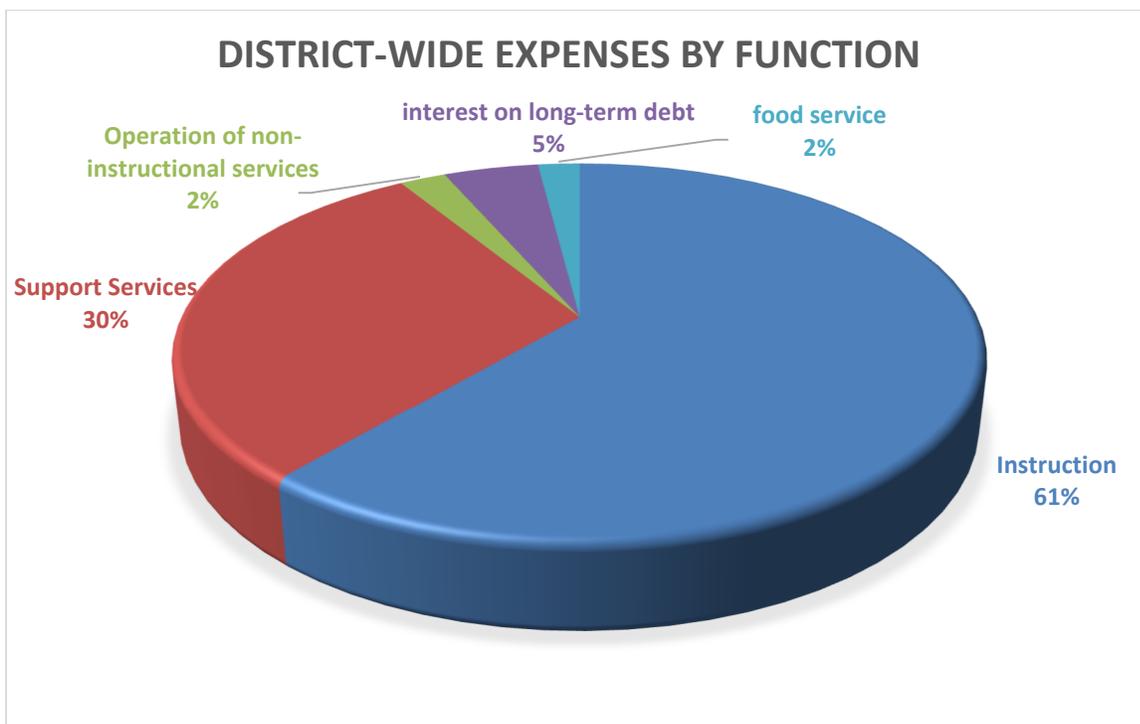
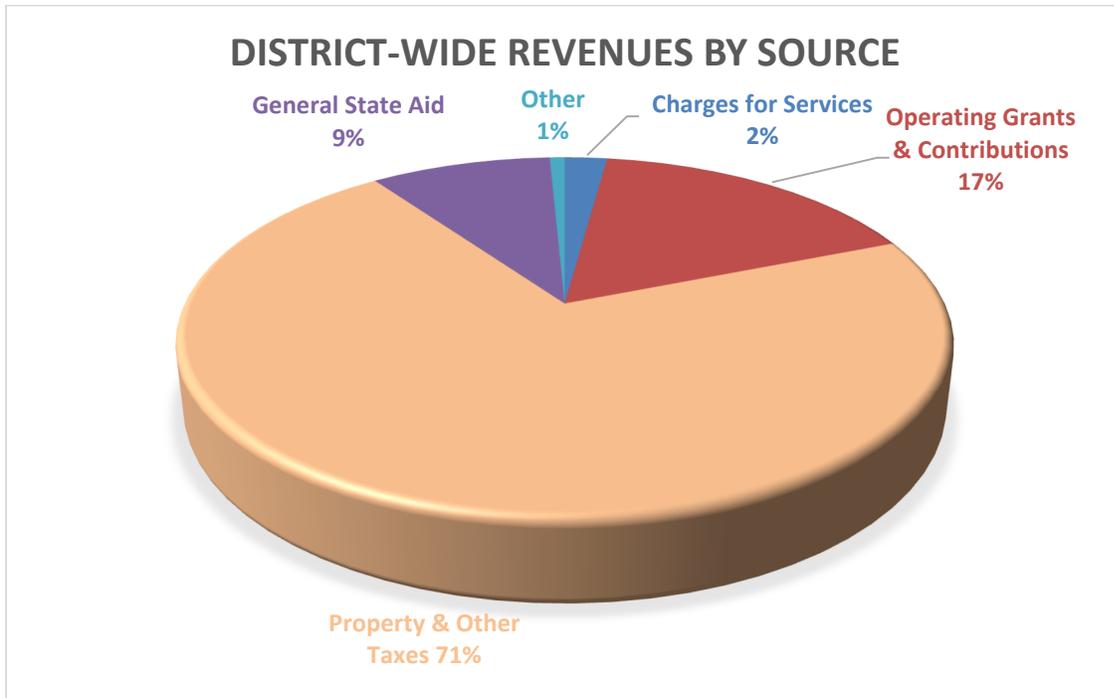
**CHARTIERS VALLEY SCHOOL DISTRICT
PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

	2020			2019		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Expenses:						
Instruction	\$ 43,758,052	\$ -	\$ 43,758,052	\$ 42,458,579	\$ -	\$ 42,458,579
Support services	21,506,785	-	21,506,785	20,976,016	-	20,976,016
Operation of non- instructional services	1,583,839	-	1,583,839	1,731,107	-	1,731,107
Interest on long-term debt	3,249,382	-	3,249,382	3,595,807	-	3,595,807
Food services	-	1,429,834	1,429,834	-	1,553,424	1,553,424
Risk management	-	-	-	-	3,200	3,200
 Total Expenses	 <u>70,098,058</u>	 <u>1,429,834</u>	 <u>71,527,892</u>	 <u>68,761,509</u>	 <u>1,556,624</u>	 <u>70,318,133</u>
Increase (decrease) in net position	<u>(1,507,089)</u>	<u>(1,467,919)</u>	<u>(2,975,008)</u>	<u>(3,686,100)</u>	<u>(159,844)</u>	<u>(3,845,944)</u>
Beginning net position	<u>(44,121,703)</u>	<u>1,687,196</u>	<u>(42,434,507)</u>	<u>(40,435,603)</u>	<u>1,847,040</u>	<u>(38,588,563)</u>
Ending net position	<u>\$(45,628,792)</u>	<u>\$ 219,277</u>	<u>\$(45,409,515)</u>	<u>\$(44,121,703)</u>	<u>\$ 1,687,196</u>	<u>\$(42,434,507)</u>

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)



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

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

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

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

	2020		2019	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Functions/Programs:				
Instruction	\$ 43,758,052	\$ 35,574,819	\$ 42,458,579	\$ 34,058,593
Support services	21,506,785	18,422,593	20,976,016	18,004,134
Operation of non-instructional services	1,583,839	1,321,300	1,731,107	1,412,805
Interest on long-term debt	<u>3,249,382</u>	<u>2,984,286</u>	<u>3,595,807</u>	<u>3,327,584</u>
Total governmental activities	\$ 70,098,058	\$ 58,302,998	\$ 68,761,509	\$ 56,803,116
Less:				
Unrestricted grants, subsidies		<u>6,211,742</u>		<u>6,012,688</u>
Total needs from local taxes and other revenue		<u>\$52,091,256</u>		<u>\$50,790,428</u>

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

Business-Type Activities

The Food Service Operation and the Risk Management Fund are considered a business activity rather than a government activity, and as such are separately recorded. The Food Service operations are self-funding operations which include the routine replacement of equipment. In 2019-2020, the Food Service cost of operations exceeded the revenue and reported a loss of \$226,782. The District continue to review opportunities to improve and grow the financial operations of food service.

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

	2020		2019	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Functions/Programs:				
Food Service	\$ 1,429,834	\$ (226,782)	\$ 1,553,424	\$ (132,948)
Risk Management	-	-	3,200	<u>(3,200)</u>
Total Business-Type Activities, net of transfer		<u>\$ (226,782)</u>		<u>\$ (136,148)</u>

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

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

General Fund

The General Fund is the District's primary operating fund. The District's General Fund is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. At the conclusion of the 2019-2020 fiscal year, the General Fund's fund balance was \$2,925,777. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2019-2020 fiscal year.

Revenues

Revenues for the 2019-2020 fiscal year were \$65,202,369 compared to \$64,208,294 for the previous fiscal year. The revenues are derived from three main sources as follows:

**Table A-5
Revenues**

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 48,588,127	\$ 47,586,377	\$ 1,001,750	2.11%
State sources	15,875,367	15,753,312	122,055	0.08%
Federal sources	<u>738,875</u>	<u>868,605</u>	<u>(129,730)</u>	-14.94%
Total	<u>\$ 65,202,369</u>	<u>\$ 64,208,294</u>	<u>\$ 994,075</u>	1.55%

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

Local revenues are derived mostly from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Local revenues increased by \$1,001,750 or 2.11%. The increase was due to the tax increase of 0.4885 millage points from 17.0710 to 17.5595 from 2019 to 2020, respectively.

The General Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, June 30.

State revenues are derived mostly from state subsidies for basic education, special education, and transportation. State revenues also include an approximate 50% reimbursement from the state for Social Security and retirement costs, as well as percentage reimbursement for principal and interest payments for outstanding bond issues. In fiscal year 2019-2020, the District received \$5,231,461 in basic education funding, an increase of \$128,342 from 2018-2019. The District also noted an increase of \$202,745 as a result of an increase in the PSERS employer contribution rate from 33.43% in 2018-2019 to 34.51% in 2019-2020.

Federal revenues primarily include Title I, Title II, III, IV, IDEA, and Medical Assistance Reimbursement for Access. The District received allocations for these above-mentioned federal programs; specifically, regular Title I funds decreased by \$6,097 from 2018-2019 to 2019-2020 funding years. Title II increased by \$511. ACCESS reimbursements decreased by \$144,624. ACCESS reimbursements are driven from actual eligible expenditures during each fiscal year.

Expenditures

Expenditures for the General Fund for the 2019-2020 fiscal year were \$64,995,530 compared to the 2018-2019 fiscal year of \$65,540,401. The following table shows the expenditures by object area:

**Table A-5
Expenditures**

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Salaries	\$ 30,839,297	\$ 31,074,287	\$ (234,990)	-0.76%
Fringe benefits	19,034,218	18,464,494	569,724	3.09%
Professional service	2,530,117	2,978,721	(448,604)	-15.06%
Purchased property service	683,747	508,037	175,710	34.59%
Other purchased services	3,689,153	3,678,768	10,385	0.28%
Supplies	2,296,539	2,013,705	282,834	14.05%
Property	141,868	1,221,525	(1,079,657)	-88.39%
Other objects	4,308,937	3,900,578	408,359	10.47%
Other uses of funds	<u>1,471,654</u>	<u>1,700,286</u>	<u>(228,632)</u>	-13.45%
Total	<u>\$ 64,995,530</u>	<u>\$ 65,540,401</u>	<u>\$ (547,871)</u>	-0.83%

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

Salaries decreased by a total of \$234,990, primarily due to the District shutting down on March 13, 2020 due to the Covid-19 pandemic. Employees were paid throughout the shutdown. There was no overtime attributed to this time.

Fringe benefits increased by a total of \$569,724, primarily due to the increase in employer retirement fund and an increase in salaries.

Professional services decreased by a total of \$448,604, primarily due the COVID-19 pandemic and subsequent closure of the District in March 2020. Purchased property services, other purchased service, and supplies increased from 2018-2019. Supplies increased due to the purchase and implementation of new accounting software along with additional curriculum supplies needed due to COVID-19.

Property decreased by \$1,079,657. This decrease is attributed to the purchase of technology and vehicles in the prior year.

General Fund Budgetary Highlights

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

The General Fund’s originally approved budget for 2019-2020 included \$66,437,228 of revenues, not including transfers in from other funds.

Actual revenues for 2020 were \$1,234,859 less than the final budget. The District faced a decrease of approximately \$405,511 in real estate revenue primarily due to change in assessed values in properties and collections rates. Additionally, delinquent tax revenues were under budget by approximately \$310,937 due to changes in historical collections.

The final actual expenses were \$2,376,289 less than budget. This decrease can primarily be attributed to reduction of staff costs through attrition and the expenses incurred during the school closure, which included a decrease in payroll expenditures for overtime and the reduction of student support services.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The district's investment in capital assets for its governmental and business-type activities as of June 30, 2020 is summarized below:

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

	Governmental Activities	Business-Type Activities	Total
Land, buildings and improvements	\$ 166,243,670	\$ -	\$ 166,243,670
Equipment and other capital assets	<u>21,759,801</u>	<u>1,310,563</u>	<u>23,070,364</u>
Total	188,003,471	1,310,563	189,314,034
Accumulated depreciation	<u>(52,292,287)</u>	<u>(914,697)</u>	<u>(53,206,984)</u>
Net	<u>\$ 135,711,184</u>	<u>\$ 395,866</u>	<u>\$ 136,107,050</u>

Significant capital activity during 2019-2020 included capitalizing the construction costs for the High School, the purchase of District vehicles, technology, and various furniture and equipment for the new buildings.

Long-Term Liabilities

At June 30, 2020, the District's long-term debt (including the current portion of bonds payable) was \$204,104,479. This includes compensated absences and retiree obligations of \$14,859,409, net pension liability of \$105,027,000, lease obligations of \$ 2,089,926, and general bond obligations of \$82,128,144. Net pension liability saw a decrease of \$3,622,000 and the District's net OPEB obligation increase as a result of changes related to reporting under GASB Statement No. 75. More detailed information about the District's long-term liabilities and the effects of changes due to GASB Statement No. 75 is included in the notes to financial statements.

**Table A-7
Outstanding Debt**

	<u>2020</u>
General Obligation Notes/Bonds:	
Bonds, Series of 2015A	\$ 11,670,000
Bonds, Series of 2015B	51,870,000
Bonds, Series of 2016	14,885,000
Unamortized balance	3,703,144
Lease agreements	2,089,926
Compensated absences	3,275,933
Net OPEB liability	11,583,476
Net pension liability	<u>105,027,000</u>
Total	<u>\$ 204,104,479</u>

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

FUTURE ECONOMIC FACTORS

Act 1 of 2006

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

One significant change contained in the legislation is the expansion of property tax rate limits to all school districts in the state. Beginning in the 2007-2008 fiscal year, school districts were required to hold tax rate increases to an annual index based on the average increase in the statewide average weekly wage and the employment cost index for schools. The index is adjusted upward for school districts whose aid ratios are above .4, a group that represents 80% of all school districts in the state. The District’s index for 2019-2020 was 2.3%.

In the event a school district wishes to increase the property tax millage rate by more than the index annually prescribed by the state, the school district must seek voter approval (known commonly as a “back-end referendum”) prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index. Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contribution and special education expenditures) over which the school district has no control. Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. Gaming revenue of \$908,684 was received in 2019-2020 from state-wide fund to reduce property taxes. The portion of gaming revenue slightly decreased by approximately \$1,000 from 2018-2019.

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

Pennsylvania School Employment Retirement System (PSERS)

PSERS costs to the District continue to rise as the Pennsylvania pension system remains underfunded. The employer’s rate for 2018-2019 was 33.43% and the rate for 2019-2020 was 34.29% as set by the state. The increasing pension costs continue to erode any new sources of revenue and impact core educational programs as the District balances the budget on an annual basis.

Charter School Tuition

Charter schools and related funding have become more common in the state. According to state law, a District resident can send their child to an approved charter school and the District must pay the tuition (regular education rate of \$14,871.39; special education rate \$28,090.84 per child for 2019-2020) to the receiving school, and must provide the transportation if the school is within ten miles of the District border.

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For 2019-2020, the District sent approximately 50 students to charter/cyber schools, with a total tuition of \$887,327 paid to the receiving schools. There are proposed bills in the Senate and House to improve the impact to school districts.

Capital Improvement Plan

Subsequent to a multifaceted evaluation process that involved all stakeholders, the District embarked on a \$94.6 million construction project for the renovation of the Middle School and the High School facilities. Funding for the project is comprised of \$70.7 million in bond proceeds, with the balance of the project to be funded by the reserves in the Debt Obligation Fund. Middle School students began the 2017-2018 year in the new Middle School building. High School students moved into the new classrooms in January of 2019. The final renovations of the administration offices was completed by December of 2019. Final walk-throughs of the project occurred in the fall of 2020.

Future Budgets

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

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,431,927	\$ 651	\$ 16,432,578
Investments	24,678	-	24,678
Taxes receivable, net	3,562,334	-	3,562,334
Intergovernmental receivables	3,745,465	-	3,745,465
Other receivables	447,910	18,564	466,474
Internal balances	193,668	(193,668)	-
Inventories	-	14,591	14,591
Prepaid expenses/expenditures	688,118	-	688,118
Capital assets:			
Non-depreciable	2,927,133	-	2,927,133
Depreciable, net of accumulated depreciation	132,784,051	395,866	133,179,917
Total capital assets	135,711,184	395,866	136,107,050
Total Assets	160,805,284	236,004	161,041,288
Deferred Outflows of Resources			
Deferred charge on refunding	262,506	-	262,506
Deferred outflows of resources for pension	12,599,404	-	12,599,404
Deferred outflows of resources for OPEBs	643,272	-	643,272
Total Deferred Outflows of Resources	13,505,182	-	13,505,182
Liabilities			
Accounts payable	983,030	393	983,423
Accrued salaries and benefits	8,291,851	-	8,291,851
Accrued interest payable	706,064	-	706,064
Unearned revenue	21,904	16,334	38,238
Other current liabilities	21,320	-	21,320
Non-current liabilities:			
Portions due or payable within one year:			
Bonds payable	1,575,000	-	1,575,000
Capital leases	412,932	-	412,932
Compensated absences	354,203	-	354,203
Portions due or payable after one year:			
Bonds payable - net of related premiums/discounts	80,553,144	-	80,553,144
Capital leases	1,676,994	-	1,676,994
Net pension liability	105,027,000	-	105,027,000
Net OPEB liability	11,583,476	-	11,583,476
Compensated absences	2,921,730	-	2,921,730
Total Liabilities	214,128,648	16,727	214,145,375
Deferred Inflows of Resources			
Deferred inflows of resources for pension	5,333,000	-	5,333,000
Deferred inflows of resources for OPEBs	477,610	-	477,610
Total Deferred Inflows of Resources	5,810,610	-	5,810,610
Net Position			
Net investment in capital assets	51,755,620	395,866	52,151,486
Unrestricted	(97,384,412)	(176,589)	(97,561,001)
Total Net Position	\$ (45,628,792)	\$ 219,277	\$ (45,409,515)

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 43,758,052	\$ 677,293	\$ 7,505,940	\$ -	\$ (35,574,819)	\$ -	\$ (35,574,819)
Support services	21,506,785	80,878	3,003,314	-	(18,422,593)	-	(18,422,593)
Operation of non-instructional services	1,583,839	120,650	141,889	-	(1,321,300)	-	(1,321,300)
Interest and amortization on long-term debt	3,249,382	-	265,096	-	(2,984,286)	-	(2,984,286)
Total governmental activities	70,098,058	878,821	10,916,239	-	(58,302,998)	-	(58,302,998)
Business-Type Activities:							
Food service	1,429,834	583,984	619,068	-	-	(226,782)	(226,782)
Total business-type activities	1,429,834	583,984	619,068	-	-	(226,782)	(226,782)
Total Primary Government	\$ 71,527,892	\$ 1,462,805	\$ 11,535,307	\$ -	(58,302,998)	(226,782)	(58,529,780)
General revenues:							
Taxes:							
Property taxes					42,024,927	-	42,024,927
Earned income taxes					5,408,075	-	5,408,075
Other taxes					1,395,892	-	1,395,892
Grants, subsidies, and contributions not restricted					6,211,742	-	6,211,742
Investment earnings					309,124	-	309,124
Miscellaneous					205,012	-	205,012
Transfers					1,241,137	(1,241,137)	-
Total general revenues and transfers					56,795,909	(1,241,137)	55,554,772
Change in Net Position					(1,507,089)	(1,467,919)	(2,975,008)
Net Position:							
Beginning of year					(44,121,703)	1,687,196	(42,434,507)
End of year					\$ (45,628,792)	\$ 219,277	\$ (45,409,515)

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Capital Improvement Fund	Debt Stabilization Fund	Non-Major Funds	Total
Assets					
Cash and cash equivalents	\$ 6,030,629	\$ 3,581,189	\$ 5,535,640	\$ 25,006	\$ 15,172,464
Investments	-	-	-	24,678	24,678
Taxes receivable, net	3,562,334	-	-	-	3,562,334
Due from other funds	1,277,532	85,853	-	82,360	1,445,745
Intergovernmental receivables	3,745,465	-	-	-	3,745,465
Other receivables, net	447,624	85	178	-	447,887
Prepaid expenses	688,118	-	-	-	688,118
Total Assets	\$ 15,751,702	\$ 3,667,127	\$ 5,535,818	\$ 132,044	\$ 25,086,691
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 875,996	\$ 106,569	\$ -	\$ 465	\$ 983,030
Accrued salaries and benefits	8,291,851	-	-	-	8,291,851
Unearned revenue	21,904	-	-	-	21,904
Other current liabilities	21,320	-	-	-	21,320
Due to other funds	168,434	63,419	1,020,444	-	1,252,297
Total Liabilities	9,379,505	169,988	1,020,444	465	10,570,402
Deferred Inflows of Resources:					
Unavailable revenue - real estate taxes	3,446,420	-	-	-	3,446,420
Fund Balances:					
Non-spendable:					
Prepaid expenditures	688,118	-	-	-	688,118
Committed:					
Capital projects	-	3,497,139	-	-	3,497,139
Debt stabilization	-	-	4,515,374	-	4,515,374
Designated purposes	-	-	-	131,579	131,579
Future benefit and pension obligations	150,226	-	-	-	150,226
Unassigned	2,087,433	-	-	-	2,087,433
Total Fund Balance	2,925,777	3,497,139	4,515,374	131,579	11,069,869
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,751,702	\$ 3,667,127	\$ 5,535,818	\$ 132,044	\$ 25,086,691

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

Total Fund Balance - Governmental Funds	\$	11,069,869
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		135,711,184
<p>Property taxes receivable received after 60 days are not considered available soon enough to pay for the current year's expenditures and, therefore, are reported as unavailable in the funds.</p>		3,446,420
<p>Governmental funds report the effect of deferred charge on refunding when debt is first issued, whereas this amount is a deferred outflow and amortized in the statement of activities.</p>		262,506
<p>Accrued interest payable is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.</p>		(706,064)
<p>The actuarially accrued net OPEB liability, net pension liability, and deferred inflows and outflows of resources for OPEBS and pension for the School District's employees are not recorded on the fund financial statements.</p>		(109,178,410)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds payable	\$ (78,425,000)	
Capital leases	(2,089,926)	
Bond discount	195,280	
Bond premium	(3,898,424)	
Compensated absences	<u>(3,275,933)</u>	(87,494,003)
<p>Internal service fund is used by management for risk management. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.</p>		<u>1,259,706</u>
Total Net Position - Governmental Activities	\$	<u><u>(45,628,792)</u></u>

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2020

	General Fund	Capital Improvement Fund	Debt Stabilization Fund	Non-Major Funds	Total
Revenues:					
Local sources	\$ 48,588,127	\$ 60,731	\$ 115,058	\$ 73,788	\$ 48,837,704
State sources	15,875,367	-	-	-	15,875,367
Federal sources	738,875	-	-	-	738,875
Total revenues	65,202,369	60,731	115,058	73,788	65,451,946
Expenditures:					
Instruction	40,658,630	-	-	21,762	40,680,392
Support services	17,909,064	1,580,477	-	-	19,489,541
Operation of non-instructional services	1,406,876	6,590	-	90,503	1,503,969
Capital outlay	-	5,427,067	-	-	5,427,067
Debt service	5,020,960	-	-	-	5,020,960
Total expenditures	64,995,530	7,014,134	-	112,265	72,121,929
Excess (Deficiency) of Revenues over Expenditures	206,839	(6,953,403)	115,058	(38,477)	(6,669,983)
Other Financing Sources (Uses):					
Proceeds from extended term financing	265,062	1,151,130	-	-	1,416,192
Refund of prior year revenues	(124,175)	-	-	-	(124,175)
Refund of prior year expenditures	202,101	-	-	-	202,101
Insurance proceeds	-	50,419	-	-	50,419
Transfers in	934,591	5,222,528	-	-	6,157,119
Transfers out	(45,300)	-	(6,111,819)	-	(6,157,119)
Total other financing sources (uses)	1,232,279	6,424,077	(6,111,819)	-	1,544,537
Net Change in Fund Balance	1,439,118	(529,326)	(5,996,761)	(38,477)	(5,125,446)
Fund Balance:					
Beginning of year	1,486,659	4,026,465	10,512,135	170,056	16,195,315
End of year	\$ 2,925,777	\$ 3,497,139	\$ 4,515,374	\$ 131,579	\$ 11,069,869

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Governmental Funds \$ (5,125,446)

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

Governmental funds report capital outlays 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 exceeded capital outlay in the current year:

Capital asset additions	\$ 6,744,468	
Less: depreciation expense	(4,060,362)	
Gain/(Loss) on disposal of assets	<u>(326)</u>	2,683,780

Certain taxes will not be collected for several months until after year-end; they are not considered "available" revenues in the governmental funds. The unavailable revenue changed by this amount during the year. 1,751,298

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest accrued in the statement of activities over the amount due is shown here. 22,541

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. 677,796

In the statement of activities, certain operating expenses (compensated absences, other postemployment benefits, and pension benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (2,776,764)

Internal service fund is used by management for risk management. The net revenue (loss) of certain activities of the internal service fund is reported with governmental activities. 1,259,706

Change in Net Position of Governmental Activities \$ (1,507,089)

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ 49,370,413	\$ 49,370,413	\$ 48,588,127	\$ (782,286)
State sources	16,307,103	16,307,103	15,875,367	(431,736)
Federal sources	759,712	759,712	738,875	(20,837)
Total revenues	<u>66,437,228</u>	<u>66,437,228</u>	<u>65,202,369</u>	<u>(1,234,859)</u>
Expenditures:				
Instruction:				
Regular programs	33,739,270	33,739,270	32,284,133	(1,455,137)
Special programs	7,727,928	7,727,928	7,678,346	(49,582)
Vocation programs	791,682	791,682	659,509	(132,173)
Other instructional programs	-	-	16,176	16,176
Nonpublic school programs	21,241	21,241	20,466	(775)
Total instruction	<u>42,280,121</u>	<u>42,280,121</u>	<u>40,658,630</u>	<u>(1,621,491)</u>
Support services:				
Pupil personnel	1,761,518	1,761,518	1,387,355	(374,163)
Instructional staff	1,624,260	1,624,260	1,552,249	(72,011)
Administration	3,525,545	3,525,545	2,927,800	(597,745)
Pupil health	509,371	509,371	505,117	(4,254)
Business office	909,811	909,811	1,085,120	175,309
Operation and maintenance of plant	5,120,404	5,120,404	5,239,391	118,987
Transportation	4,651,617	4,651,617	4,493,080	(158,537)
Support services - central	3,100	3,100	118	(2,982)
Other support services	665,876	665,876	718,834	52,958
Total support services	<u>18,771,502</u>	<u>18,771,502</u>	<u>17,909,064</u>	<u>(862,438)</u>
Operation of non-instructional services:				
Student activities	1,274,715	1,274,715	1,391,319	116,604
Community services	15,350	15,350	15,557	207
Total operation of non-instructional services	<u>1,290,065</u>	<u>1,290,065</u>	<u>1,406,876</u>	<u>116,811</u>
Debt service:				
Principal and interest	5,030,131	5,030,131	5,020,960	(9,171)
Total debt service	<u>5,030,131</u>	<u>5,030,131</u>	<u>5,020,960</u>	<u>(9,171)</u>
Total expenditures	<u>67,371,819</u>	<u>67,371,819</u>	<u>64,995,530</u>	<u>(2,376,289)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(934,591)</u>	<u>(934,591)</u>	<u>206,839</u>	<u>1,141,430</u>
Other Financing Sources (Uses):				
Proceeds from extended term financing	-	-	265,062	265,062
Refund of prior year revenues	-	-	(124,175)	(124,175)
Refund of prior year expenditures	-	-	202,101	202,101
Transfers in	934,591	934,591	934,591	-
Transfers out	-	-	(45,300)	(45,300)
Total other financing sources (uses)	<u>934,591</u>	<u>934,591</u>	<u>1,232,279</u>	<u>297,688</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>1,439,118</u>	<u>1,439,118</u>
Fund Balance:				
Beginning of year	1,486,659	1,486,659	1,486,659	-
End of year	<u>\$ 1,486,659</u>	<u>\$ 1,486,659</u>	<u>\$ 2,925,777</u>	<u>\$ 1,439,118</u>

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2020

	Business-type Activities Food Service Fund	Governmental Activities Risk Management Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 651	\$ 1,259,463
Due from other funds	-	220
Other receivable	18,564	23
Inventory	14,591	-
Total current assets	33,806	1,259,706
Non-current assets:		
Food service equipment, net of depreciation	395,866	-
Total Assets	429,672	1,259,706
Liabilities		
Current liabilities:		
Accounts payable	393	-
Due to other funds	193,668	-
Unearned revenue	16,334	-
Total Liabilities	210,395	-
Net Position		
Net investment in capital assets	395,866	-
Unrestricted	(176,589)	1,259,706
Total Net Position	\$ 219,277	\$ 1,259,706

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Business-type Activities Food Service Fund	Governmental Activities Risk Management Fund
Operating Revenues:		
Food service revenue	\$ 573,793	\$ -
Other operating revenue	10,191	-
Total operating revenues	583,984	-
Operating Expenses:		
Salaries	432,369	-
Employee benefits	327,331	-
Purchased property services	9,530	-
Other purchased services	521,566	-
Supplies	88,481	-
Other objects	364	-
Depreciation expense	50,193	-
Total operating expenses	1,429,834	-
Net Operating Income (Loss)	(845,850)	-
Non-operating Revenues (Expenses):		
Earnings on investments	-	18,569
State subsidies	124,986	-
Federal subsidies	413,004	-
Donated commodities	81,078	-
Total non-operating revenues (expenses)	619,068	18,569
Change in Net Position	(226,782)	18,569
Net Position:		
Beginning of year	446,059	1,241,137
End of year	\$ 219,277	\$ 1,259,706

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Business-type Activities Food Service Fund	Governmental Activities Risk Management Fund
Cash Flows From Operating Activities:		
Received from customers	\$ 573,793	\$ -
Other operating receipts	8,863	-
Payments to employees	(586,154)	-
Payments to suppliers	(538,748)	-
Net cash provided by (used in) operating activities	(542,246)	-
Cash Flows From Non-Capital Financing Activities:		
State Subsidies	125,322	-
Federal Subsidies	417,433	-
Transfer to/from other funds	-	(140,643)
Net cash provided by (used in) non-capital financing activities	542,755	(140,643)
Cash Flows From Investing Activities:		
Earnings on investments	-	18,546
Withdrawals (purchases of) from investments	-	1,381,560
Net cash provided by (used in) investing activities	-	1,400,106
Net Increase (Decrease) in Cash and Cash Equivalents	509	1,259,463
Cash and Cash Equivalents:		
Beginning of year	142	-
End of year	\$ 651	\$ 1,259,463
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Net operating income (loss)	\$ (845,850)	\$ -
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	50,193	-
Donated commodities	81,078	-
Change in assets and liabilities:		
Accounts receivable	(1,328)	-
Due to other funds	173,546	-
Accounts payable	115	-
Total adjustments	303,604	-
Net cash provided by (used in) operating activities	\$ (542,246)	\$ -
Non-Cash, Non-Capital Financing Activities:		
The Food Service Fund received donated commodities from the Department of Agriculture in the amount of \$72,819 during the year.		

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	<u>OPEB Trust Fund</u>	<u>Agency Funds Student Activities</u>
Assets		
Cash and cash equivalents	\$ 2,542,736	\$ 115,891
Investments	-	33,916
Other receivables	1,234	313
Total Assets	\$ 2,543,970	\$ 150,120
Liabilities and Net Position		
Liabilities:		
Due to other funds	\$ -	\$ 30,733
Accounts payable	-	6,556
Accrued benefits	286,286	-
Other current liabilities	-	112,831
Total Liabilities	286,286	150,120
Net Position:		
Held in trust for pension benefits and other purposes	2,257,684	-
Total Liabilities and Net Position	\$ 2,543,970	\$ 150,120

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	<u>OPEB Trust Fund</u>
Additions:	
<u>Other additions</u>	<u>\$ 35,472</u>
Total additions	<u>35,472</u>
Deductions:	
<u>Benefits</u>	<u>268,173</u>
Total deductions	<u>268,173</u>
Change in Net Position	(232,701)
Net Position:	
<u>Beginning of year</u>	<u>2,490,385</u>
End of year	<u><u>\$ 2,257,684</u></u>

The notes to basic financial statements are an integral part of this statement.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The School District is a public school system operating under the authority of the Pennsylvania School Code of 1949 and is governed by an elected nine-member Board of Directors (Board). The criteria set forth by the Governmental Accounting Standards Board (GASB) are followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements include but are not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing Board. The School District presently has no component units that meet the above criteria.

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

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program-related revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for earned income taxes which are considered available when collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pensions, other post-employment benefits, compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal grants 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.

Deferred inflows of resources reported on the governmental funds balance sheet arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.

Unearned revenues arise when resources are received by the School District before it has legal claim to them, such as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. During subsequent periods, when the School District has a legal claim to the resources, the unearned revenue is removed as a liability and the revenue is recognized.

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

The School District reports the following major governmental funds:

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

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

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Additionally, the School District reports the following non-major governmental funds:

The non-major governmental funds of the School District account for specific resources that are restricted, committed or assigned for particular purposes. They include the *School District Activities Fund* whose uses are restricted to particular purposes. Expendable trust funds are also accounted for as governmental funds. These are funds in which both the principal and earnings are available for expenditures. The School District maintains one of these funds: *Designated Trust Fund*.

Additionally, the School District reports the following proprietary fund:

The *Food Service Fund* is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (i.e., expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

The Internal Service Funds may be used to account for any activity for which a fee is charged to internal users for goods or services. The *Risk Management Fund* accounts for the financial transactions related to the risk management activities of the School District. This fund is used to account for the potential claims arising from certain torts, thefts, damages, and catastrophic loss of assets, errors and omissions, injury to employees and natural disasters incurred by the School District. The School District uses this fund to accumulate funds to protect against losses for which insurance cannot be obtained by reason of policy limitations or deductibles or un-insurability. See Note 12 for additional details on the operation of this fund. This fund is the School District's only internal service fund and it is reported as a major fund.

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

General Fund. Operating expenses for the School District's internal service fund include payments for claims. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the School District reports the following funds:

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

The High School and Middle School Student Activity Funds (*Agency Funds*) are utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications, and organizations. These organizations exist with the explicit approval of and are subject to revocation by the Board of Directors (Board).

Budgetary Process

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

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

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

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The School District's expenditures exceeded budget in operation of non-instructional services. The excess was covered by expenditures under budget in other functions.

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

- The School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A school district seeking a tax increase exception must make its Preliminary Budget available for public inspection at the end of January. School districts not seeking an exception must pass a resolution stating that they will not raise taxes by more than the index.
- During the month of February of the preceding year, a school district planning to raise taxes beyond the index must file a public notice of the intent to file for an exception.
- If an exception has been denied during March, a school district filing for an exception must file a petition with the Court of Common Pleas or PDE. If approved, the school district must submit a referendum request for the primary election ballot in May.
- If voters reject the referendum in May, the school district cannot increase taxes above its index.
- The proposed final budget is adopted by the end of May.
- Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution. This resolution may only be passed after 20 days of public inspection.
- The budget must be filed with the Pennsylvania Department of Education by July 15 of the fiscal year.

Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2020, the School District has no encumbrances.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Deposits and Investments

For the purposes of the statement of cash flows, 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 and pooled funds investments subject to daily withdrawal.

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. The School District categorizes its fair value measurements within the fair value hierarchy. 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 significant unobservable inputs.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory and Prepaid Items

Inventories of the Food Service Fund, consisting of food and paper supplies, are carried at cost using the first-in, first-out method. Federal donated commodities are valued at their estimated value as determined by the U.S. Department of Agriculture at the date of donation.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and building improvements	20 - 50 years
Vehicles	3 - 10 years
Machinery and equipment	3 - 10 years

Compensated Absences

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

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

Compensated absences are accrued when incurred in the government-wide 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. Under various employment agreements, accumulated unused vacation and sick days at the date of termination will be paid at specified rates.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the related bonds. Bonds are reported net of the applicable bond premium or discount.

The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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 expenditures in the year incurred.

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance, are calculated based on actuarial valuations as described in Notes 6, 7, and 8.

Refunding Transactions

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or the refunded bonds.

Deferred Inflows and Outflows of Resources Related to Pensions and Other Post-Employment Benefits (OPEB)

In conjunction with pension and OPEB accounting requirements, differences between expected and actual experience, changes in assumptions, the effect of the change in the School District's proportion, the net difference between expected and actual investment earnings, and payments made to the plans subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions or OPEBs on the government-wide financial statements. These amounts are determined based on actuarial valuation performed for each plan. Notes 6 through 8 present additional information about the School District's pension and OPEB plans.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Fund Balances

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes prepaid expenditures.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The School District has no restricted fund balance at June 30, 2020.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. Fund balance was committed at June 30, 2020 within the Capital Improvement Fund, Debt Stabilization Fund, and Designated Fund.
- Assigned – This category represents intentions of the Board to use the funds for specific purposes. Such assignment is made by the Director of Finance and Operations, but approval is obtained from the Board for all such assignments. The School District has no assigned fund balance at June 30, 2020.
- Unassigned – This category represents all other funds not otherwise defined.

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

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. As of June 30, 2020, The School District did not have any restricted net position.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Adoption of Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) statement was adopted for the year ended June 30, 2020: Statement No. 95 (Postponement of the Effective Date of Certain Authoritative Guidance). This statement had no significant impact on the School District's financial statements for the year ended June 30, 2020.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost), 90 (Majority Equity Interests), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

2. Cash and Cash Equivalents and Investments

Under Section 440.1 of the Pennsylvania Public School Code for 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, (c) any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and (d) shares of an investment company registered under the Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

In March 2016, Act 10 was passed which expanded the scope of investment options available to school districts including repurchase agreements, commercial paper, negotiable certificates of deposit, and banker's acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Governmental and Business-Type Activities

The following is a description of the School District's deposit and investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The School District's policy in regard to credit risk states that investments not backed by the "full faith and credit" of the federal or state governments shall be limited to those with the highest credit rating available for such instruments. As of June 30, 2020, investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) (described below) has received an AAA rating from Standard & Poor's.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a formal deposit policy for custodial credit risk, as there is an existing requirement under Act 72 of the Pennsylvania state legislature whereby banking institutions are required to pool collateral for all governmental deposits, and have the collateral held by an approved custodian in the institution's name. As of June 30, 2020, \$2,583,805 of the School District's bank balance of \$2,858,804 was exposed to custodial credit risk. Deposits are collateralized in accordance with Act 72 of the Pennsylvania state legislature. These deposits have a carrying amount of \$2,749,161 as of June 30, 2020.

Interest Rate Risk - The School District's policy in regard to interest rate risk places limits on investment maturities as a means of managing its exposure to fair value losses

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

arising from changes to interest rates. All of the School District's investments in PSDLAF have a maturity of less than one year.

Investments

PSDLAF was established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. PSDLAF issues separately audited financial statements that are available to the public. The School District's deposits in this pooled fund are not subject to direct custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares and is reported at amortized cost, which approximates market. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The School District can withdraw funds from PSDLAF without limitations or fees upon adequate notice.

The School District's pooled investment funds consist of the above-noted PSDLAF accounts. The School District's PSDLAF investments have a maturity of less than 90 days, and a fair market value of \$13,707,096 as of June 30, 2020. The carrying amount of the School District's investments in PSDLAF is \$13,707,096 as of June 30, 2020. These investments are reflected as cash and cash equivalents on the statement of net position and the balance sheet.

Included in investments on the statement of net position and balance sheet is a certificate of deposit of \$24,678 which matures in October 2020. The certificate of deposit is valued at amortized cost, which approximates fair value and is considered a level 2 investment.

Fiduciary Funds

The School District OPEB Trust Fund are invested in PSDLAF, which are described above. The market value of the investments at June 30, 2020 is \$2,542,736. These amounts are included in cash and cash equivalents.

The School District maintains bank accounts for the various student activities funds. The balance of these accounts is reflected in the statement of fiduciary net position. Receipts and disbursements for student activities were \$126,736 and \$103,469, respectively, for the

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

year ended June 30, 2020. The carrying amount of deposits and certificates of deposit for the fiduciary funds was \$149,807 and the bank balance was \$152,328. The entire bank balance was not covered by federal depository insurance. This uninsured bank balance is collateralized in accordance with Act 72 of the Pennsylvania State Legislature.

3. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal year 2020 was based on assessed values on January 1, 2019 of \$2.3 billion. The School District tax rate for the year ended June 30, 2020 was 17.5595 mills as levied by the Board.

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

The School District has not recorded an allowance for doubtful accounts as of June 30, 2020.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,927,133	\$ -	\$ -	\$ 2,927,133
Capital assets, being depreciated:				
Land improvements	5,291,201	179,598	-	5,470,799
Building and improvements	152,598,482	4,972,498	-	157,570,980
Infrastructure	274,758	-	-	274,758
Equipment and vehicles	20,647,532	1,592,372	(480,103)	21,759,801
Total capital assets, being depreciated	178,811,973	6,744,468	(480,103)	185,076,338
Less: accumulated depreciation for:				
Land improvements	(4,222,185)	(144,907)	-	(4,367,092)
Building and improvements	(28,514,154)	(2,753,307)	-	(31,267,461)
Infrastructure	(89,976)	(6,172)	-	(96,148)
Equipment and vehicles	(15,885,387)	(1,155,976)	479,777	(16,561,586)
Total accumulated depreciation	(48,711,702)	(4,060,362)	479,777	(52,292,287)
Governmental activities, capital assets, net	<u>\$ 133,027,404</u>	<u>\$ 2,684,106</u>	<u>\$ (326)</u>	<u>\$ 135,711,184</u>
	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Business-Type Activities:				
Equipment	\$ 1,310,563	\$ -	\$ -	\$ 1,310,563
Less: accumulated depreciation	(864,504)	(50,193)	-	(914,697)
Business-type activities capital assets, net	<u>\$ 446,059</u>	<u>\$ (50,193)</u>	<u>\$ -</u>	<u>\$ 395,866</u>

Included in equipment and vehicles above are assets acquired through capital lease of \$2,540,270 and accumulated depreciation of \$450,344.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

Instruction	\$ 1,114,402
Support services	2,925,134
Operation of non-instructional services	<u>20,826</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,060,362</u></u>

Business-type activities:

Food services	<u><u>\$ 50,193</u></u>
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CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

5. Long-Term Liabilities

Changes to the School District's long-term liabilities were as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Governmental activities:					
General Obligation Bonds, net:					
Series of 2015A	\$ 13,015,000	\$ -	\$ (1,345,000)	\$ 11,670,000	\$ 1,415,000
Series of 2015B	51,870,000	-	-	51,870,000	-
Series of 2016	15,045,000	-	(160,000)	14,885,000	160,000
Bond discount	(202,513)	-	7,233	(195,280)	-
Bond premium	4,182,509	-	(284,085)	3,898,424	-
Total General Obligation Bonds, net	83,909,996	-	(1,781,852)	82,128,144	1,575,000
Other liabilities:					
Capital leases	1,018,686	1,416,192	(344,952)	2,089,926	412,932
Net pension liability	108,649,000	-	(3,622,000)	105,027,000	-
Net OPEB liability	10,969,702	613,774	-	11,583,476	-
Compensated absences	2,261,458	1,014,475	-	3,275,933	354,203
Total other liabilities	122,898,846	3,044,441	(3,966,952)	121,976,335	767,135
Total long-term liabilities	\$ 206,808,842	\$ 3,044,441	\$ (5,748,804)	\$ 204,104,479	\$ 2,342,135

General Obligation Bonds

General Obligation Bonds, Series A of 2015. The Series A Bonds have variable rate interest from 1.00% to 5.00% with final payment due in fiscal year 2028.

General Obligation Bonds, Series B of 2015. The Series B Bonds have variable rate interest from 3.125% to 5.00% with final payment due in fiscal year 2045.

General Obligation Bonds, Series of 2016. The Bonds have variable rate interest from 1.05% to 4.00% with final payment due in fiscal year 2047.

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,575,000	\$ 3,351,331	\$ 4,926,331
2022	1,655,000	3,273,831	4,928,831
2023	1,735,000	3,192,431	4,927,431
2024	1,820,000	3,107,006	4,927,006
2025	1,890,000	3,040,234	4,930,234
2026-2030	10,690,000	13,864,234	24,554,234
2031-2035	12,900,000	11,595,178	24,495,178
2036-2040	16,265,000	8,232,900	24,497,900
2041-2045	20,475,000	4,016,150	24,491,150
2046-2047	9,420,000	380,600	9,800,600
	<u>\$ 78,425,000</u>	<u>\$ 54,053,895</u>	<u>\$ 132,478,895</u>

Leases Payable

On July 13, 2018, the School District entered into a capital lease with PNC Equipment Finance, LLC for the purchase of seven 72 passenger busses and three 24 passenger vans. The lease consisted of an original principal balance of \$950,000 with final payment due July 13, 2025. The balance at June 30, 2020 was \$712,982.

On July 17, 2018, the School District entered into a capital lease with Hewlett Packard Financial Services Company for the purchase of technology equipment. The lease consisted of an original principal balance of \$174,078, interest at the rate of 4.43%, with final payment due in 2022. The balance at June 30, 2020 was \$126,761.

On July 10, 2019, the School District entered into a capital lease with PNC Equipment Finance, LLC for the purchase of Tyler Infinite Visions Enterprise Edition Software. The lease consisted of an original principal balance of \$154,778, interest at the rate of 5.64%, with final payment due on July 10, 2022. The balance at June 30, 2020 was \$117,553.

On August 1, 2019, the School District entered into a capital lease with PNC Equipment Finance, LLC for the purchase of Chromebooks and Chrome OS Management Console Licenses. The lease consisted of an original principal balance of \$110,284, interest at the

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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rate of 7.65%, with final payment due on August 1, 2024. The balance at June 30, 2020 was \$94,723.

On August 1, 2019, the School District entered into a capital lease with PNC Equipment Finance, LLC for the purchase of busses. The lease consisted of an original principal balance of \$1,151,130, interest at the rate of 10.08%, with final payment due on August 8, 2026. The balance at June 30, 2020 was \$1,037,907.

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

<u>Fiscal Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 412,932	\$ 61,365	\$ 474,297
2022	403,286	47,465	450,751
2023	375,288	34,585	409,873
2024	335,661	22,690	358,351
2025	328,223	12,320	340,543
2026-2027	234,536	4,549	239,085
	<u>\$ 2,089,926</u>	<u>\$ 182,974</u>	<u>\$ 2,272,900</u>

6. Public School Employees' Retirement System (PSERS)

Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance), to public school employees of the Commonwealth of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits 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.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS' 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. Detailed information about PSERS' fiduciary net position related to pension and OPEBs is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at www.psers.pa.gov.

The net pension liability and the net OPEB liability are recorded as governmental activities expected to be paid from the General Fund.

Benefits Provided – Pension Plan

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 through June 30, 2019. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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 upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

Benefits Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

- Active members who joined PSERS prior to July 22, 1983:
 - Membership Class T-C 5.25%
 - Membership Class T-D 6.50%

- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
 - Membership Class T-C 6.25%
 - Membership Class T-D 7.50%

CHARTIERS VALLEY SCHOOL DISTRICT

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- Members who joined PSERS after June 30, 2001, and before July 1, 2011:
 - Membership Class T-D 7.50%

- Members who joined PSERS after June 30, 2011 and before June 30, 2019:
 - Membership Class T-E* 7.50%
 - Membership Class T-F** 10.30%

*Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

**Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

- Members who joined PSERS on or after July 1, 2019:
 - Membership Class T-G (hybrid)* 8.25% (combined rate)
 - Membership Class T-H (hybrid)** 7.50% (combined rate)
 - Defined Contribution only 7.50%

*Shared risk program could cause future contribution rates to fluctuate between 5.25% and 11.25%.

** Shared risk program could cause future contribution rates to fluctuate between 4.50% and 10.50%

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit retirement plan is no longer available to new members after June 30, 2019.

Employer Contributions

The School District's contractually required PSERS contribution rate for fiscal year ended June 30, 2020 was 34.29% 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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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accrued liability. This rate is composed of a 33.36% rate for the Pension Plan, a 0.84% rate for the Premium Assistance, and a 0.09% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2020 was an increase from the fiscal year ended June 30, 2019 combined rate of 33.43%. The combined contribution rate will increase to 34.51% in fiscal year 2021 and is projected to grow to 38.17% by fiscal year 2028.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$3.1 million is owed to PSERS as of June 30, 2020, which represents the School District's required contribution for the end of year payroll. The School District's contributions which were recognized by PSERS for the year ended June 30, 2020 were as follows:

Pension Plan	\$ 10,503,404
Premium Assistance	<u>264,474</u>
Total	<u><u>\$ 10,767,878</u></u>

In accordance with Act 29, the Commonwealth of Pennsylvania (Commonwealth) reimburses school districts for approximately one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth approximating \$5.33 million during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

Proportionate Share

The School District's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the School District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2019 (measurement date), the School District's proportion was .2245%, which was a decrease of .0018% from its proportion measured as of June 30, 2018.

7. Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2020, the School District reported a liability of \$105,027,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2018 to June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$11,752,590.

At June 30, 2020, 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>
Differences between expected and actual experience	\$ 578,000	\$ 3,481,000
Changes in assumptions	1,004,000	-
Net difference between projected and actual earnings on pension plan investments	-	301,000
Changes in proportion	514,000	1,551,000
School District contributions subsequent to the measurement date	<u>10,503,404</u>	<u>-</u>
Total	<u>\$ 12,599,404</u>	<u>\$ 5,333,000</u>

\$10,503,404 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 June 30:</u>	
2021	\$ 348,000
2022	(2,501,000)
2023	(1,268,000)
2024	<u>184,000</u>
Total	<u>\$ (3,237,000)</u>

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Actuarial Assumptions

The actuarial valuation used for the June 30, 2019 measurement date contained the following methods and assumptions:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Experience study – July 1, 2010 through June 30, 2015

Changes in Assumptions

There were no changes in assumptions affecting the actuarial valuation used for the June 30, 2019 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2019 measurement date.

Pension Plan Investments

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2019, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 6.58%.

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

Sensitivity of the School District's Proportionate Share of PSERS' Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of PSERS' net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of PSERS' net pension liability would be if it were calculated

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of PSERS' net pension liability	\$ 130,823,000	\$ 105,027,000	\$ 73,184,000

8. Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The School District maintains two separate OPEB plans – the Premium Assistance previously described in Note 6 and the School District’s retiree plan (retiree plan) described below. At June 30, 2020, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 4,775,000
School District's net OPEB liability for its retiree plan	6,808,476
Net OPEB liability	\$ 11,583,476

PSERS’ net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate PSERS’ net OPEB liability was determined by rolling forward PSERS’ total OPEB liability as of June 30, 2018 to June 30, 2019. The School District’s retiree plan’s net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the retiree plan’s net OPEB liability was determined by rolling forward the retiree plan’s total OPEB liability as of July 1, 2019 to June 30, 2020.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, the School District recognized OPEB expense as follows:

OPEB expense related to PSERS		
Premium Assistance	\$	212,878
OPEB expense related to School		
District's retiree plan		<u>564,699</u>
Total OPEB expense	\$	<u><u>777,577</u></u>

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 27,000	\$ 124,177	\$ 151,177
Changes in assumptions	158,000	-	158,000
Net difference between projected and actual earnings on OPEB plan investments	8,000	61,621	69,621
Changes in proportion	-	-	-
School District contributions subsequent to the measurement date	<u>264,474</u>	<u>-</u>	<u>264,474</u>
Total	<u><u>\$ 457,474</u></u>	<u><u>\$ 185,798</u></u>	<u><u>\$ 643,272</u></u>

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Deferred Inflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes in assumptions	142,000	242,610	384,610
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion	93,000	-	93,000
Total	\$ 235,000	\$ 242,610	\$ 477,610

\$264,474 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. 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>	
2021	\$ (7,721)
2022	(7,721)
2023	(27,458)
2024	(36,147)
2025	1,583
2026	(21,348)
Total	\$ (98,812)

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The actuarial valuation used for the June 30, 2019 measurement date contained the following methods and assumptions:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 2.79% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and 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
- Experience study – July 1, 2010 through June 30, 2015
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

Changes in Assumptions

The discount rate decreased from 2.98% to 2.79% for the actuarial valuation used for the June 30, 2019 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2019 measurement date.

OPEB Plan Investments

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2019, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 2.68%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the 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 the 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 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, 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 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 5,440,000</u>	<u>\$ 4,775,000</u>	<u>\$ 4,224,000</u>

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

Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, 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. 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 the healthcare cost trends as depicted below.

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 4,774,000</u>	<u>\$ 4,775,000</u>	<u>\$ 4,775,000</u>

Additional Required Disclosures for the School District's Retiree Plan

Plan Description

The School District administers a single-employer defined benefit healthcare plan to provide additional postemployment benefits to eligible retirees (retiree plan). The School District benefits are paid on a pay-as-you-go basis.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Benefits Provided

The benefit limits and employee and employer contributions are established through employee contracts and past practices. Details of the benefits provided are as follows:

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

At July 1, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	54
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>265</u>
	<u><u>319</u></u>

Contributions

For Group 1 Administrators, Superintendent, Business manager, Professional Employees, Group 3 Administrators and Assistant Superintendents any costs in excess of the rate in effect at the participant's retirement must be reimbursed to the School District by the

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

retiree. For Transportation/Maintenance Employees, Support Employees, Campus Safety Employees, Group 2 Administrators, Director of Finance and Operations and Director of Communications and Strategic Partnership, retirees pay the full monthly premium for coverage elected.

For the year ended June 30, 2020, the School District contributed \$290,360 and retirees contributed approximately \$144,000 to the retiree plan.

Actuarial Assumptions

The total OPEB liability was determined as of the July 1, 2018 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Changes in Assumptions

For the July 1, 2018 valuation, the following assumption changes were made:

The discount rate was changed from 3.0% to 3.5%.

The assumed rates of disablement were updated to 50% of the rates used in the June 30, 2018 PSERS valuation. The mortality assumption was updated from rates from the RP-2000 Combined Healthy Mortality Table (projected to improve with 75% of Scale AA) to rates from the RP-2014 mortality table with rates projected to improve based on the Long-Range Demographic Assumptions from the 2015 Social Security Administration's Trustee Report.

Additionally, of retiring employees who have a choice of medical plans, 95% are assumed to elect the EPO plan with 5% electing the PPO plan (updated from 80% EPO, 20% PPO at the last valuation). Finally, of those retiring employees who may obtain coverage for dependents 10% are assumed to have family coverage, 25% retiree/spouse, and 65% individual coverage (modified from 5%, 35% and 60% respectively at the last valuation). These assumption changes decreased the plan's Total OPEB Liability by \$313,966.

Changes in Benefit Terms

For the July 1, 2018 valuation, a retirement incentive was offered to full-time CVESPA I employees retiring between May 1, 2017 and June 30, 2017 which provides individual medical and vision coverage (at District cost at the time of retirement) for three years or until the retiree's attainment of age 65 if earlier. At the valuation date, six retired transportation employees were receiving this retirement incentive. The incentive increased the plan's Total OPEB Liability by \$108,737.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Changes in Net OPEB Liability

The changes in the net OPEB liability of the School District for the year ended June 30, 2020 were as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at June 30, 2019	\$ 8,742,087	\$ 2,490,385	\$ 6,251,702
Changes for the year:			
Service cost	306,246	-	306,246
Interest	321,180	-	321,180
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	35,472	(35,472)
Benefit payments, including refunds	(268,173)	(268,173)	-
Administrative expense	-	-	-
Other changes	(35,180)	-	(35,180)
Net changes	<u>324,073</u>	<u>(232,701)</u>	<u>556,774</u>
Balances at June 30, 2020	<u>\$ 9,066,160</u>	<u>\$ 2,257,684</u>	<u>\$ 6,808,476</u>
Plan fiduciary net position as a percentage of the net OPEB liability			<u>24.90%</u>

Investment Policy

See footnote 2 for the investment policy of the School District.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1% - 3%
Cash	0% - 1%

Discount Rate

This is the equivalent single rate determined by applying the Long-Term Expected Rate of Return on Investments to future benefit payments for current plan members expected to be funded by plan assets, and applying a tax-exempt, high quality municipal bond rate (estimated to be 3.50%) to benefit payments thereafter. In projecting assets, it was assumed that the District would continue to deposit \$0 into the trust annually and pay benefits annually either for the trust or from the District's funds. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make eight years of projected future benefit payments for current plan members.

Sensitivity of the School District's Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's net OPEB liability calculated using the discount rate described above, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
School District's net OPEB liability	<u>\$ 7,780,904</u>	<u>\$ 6,808,476</u>	<u>\$ 5,931,411</u>

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Sensitivity of the School District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School District's net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's net OPEB liability	\$ 5,970,031	\$ 6,808,476	\$ 7,735,337

9. Jointly Governed Organizations

The School District is one of twelve-member School Districts of the Parkway West Career and Technology Center and related Authority (Parkway). Parkway, which provides vocational technical education and training for high school students, is controlled and governed by the Joint Board, which is composed of all of the school board members of the entire member School Districts. Direct oversight of Parkway's operations is the responsibility of the Joint Committee, which consists of one representative from each participating School District. The School District's share of annual operating and capital costs for Parkway fluctuates based on the percentage enrollment in the school and is reflected as expenditures of the General Fund. The amount paid by the School District in the current fiscal year was approximately \$663,000. The net current assets of Parkway at June 30, 2020 are to be used to fund future years' operations and are not significant to the School District. Separate audited financial statements are available in the School District's business office.

In addition, the School District is one of five-member school districts of the South Central Area Special Schools and related authority (South Central). South Central is controlled and governed by the Joint School Committee, which is composed of one member from each school board of the member districts. South Central provides special education and training programs for exceptional children. Direct oversight of South Central's operations is the responsibility of the Joint School Committee. The School District's share of annual operating and capital costs for South Central fluctuates based on the percentage enrollment in the school. Amounts paid by the School District in the current fiscal year were approximately \$90,450. The South Central Area Special Schools prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

10. Commitments and Contingencies

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

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

11. Interfund Receivables, Payables and Transfers

Interfund receivables payables and transfers at June 30, 2020 are summarized below:

Funds	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
Governmental activities:				
General	\$ 1,277,532	\$ 168,434	\$ 934,591	\$ 45,300
Capital Improvement	85,853	63,419	5,222,528	-
Debt stabilization	-	1,020,444	-	6,111,819
Other governmental	82,360	-	-	-
Business-type activities:				
Food Service	-	193,668	-	-
Risk management	220	-	-	-
	\$ 1,445,965	\$ 1,445,965	\$ 6,157,119	\$ 6,157,119

The interfund receivables are primarily the result of reimbursements due for expenditures incurred and subsidies received on the other funds behalf.

The transfers to the Capital Improvement Fund were made to facilitate the payment of expenses for construction projects. The transfer to the General Fund represents amounts

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

being transferred from the Debt Service Stabilization Fund to assist with debt service expenditures.

12. Risk Management

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

13. Health Consortium

The School District is one of seventy members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool which affords health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. The Consortium establishes rates with the objective of satisfying current costs and claims of covered health care services, as well as maintaining working capital requirements and a Premium Stabilization Fund for periods when actual costs of coverage exceed premiums collected from members. At the end of each fiscal year, actual claims experience is compared with premiums paid. The difference results in either a retroactive refund or charge. Included in the retroactive refund/charge is a calculation for the reserve needed to cover expenses incurred but not yet reported by health providers. Any retroactive charge may be paid from the Premium Stabilization Fund, up to ten percent of total premiums paid. The remainder may be charged to the Schools. At June 30, 2020, the Consortium's net assets available for benefits approximated \$75 million. The School District's share of this amount is approximately \$1.6 million. The Consortium also maintains a portion of the Premium Stabilization Fund to cover potential future catastrophic losses. Independent insurance coverage for catastrophic losses is not maintained by the Consortium or the School District.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The School District paid premiums during the year of approximately \$6.9 million. The Consortium's agreement permits participants to withdraw from the Consortium under specified terms. In such an event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium fund balance or deficit as determined on the date of withdrawal.

14. Current and Future Environment

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the School District's operational and financial performance is currently uncertain and cannot be predicted.

During the spring of 2020, the School District was awarded approximately \$292,000 in Elementary and Secondary School Emergency Relief Funds from the Pennsylvania Department of Education and approximately \$248,000 in School Health and Safety Grants from the Pennsylvania Commission on Crime and Delinquency.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CHARTIERS VALLEY SCHOOL DISTRICT

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

Last 10 Fiscal Years¹

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
School District's proportion of PSERS' net pension liability	0.2245%		0.2263%		0.2293%		0.2305%		0.2264%		0.2168%
School District's proportionate share of PSERS' net pension liability	\$ 105,027,000	\$	108,635,000	\$	113,198,000	\$	114,228,000	\$	97,286,000	\$	85,811,000
School District's covered payroll	\$ 30,956,449	\$	30,470,363	\$	30,519,414	\$	29,855,138	\$	28,892,090	\$	27,671,120
School District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	339.27%		356.53%		370.90%		382.61%		336.72%		310.11%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	55.66%		54.00%		51.84%		50.14%		54.36%		57.24%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PENSION PLAN

Last 10 Fiscal Years²

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Contributions recognized by PSERS	\$ 10,503,404	\$	9,602,651	\$	8,766,689	\$	7,333,215	\$	5,799,428	\$	4,318,838
School District's covered payroll	\$ 31,821,356	\$	30,470,363	\$	30,519,414	\$	29,855,138	\$	28,892,090	\$	27,671,120
Contributions as a percentage of covered payroll	33.01%		31.51%		28.72%		24.56%		20.07%		15.61%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

CHARTIERS VALLEY SCHOOL DISTRICT

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

Last 10 Fiscal Years¹

	2020	2019	2018
School District's proportion of PSERS' net OPEB liability	0.2245%	0.2263%	0.2293%
School District's proportionate share of PSERS' net OPEB liability	\$ 4,775,000	\$ 4,718,000	\$ 4,670,000
School District's covered payroll	\$ 30,956,449	\$ 30,470,363	\$ 30,519,414
School District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	15.42%	15.48%	15.30%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%	5.56%	5.73%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	2020	2019	2018
Contributions recognized by PSERS	\$ 264,474	\$ 252,831	\$ 253,399
School District's covered payroll	\$ 31,821,356	\$ 30,470,363	\$ 30,519,414
Contributions as a percentage of covered payroll	0.83%	0.83%	0.83%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

CHARTIERS VALLEY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S NET OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 306,246	\$ 298,050	\$ 329,719
Interest	321,180	309,957	259,279
Changes of benefit terms	-	108,737	-
Differences between expected and actual experience	-	160,699	-
Changes of assumptions	-	(313,966)	-
Benefit payments	(268,173)	(300,376)	(321,199)
Other changes	(35,180)	(272,299)	(74,870)
Net Changes in Total OPEB Liability	324,073	(9,198)	192,929
Total OPEB Liability - Beginning	8,742,087	8,751,285	8,249,757
Total OPEB Liability - Ending	\$ 9,066,160	\$ 8,742,087	\$ 8,442,686
Plan Fiduciary Net Position:			
Contributions - School District	*	*	*
Net investment income	\$ 35,472	\$ 55,132	\$ 39,715
Benefit payments	(268,173)	(278,629)	(321,199)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	(232,701)	(223,497)	(281,484)
Plan Fiduciary Net Position - Beginning	2,490,385	2,713,882	2,995,366
Plan Fiduciary Net Position - Ending	\$ 2,257,684	\$ 2,490,385	\$ 2,713,882
Net OPEB Liability - Ending	\$ 6,808,476	\$ 6,251,702	\$ 5,728,804
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.90%	28.49%	32.14%

¹ The amounts presented for each fiscal year were determined as of the measurement date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

* - The School District has not made or had any required contributions since the adoption of GASB 75

See accompanying notes to required supplementary information.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

1. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 68 for the PSERS Pension Plan

Actuarial Valuation Date/ Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
School District Fiscal Year In Which NPL is Recorded	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000
Changes in Benefits	A new hybrid defined benefit/defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

2. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the PSERS Premium Assistance (OPEBs)

Actuarial Valuation Date	6/30/2019	6/30/2018	6/30/2017
School District Fiscal Year In Which NOL is Recorded	6/30/2020	6/30/2019	6/30/2018
Discount Rate	2.79%	2.98%	3.13%
Salary Increases	5.00%	5.00%	5.00%
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Changes in Benefits	A new hybrid defined benefit/defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.82%	0.84%	0.83%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2021	6/30/2020	6/30/2019

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

3. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the Retiree OPEB Plan

Actuarial Valuation Date	7/1/2018	7/1/2018	7/1/2016
School District Fiscal Year In Which NOL is Recorded	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018
Discount Rate	3.50%	3.98%	3.13%
Salary Increases	2.50%	2.50%	2.50%
Mortality	MP-2016	MP-2016	MP-2015
Changes in Benefits	None	None	None

SUPPLEMENTARY INFORMATION

CHARTIERS VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	Expendable Fund	District Activities Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ 25,006	\$ 25,006
Investments	-	24,678	24,678
Due from other funds	54,696	27,664	82,360
Total Assets	\$ 54,696	\$ 77,348	\$ 132,044
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ 465	\$ 465
Total Liabilities	-	465	465
Fund Balances:			
Committed	54,696	76,883	131,579
Total Fund Balance	54,696	76,883	131,579
Total Liabilities and Fund Balance	\$ 54,696	\$ 77,348	\$ 132,044

CHARTIERS VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	Expendable Fund	District Activities Fund	Total
Revenues:			
Local sources	\$ 4,361	\$ 69,427	\$ 73,788
Total revenues	4,361	69,427	73,788
Expenditures:			
Instruction	21,762	-	21,762
Operation of non-instructional services	-	90,503	90,503
Total expenditures	21,762	90,503	112,265
Net Change in Fund Balance	(17,401)	(21,076)	(38,477)
Fund Balance:			
Beginning of year	72,097	97,959	170,056
End of year	\$ 54,696	\$ 76,883	\$ 131,579

CHARTIERS VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

JUNE 30, 2020

	June 30, 2019	Additions	Deletions	June 30, 2020
Assets				
Cash and cash equivalents	\$ 92,557	\$ 126,237	\$ 102,903	\$ 115,891
Investments	33,730	186	-	33,916
Other receivables	566	313	566	313
	Total Assets	Total Assets	Total Assets	Total Assets
	\$ 126,853	\$ 126,736	\$ 103,469	\$ 150,120
Liabilities and Net Position				
Liabilities:				
Accounts payable	\$ 1,837	\$ 6,556	\$ 1,837	\$ 6,556
Due to General Fund	-	30,733	-	30,733
Other liabilities	125,016	89,447	101,632	112,831
	Total Liabilities	Total Liabilities	Total Liabilities	Total Liabilities
	\$ 126,853	\$ 126,736	\$ 103,469	\$ 150,120

CHARTIERS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Project Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2019	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at June 30, 2020	Passed Through to Subrecipients
U.S. Department of Education										
Passed through Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-190078	8/23/18-9/30/19	\$ 360,414	\$ 103,517	\$ 103,517	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-200078	8/6/19-9/30/20	355,888	279,640	-	354,317	354,317	74,677	-
Total Title I Grants to Local Educational Agencies					383,157	103,517	354,317	354,317	74,677	-
Supporting Effective Instruction State Grants - Title II	84.367	020-190078	8/23/18-9/30/19	77,566	11,115	11,115	-	-	-	-
Supporting Effective Instruction State Grants - Title II	84.367	020-200078	8/6/19-9/30/20	78,077	66,874	-	78,077	78,077	11,203	-
Total Supporting Effective Instruction State Grants - Title II					77,989	11,115	78,077	78,077	11,203	-
Student Support and Academic Enrichment Program	84.424	144-19-0078	8/23/18-9/30/19	28,127	6,027	(568)	10,613	10,613	4,018	-
Student Support and Academic Enrichment Program	84.424	144-20-0078	8/6/19-9/30/20	26,975	21,195	-	26,975	26,975	5,780	-
Total Student Support and Academic Enrichment Program					27,222	(568)	37,588	37,588	9,798	-
Passed through the Allegheny Intermediate Unit #3:										
Special Education Grants to States	84.027	RA-062-19-0-003	7/1/18-6/30/19	406,040	247,213	247,213	-	-	-	-
Special Education Grants to States	84.027	RA-062-20-0-003	7/1/19-6/30/20	423,964	-	-	423,964	423,964	423,964	-
Special Education Preschool Grants	84.173	131-19-0-003	7/1/19-6/30/20	3,472	3,472	-	3,472	3,472	-	-
Total Special Education Cluster (IDEA)					250,685	247,213	427,436	427,436	423,964	-
English Language Acquisition State Grants	84.365	n/a	7/1/18-6/30/19	5,416	-	(3,973)	3,973	3,973	-	-
Total U.S. Department of Education					739,053	357,304	901,391	901,391	519,642	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education:										
School Breakfast Program	10.553	n/a	7/1/18-6/30/19	n/a	939	939	-	-	-	-
School Breakfast Program	10.553	n/a	7/1/19-6/30/20	n/a	73,163	-	73,163	73,163	-	-
Total School Breakfast Program					74,102	939	73,163	73,163	-	-
National School Lunch Program	10.555	n/a	7/1/18-6/30/19	n/a	3,490	3,490	-	-	-	-
National School Lunch Program	10.555	n/a	7/1/19-6/30/20	n/a	339,841	-	339,841	339,841	-	-
Total National School Lunch Program					343,331	3,490	339,841	339,841	-	-
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program (Donated Commodities)	10.555	n/a	7/1/19-6/30/20	93,226	72,819 a	(22,850) b	81,078	81,078 c	(14,591) d	-
Total Child Nutrition Cluster					490,252	(18,421)	494,082	494,082	(14,591)	-
Total U.S. Department of Agriculture					490,252	(18,421)	494,082	494,082	(14,591)	-
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Human Services:										
Medical Assistance Program - Medicaid Cluster	93.778	n/a	n/a	n/a	6,285	3,446	7,572	7,572	4,733	-
Total U.S. Department of Health and Human Services and Medicaid Cluster					6,285	3,446	7,572	7,572	4,733	-
Total Expenditures of Federal Awards					\$ 1,235,590	\$ 342,329	\$ 1,403,045	\$ 1,403,045	\$ 509,784	\$ -

Notes to Schedule of Expenditures of Federal Awards:

- a Total amount of commodities received from the Department of Agriculture
- b Inventory at July 1, 2019
- c Total amount of commodities used
- d Inventory at June 30, 2020

See accompanying notes to schedule of expenditures of federal awards.

CHARTIERS VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Charters Valley School District (School District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Chartiers Valley School District

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2020

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

**Board of Directors
Chartiers Valley
School District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chartiers Valley School District (School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing 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 School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 that we consider to be material weaknesses. We did identify a certain deficiency in internal control,

Board of Directors
Chartiers Valley School District
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District'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.

Maher Duessel

Pittsburgh, Pennsylvania
March 22, 2021

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

**Board of Directors
Chartiers Valley
School District**

Report on Compliance for Each Major Federal Program

We have audited Chartiers Valley School District (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Board of Directors
Chartiers Valley School District
Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control over Compliance

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control over Compliance

Management of the 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 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 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.

Board of Directors
Chartiers Valley School District
Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control over Compliance

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.

Maher Duessel

Pittsburgh, Pennsylvania
March 22, 2021

CHARTIERS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

CFDA Number(s)

84.027, 84.173

Name of Federal Program or Cluster

Special Education Cluster (IDEA)

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

FINDING: 2020-001 Financial Reporting System

Statement of Condition: During the audit process, several audit adjustments were made to the Charters Valley School District's (School District) records related to year-end closing. Adjustments were required to: 1.) adjust real estate tax receivable and revenue; 2.) roll fund balance in the General Fund; 3.) record social security and retirement reimbursement subsidies in the food service fund; 4.) record capital lease proceeds and expenditure activity in the accounting records; and 5.) adjust depreciation expense in the food service fund.

CHARTIERS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

In addition, we noted that bank reconciliations were not performed monthly or timely and the June 30, 2020 bank reconciliations were not completed until several months after year-end.

Management does review and accept the financial statements prior to their final issuance and approves the adjustments to the financial statements.

Criteria: The School District should have procedures in place to identify any significant adjustments necessary to their external financial statements, including the posting of all adjustments necessary to present financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

The School District should also have procedures in place for monthly bank reconciliations.

Effect: Audit adjustments were required to be recorded to ensure that the financial statements were prepared in accordance with GAAP.

By not performing monthly and timely bank reconciliations, the risk that material errors, irregularities, or fraud could go undetected increases.

Cause: In addition to an accounting software conversion during the fiscal year, the School District went through significant turnover within the Business and Finance Department. In addition, bank reconciliations were not performed monthly or timely throughout the fiscal year. As such, the School District's financials were not fully reconciled and adjusted during the fiscal year and prior to the start of the audit.

Recommendation: We recommend that the School District consider the most efficient and effective method to address the above issues.

Governmental accounting standards and the financial reporting process continue to become more complex each year. At the same time, the School District is subject to significant financial constraints. The School District should undertake an evaluation as to what measures can be taken by management to reduce the number of year-end closing adjustments made as part of the audit process. This decision should be made in conjunction with the evaluation of potential internal control improvements (both over day-to-day processes, and the year-end financial reporting process) within the business and finance department.

We also recommend that procedures be put in place to ensure monthly bank reconciliations are performed for all bank accounts and reviewed by an individual independent of the process. These reconciliations should be completed by the last day of business in the following month.

Views of responsible officials and planned corrective action: Management agrees with the finding. See attached corrective action plan.

III. Findings and questioned costs for federal awards - **No matters were reported.**

CHARTIERS VALLEY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

NONE