

FORT CHERRY SCHOOL DISTRICT

MCDONALD, PENNSYLVANIA

JUNE 30, 2020

AUDIT REPORT

FORT CHERRY SCHOOL DISTRICT
MCDONALD, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fort Cherry School District
110 Fort Cherry Road
McDonald, PA 15057-2975

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 Fort Cherry School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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. 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 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 Fort Cherry School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment information, schedule of the District's proportionate share of the net pension liability, and schedule of the District contributions on pages i-x and 44-49, respectively, 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.

J. Martin and Associates

J. Martin & Associates, LLC
Beaver, PA 15009
February 18, 2021

FORT CHERRY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2020

Required Supplementary Information (RSI)

The discussion and analysis of the Fort Cherry School District's 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. The readers should review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government 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 fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Total liabilities of the District exceeded its assets at the close of the most recent year by (\$18,999,475) resulting in a negative net position. Of this amount, the District has a negative unrestricted net position of (\$25,557,430).
- The District's total net position increased from the 2019 net position by \$65,782 or 0.35%.
- The unrestricted net position increased by \$3,861,047 in 2020.
- Net investment in capital assets was \$3,669,268 at June 30, 2020, a decrease of \$1,243,024.
- The District's real property tax rate remained at 12.5052.
- At June 30, 2020, the District had \$8,465,000 of bond debt outstanding, compared to \$8,650,000 at June 30, 2019.
- The total fund balance of the General Fund at June 30, 2020 was \$5,512,843, of which \$1,147,586 was unassigned.

USING THE ANNUAL FINANCIAL REPORT

The annual financial report consists of two distinct series of financial statements: district-wide and fund statements.

The first two statements are government-wide (district-wide):

- Statement of Net Position
- Statement of Activities

These two statements provide both long-term and short-term information regarding the District's overall financial position.

The remaining statements (fund) focus on individual sections of the District's operations in more detail than the government-wide statements. The fund statements provide information on how

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

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general District services were financed in the short-term as well as the funds that remain for future spending. Proprietary fund statements give the reader short and long-term information on the financial activities of the business-like activities of the District. The Fort Cherry School District operates its Food Service Fund as a proprietary fund. Fiduciary fund statements outline financial relationships where the District acts solely as a trustee or agent for the benefit of others, the owners of the financial resources (Student Activity Funds, Private Purpose Trust Fund). The financial notes included with the financial statements provide more detailed information.

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District they represent and the type of information contained.

**Figure A-1
Major Features of the Fort Cherry School District’s
Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District, which are not proprietary or fiduciary, such as education and community services.	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else’s resources – Student Activity, Private Purpose
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Tools	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resources focus	Accrual accounting and economic resource focus
Type of Asset/Liability Information	All assets and liabilities shown as financial and capital as well as short-term and long-term	Only assets expected to be used and liabilities due to be paid during the upcoming fiscal year or shortly thereafter	All assets and liabilities shown as financial and capital as well as short-term and long-term	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenditures during the fiscal year regardless of when cash is received or spent	Revenues for which cash is received during or soon after the end of the fiscal year and expenditures when goods or services have been received and payment is due during the fiscal year or shortly thereafter	All revenues and expenditures during the fiscal year regardless of when cash is received or spent	All revenues and expenditures during the fiscal year regardless of when cash is received or spent

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JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide (district-wide) statements report information on Fort Cherry School District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed from the previous fiscal year. Net position is the difference between the District's assets and liabilities. This is one way to measure the District's current financial health or position.

Over time, increases or decreases in the District's net position are indications of whether its financial health is improving or deteriorating.

To assess the overall health of the District, non-financial factors must be considered. These factors include changes in the District's tax base and the performance of students.

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

- Governmental (District) activities – The District's basic services are included. These services include instruction, administration, and community services. Property and earned income taxes, State and Federal subsidies, and local grants finance most of these activities.
- Business type activities – The District operates a food service program. Fees charged to staff and students as well as State and Federal funding are used to cover the costs related to the food service operations.

Fund Financial Statements

The District's fund financial statements provide detailed information about the major funds. State Law requires certain funds be included.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using a modified accrual accounting method. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services the District provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the District's instructional programs. A reconciliation (explanation of differences) of the government-wide statements and governmental funds statements is provided.

Proprietary funds – These funds are used to account for the District's business-type activities. Reporting focuses on determining net income, financial position, changes in financial position,

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

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and user charges. When fees are charged for services, these operations are generally reported in proprietary funds. More detail is provided in the Statement of Cash Flows. The Food Service Fund is the Fort Cherry School District’s sole proprietary fund.

Fiduciary funds – The Fort Cherry School District is the trustee, or fiduciary, for agency funds. All District fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the District’s other financial statements due to the fact that the District cannot use these assets to finance its operations. The Student Activities Fund and Private Purpose Trust Fund are Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s total net position at June 30, 2020 was (\$18,999,475), an increase of \$65,782 from the June 30, 2019 net position.

**Table 1 – Net Position
Fiscal Year Ended June 30**

	<u>2020</u>			<u>2019</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current & Other Assets	\$ 9,046,524	\$ 234,186	\$ 9,280,710	\$ 11,125,794	\$ 262,701	\$ 11,388,495
Capital Assets	11,727,865	143,331	11,871,196	9,642,912	155,899	9,798,811
Total Assets	<u>\$ 20,774,389</u>	<u>\$ 377,517</u>	<u>\$ 21,151,906</u>	<u>\$ 20,768,706</u>	<u>\$ 418,600</u>	<u>\$ 21,187,306</u>
Deferred Outflows of Resources	\$ 3,685,231	\$ 115,330	\$ 3,800,561	\$ 3,834,526	\$ 150,819	\$ 3,985,345
Current & Other Liabilities	\$ 4,961,984	\$ 141,001	\$ 5,102,985	\$ 4,581,024	\$ 143,674	\$ 4,724,698
Long-Term Liabilities	35,435,350	887,359	36,322,709	36,498,465	1,091,231	37,589,696
Total Liabilities	<u>\$ 40,397,334</u>	<u>\$ 1,028,360</u>	<u>\$ 41,425,694</u>	<u>\$ 41,079,489</u>	<u>\$ 1,234,905</u>	<u>\$ 42,314,394</u>
Deferred Inflows of Resources	\$ 2,445,164	\$ 81,084	\$ 2,526,248	\$ 1,857,309	\$ 66,205	\$ 1,923,514
Net Position						
Net Investment in Capital Assets	\$ 3,525,937	\$ 143,331	\$ 3,669,268	\$ 4,756,393	\$ 155,899	\$ 4,912,292
Restricted:						
Capital Projects	1,025,764	0	1,025,764	3,676,908	0	3,676,908
Capital Reserve	1,862,923	0	1,862,923	1,764,020	0	1,764,020
Unrestricted	(24,797,502)	(759,928)	(25,557,430)	(28,530,887)	(887,590)	(29,418,477)
Total Net Position	<u>\$ (18,382,878)</u>	<u>\$ (616,597)</u>	<u>\$ (18,999,475)</u>	<u>\$ (18,333,566)</u>	<u>\$ (731,691)</u>	<u>\$ (19,065,257)</u>

Most of the District’s net position is invested in capital assets (buildings, land, and equipment). The restricted balance represents the amount reserved for a specific purpose to be used for future capital expenditures. The remaining unrestricted fund balance is available for general purposes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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The results of this year's operations as a whole are reported in the Statement of Activities. All expenditures are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expenditure categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The three largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, Real Estate, and Earned Income Taxes assessed to the taxpayers of the District.

The following table, Table 2, slightly rearranges the information provided in the Statement of Activities so that revenues for the fiscal year can be shown in total for the current fiscal year. The tables below present the expenditures of both the Governmental Activities and the Business-type Activities of the District.

**Table 2 – Changes in Net Position
Statement of Activities**

	<u>2020</u>			<u>2019</u>		
	<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						
<u>Program Revenues</u>						
Charges for Services	\$ 182,238	\$ 193,848	\$ 376,086	\$ 109,664	\$ 290,426	\$ 400,090
Operating Grants and Contributions	4,456,687	335,173	4,791,860	4,367,206	368,777	4,735,983
Capital Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,638,925</u>	<u>\$ 529,021</u>	<u>\$ 5,167,946</u>	<u>\$ 4,476,870</u>	<u>\$ 659,203</u>	<u>\$ 5,136,073</u>
<u>General Revenues</u>						
Property Taxes	\$ 6,625,225	\$ 0	\$ 6,625,225	\$ 6,271,653	\$ 0	\$ 6,271,653
Other Taxes	1,220,488	0	1,220,488	1,191,225	0	1,191,225
Grants, Subsidies, & Contributions	6,596,800	0	6,596,800	6,508,962	0	6,508,962
Investment Earnings	133,408	3,728	137,136	150,760	5,111	155,871
Other Revenues	<u>89,494</u>	<u>0</u>	<u>89,494</u>	<u>157,254</u>	<u>0</u>	<u>157,254</u>
	<u>\$ 14,665,415</u>	<u>\$ 3,728</u>	<u>\$ 14,669,143</u>	<u>\$ 14,279,854</u>	<u>\$ 5,111</u>	<u>\$ 14,284,965</u>
TOTAL REVENUES	<u>\$ 19,304,340</u>	<u>\$ 532,749</u>	<u>\$ 19,837,089</u>	<u>\$ 18,756,724</u>	<u>\$ 664,314</u>	<u>\$ 19,421,038</u>

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2020

**Table 2 – Changes in Net Position
Statement of Activities – Continued**

	<u>2020</u>			<u>2019</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
EXPENDITURES						
Instructional	\$ 12,043,479	\$ 0	\$ 12,043,479	\$ 11,195,201	\$ 0	\$ 11,195,201
Student Support	925,239	0	925,239	1,020,174	0	1,020,174
Admin. & Financial Support	1,869,011	0	1,869,011	2,167,397	0	2,167,397
Operation & Maint. Of Plant	2,123,917	0	2,123,917	2,128,744	0	2,128,744
Pupil Transportation	1,410,068	0	1,410,068	1,441,555	0	1,441,555
Student Activities	439,350	0	439,350	413,314	0	413,314
Interest on Long-Term Debt	245,722	0	245,722	73,109	0	73,109
Community Services	5,500	0	5,500	5,500	0	5,500
Cap. Outlay (Not Subj. to Capitalization)	66,035	0	66,035	45,292	0	45,292
Unallocated Depreciation	25,631	0	25,631	25,086	0	25,086
Food Services	0	617,355	617,355	0	924,998	924,998
TOTAL EXPENDITURES	<u>\$ 19,153,952</u>	<u>\$ 617,355</u>	<u>\$ 19,771,307</u>	<u>\$ 18,515,372</u>	<u>\$ 924,998</u>	<u>\$ 19,440,370</u>
Increase in net position before transfers	\$ 150,388	\$ (84,606)	\$ 65,782	\$ 241,352	\$ (260,684)	\$ (19,332)
Transfers	(199,700)	199,700	0	(300,737)	300,737	0
Increase (Decrease) in net position	\$ (49,312)	\$ 115,094	\$ 65,782	\$ (59,385)	\$ 40,053	\$ (19,332)
Net position July 1st	(18,333,566)	(731,691)	(19,065,257)	(18,274,181)	(508,614)	(18,782,795)
Prior Period Adjustment	0	0	0	0	(263,130)	(263,130)
Net position June 30th	<u>\$ (18,382,878)</u>	<u>\$ (616,597)</u>	<u>\$ (18,999,475)</u>	<u>\$ (18,333,566)</u>	<u>\$ (731,691)</u>	<u>\$ (19,065,257)</u>

Table 3 shows the District’s six largest functions: instruction, student support, administrative, operation and maintenance of plant, pupil transportation, and interest on long-term debt 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 unrestricted contribution to show the remaining financial needs supported by local tax efforts and other miscellaneous revenues.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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**Table 3
Governmental Activities**

	<u>2020</u>		<u>2019</u>	
	<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				
Instructional	\$ 12,043,479	\$ 8,708,359	\$ 11,195,201	\$ 8,040,615
Student Support	925,239	740,967	1,020,174	845,925
Admin. & Financial Support	1,869,011	1,709,757	2,167,397	2,004,352
Operation & Maint. Of Plant	2,123,917	1,907,460	2,128,744	1,909,642
Pupil Transportation	1,410,068	737,597	1,441,555	740,958
Student Activities	439,350	367,999	413,314	348,023
Interest on Long-Term Debt	245,722	245,722	73,109	73,109
Capital Outlay (not subject to capitalization)	66,035	66,035	45,292	45,292
Unallocated Depreciation	25,631	25,631	25,086	25,086
Community Services	5,500	5,500	5,500	5,500
Total Governmental Activities	<u>\$ 19,153,952</u>	<u>\$ 14,515,027</u>	<u>\$ 18,515,372</u>	<u>\$ 14,038,502</u>
Less:				
Unrestricted Grants, Subsidies, & Unrestricted Contributions		<u>6,596,800</u>		<u>6,508,962</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 7,918,227</u>		<u>\$ 7,529,540</u>

Table 4 reflects the activities of the Food Service program, the District's business-type activity.

**Table 4
Business Activities
Fiscal Year Ended June 30, 2020**

	<u>2020</u>		<u>2019</u>	
	<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 Services	<u>\$ 617,355</u>	<u>\$ 88,334</u>	<u>\$ 924,998</u>	<u>\$ 265,795</u>

DISTRICT FUNDS

At June 30, 2020, the District governmental funds reported a combined fund balance of \$6,538,607, which is a decrease of \$2,331,410 from 2019.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate changes in actual revenues and expenditures of the District. All adjustments are reconfirmed when the annual audit report is accepted, which is after the end of the fiscal year and is not prohibited by the laws of the Commonwealth of Pennsylvania. This detailed information is presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

Revenue budgets can change for a variety of reasons including Federal, State, and Local Grants awarded after the beginning of the fiscal year. Expenditures funded by these grants will also be reflected as increases from the adopted budget. In addition, transfers between specific categories of expenditures and financing uses occur during the fiscal year. Most significant transfers occur between the budgetary reserve and areas in the budget where unforeseen expenditures occur.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had a total of \$11,871,196 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$2,072,385 from last year. The main reason for the increase in capital assets is due to capital projects taking place in the District. More detailed information regarding the District's capital assets is included in Note 5 to the financial statements.

Debt Administration

As of June 30, 2020 the District's Governmental Activities had total outstanding bond principal of \$8,465,000. There were also obligations in the amounts of \$4,953,939, \$450,189, and \$24,297,670 for post-employment benefits, compensated absences, and net pension liability, respectively.

More detailed information on the District's pension and long-term liabilities is shown in Notes 7 and 8 to the financial statements.

FUTURE ECONOMIC CONDITIONS

Capital Improvement Plan (Future Projects)

In the spring of 2019, the District issued new debt to accommodate the District's three (3) year Capital Project Plan. The District is in the final year of the Bond Issue of 2019 Capital Projects. The Summer of 2021 projects include: Carpeting of all classrooms in both Elementary Center and Jr./Sr. High School and Asbestos removal in the Jr./Sr. High School. The District is also replacing all ceiling tile in both buildings. This project as well as future projects will be funded by the Capital Projects Fund (money transfers from the General Fund). The Capital Project timeline and project list is updated regularly and posted on the District's website under Information; Capital Projects tab.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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Fort Cherry's Board and Administration team are extremely proud of all the upgrades the District has done to the buildings and land. The goal is to continually monitor our buildings and grounds to be proactive in any needed repairs.

Pennsylvania School Employees Retirement System (PSERS)

The extended decline in the stock market resulted in prolonged negative returns on investment for the retirement system. Projections from PSERS have indicated that the rates charged to Districts may increase over the next several years, reaching a peak of approximately 38% in seven years.

Technology

The technology team, along with the support of the School Board and the Superintendent, continues to make strides in providing new and updated technology to our faculty and students. In utilizing E-rate, Federal Funding, and District technology funds, the addition of network security, network switches, servers, and overall network development has taken place and enhanced our technology implementation and utilization. The District has implemented 1:1 Technology throughout the District; Grades K-3 use iPads while grades 4-12 utilize Chromebooks. The District started in 2020 to replace all active boards in all classrooms. With the use of Federal and local funding, the District plans on replacing each classroom active board with a new Promethean 70" Titanium board in the next year.

Economic Factors

Act 1 limits the District's ability to increase real estate taxes above a state-imposed index. This restricts the school district's ability to raise revenues lost from state funding cuts. The school district will have to consider options in the upcoming years to fill those state unfunded voids. The School District remains majority funded by the state at 56% while the local level funding resides at 43%. Federal funding has become almost obsolete, accounting for just 1% of the District's annual funding.

Professional Development

In working to "develop a culture of thinking," the District has partnered with Modern Teacher to build a more unified system of educating students in the modern era. This initiative incorporates the integration of "digital convergence theory" within the District by merging the strategic directions of leadership, instructional models, curriculum/instruction, digital ecosystem, and professional learning. This comprehensive endeavor has allowed Fort Cherry to brand its educational focus through a holistic ideal set forth through developing a *culture of thinking*—our brand is FC is Future Focused ~ Creating Me. In addition, the District's Strategic Team has created a comprehensive instructional model, identified key 21st Century Learning Goals, and chosen an instructional rigor framework. Moreover, moving forward, our District's professional development plan will move from single point solutions to personalized professional learning related to the needs of District, the students, and the individual staff members. For the next 3 years, our staff will take a journey through various learning modules at their own pace with individual and community feedback through the development of personalized learning communities. This is an exciting time to be a Modern Teacher member at Fort Cherry School District.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2020

Curriculum and Instruction

As time changes in the educational arena, so must school organizations' attention to curriculum and instruction. Fort Cherry is working to remain competitive in the educational servicing market through providing our students with innovative, enriching, and relevant classes and courses to become career ready. Planning and preparation continue to take place through the continuation of current curricular programming, enhancements to the STEM/innovation programming, and expansion of dual enrollment/blended/AP integration. In addition, through our Modern Teacher initiative, blended and flipped learning is a priority for integration and implementation. Resourcing within this area will continue to be discussed and recommended.

Increase in Student Needs

A growing concern in the District is the growing needs of our student body. In recent years, the District has faced a continual increase in special education needs, an increase in poverty-stricken families, and an increase in student/family mental health issues. The Administration, along with faculty members, outside agencies, and community supports are working to combat these growing needs that are not only bound within the school environment but may locally impact the health and stability of the local communities.

Education in a Pandemic

School Districts across the country have been affected by COVID-19. The ever-changing mandates, regulations, and guidelines as well as the constant pressure to keep our students and faculty safe at the same time as keeping our students educated has made this school year very unique, challenging, and exhausting. The District's main priority during this pandemic is the safety of our students and staff. The District has maintained that and at the same time, has educated our students traditionally and virtually. The Board and Administration is extremely proud of the continued perseverance of our students, faculty, and parents. All members of our District have rallied together and really shown what it is to be #FCSTRONG.

CONTACTING THE DISTRICT

This Management's Discussion and Analysis is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's financial position and to show the School Board's accountability for the funds the District receives. If you have questions regarding financial aspects of this report, please contact the business office at Fort Cherry School District, 110 Fort Cherry Road, McDonald, PA 15057 or by phone at (724)796-1551.

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 7,710,232	\$ 194,190	\$ 7,904,422
Taxes Receivable, net			
Property Taxes	376,342	0	376,342
Earned Income Taxes	150,450	0	150,450
Due From Other Governments	627,049	14,521	641,570
Other Accounts Receivable	21,250	0	21,250
Inventories	0	25,475	25,475
Prepaid Expenses	161,201	0	161,201
Total Current Assets	<u>\$ 9,046,524</u>	<u>\$ 234,186</u>	<u>\$ 9,280,710</u>
Noncurrent Assets			
Land	\$ 57,429	\$ 0	\$ 57,429
Site Improvements (net of depreciation)	672,715	0	672,715
Building & Building Improvements (net of depreciation)	9,709,670	0	9,709,670
Furniture & Equipment (net of depreciation)	1,288,051	143,331	1,431,382
Total Noncurrent Assets	<u>\$ 11,727,865</u>	<u>\$ 143,331</u>	<u>\$ 11,871,196</u>
TOTAL ASSETS	<u>\$ 20,774,389</u>	<u>\$ 377,517</u>	<u>\$ 21,151,906</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	\$ 2,902,890	\$ 115,330	\$ 3,018,220
Deferred outflows of resources related to OPEB	782,341	0	782,341
Total Deferred Outflows of Resources	<u>\$ 3,685,231</u>	<u>\$ 115,330</u>	<u>\$ 3,800,561</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 310,765	\$ 11,627	\$ 322,392
Current Portion of LT Debt	195,000	0	195,000
Short-Term Payables	18,872	0	18,872
Unearned Revenue	0	28,603	28,603
Accrued Salaries and Benefits	1,900,899	0	1,900,899
Current Portion of Net Pension Liability	2,536,448	100,771	2,637,219
Total Current Liabilities	<u>\$ 4,961,984</u>	<u>\$ 141,001</u>	<u>\$ 5,102,985</u>
Noncurrent Liabilities			
LT Portion of Debt	\$ 8,270,000	\$ 0	\$ 8,270,000
LT Portion of Other Post-Employment Benefits	4,953,939	0	4,953,939
LT Portion of Net Pension Liability	21,761,222	864,559	22,625,781
LT Portion of Compensated Absences	450,189	22,800	472,989
Total Noncurrent Liabilities	<u>\$ 35,435,350</u>	<u>\$ 887,359</u>	<u>\$ 36,322,709</u>
TOTAL LIABILITIES	<u>\$ 40,397,334</u>	<u>\$ 1,028,360</u>	<u>\$ 41,425,694</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	\$ 2,040,916	\$ 81,084	\$ 2,122,000
Deferred inflows of resources related to OPEB	404,248	0	404,248
Total deferred inflows of resources	<u>\$ 2,445,164</u>	<u>\$ 81,084</u>	<u>\$ 2,526,248</u>
NET POSITION			
Net Investment in capital assets	\$ 3,525,937	\$ 143,331	\$ 3,669,268
Restricted for:			
Capital Projects	1,025,764	0	1,025,764
Capital Reserve	1,862,923	0	1,862,923
Unrestricted (deficit)	(24,797,502)	(759,928)	(25,557,430)
TOTAL NET POSITION	<u>\$ (18,382,878)</u>	<u>\$ (616,597)</u>	<u>\$ (18,999,475)</u>

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 8,665,799	\$ 131,593	\$ 1,789,279	\$ 0	\$ (6,744,927)	\$ 0	\$ (6,744,927)
Special Instruction	2,811,376	0	1,280,480	0	(1,530,896)	0	(1,530,896)
Vocational Instruction	565,878	0	115,792	0	(450,086)	0	(450,086)
Other Instructional Programs	426	7,421	10,555	0	17,550	0	17,550
Total Instructional Services	\$ 12,043,479	\$ 139,014	\$ 3,196,106	\$ 0	\$ (8,708,359)	\$ 0	\$ (8,708,359)
Support Services:							
Pupil Personnel	\$ 303,319	\$ 0	\$ 39,630	\$ 0	\$ (263,689)	\$ 0	\$ (263,689)
Instructional Staff	407,696	0	47,092	0	(360,604)	0	(360,604)
Administration	1,166,828	0	111,798	0	(1,055,030)	0	(1,055,030)
Pupil Health	214,224	0	97,550	0	(116,674)	0	(116,674)
Business Services	475,522	0	40,821	0	(434,701)	0	(434,701)
Operation of Plant and Maintenance Services	2,123,917	20,726	195,731	0	(1,907,460)	0	(1,907,460)
Student Transportation Services	1,410,068	0	672,471	0	(737,597)	0	(737,597)
Central	215,765	0	6,635	0	(209,130)	0	(209,130)
Other Support Services	10,896	0	0	0	(10,896)	0	(10,896)
Total Support Services	\$ 6,328,235	\$ 20,726	\$ 1,211,728	\$ 0	\$ (5,095,781)	\$ 0	\$ (5,095,781)
Non-Instructional Services:							
Student Activities	\$ 439,350	\$ 22,498	\$ 48,853	\$ 0	\$ (367,999)	\$ 0	\$ (367,999)
Community Services	5,500	0	0	0	(5,500)	0	(5,500)
Interest on Long-Term Debt	245,722	0	0	0	(245,722)	0	(245,722)
Capital Outlay (Not subject to capitalization)	66,035	0	0	0	(66,035)	0	(66,035)
Unallocated Depreciation	25,631	0	0	0	(25,631)	0	(25,631)
Total Non-Instructional Services	\$ 782,238	\$ 22,498	\$ 48,853	\$ 0	\$ (710,887)	\$ 0	\$ (710,887)
Total Governmental Activities	\$ 19,153,952	\$ 182,238	\$ 4,456,687	\$ 0	\$ (14,515,027)	\$ 0	\$ (14,515,027)
Business-Type Activities:							
Food Services	617,355	193,848	335,173	0	0	(88,334)	(88,334)
Total Primary Government	\$ 19,771,307	\$ 376,086	\$ 4,791,860	\$ 0	\$ (14,515,027)	\$ (88,334)	\$ (14,603,361)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net				\$ 6,625,225	\$ 0	\$ 6,625,225	
Other taxes levied for general purposes, net				1,220,488	0	1,220,488	
Refunds of prior year receipts				(15)	0	(15)	
Refunds of prior year expenditures				56,369	0	56,369	
Grants, subsidies & contributions not restricted				6,596,800	0	6,596,800	
Investment earnings				133,408	3,728	137,136	
Miscellaneous income				33,140	0	33,140	
Transfers				(199,700)	199,700	0	
Total general revenues and transfers				\$ 14,465,715	\$ 203,428	\$ 14,669,143	
Change in Net Position				\$ (49,312)	\$ 115,094	\$ 65,782	
Net Position - Beginning				(18,333,566)	(731,691)	(19,065,257)	
Net Position - Ending				\$ (18,382,878)	\$ (616,597)	\$ (18,999,475)	

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,559,160	\$ 1,151,072	\$ 7,710,232
Taxes Receivable:			
Property Taxes	376,342	0	376,342
Earned Income Taxes	150,450	0	150,450
Intergovernmental Receivables	627,049	0	627,049
Prepaid Expenditures	161,201	0	161,201
Other Receivables	21,250	0	21,250
TOTAL ASSETS	\$ 7,895,452	\$ 1,151,072	\$ 9,046,524
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 185,458	\$ 125,308	\$ 310,766
Accrued Salaries & Benefits	1,900,899	0	1,900,899
TOTAL LIABILITIES	\$ 2,086,357	\$ 125,308	\$ 2,211,665
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 296,252	\$ 0	\$ 296,252
 FUND BALANCES			
Restricted for:			
Capital Projects	\$ 0	\$ 1,025,764	\$ 1,025,764
Assigned for:			
Capital Projects	1,862,923	0	1,862,923
PSERS Rate Increases	1,450,000	0	1,450,000
Technology	646,341	0	646,341
Next Year's Budget	405,993	0	405,993
Unassigned	1,147,586	0	1,147,586
TOTAL FUND BALANCES	\$ 5,512,843	\$ 1,025,764	\$ 6,538,607
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,895,452	\$ 1,151,072	\$ 9,046,524

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 6,538,607**

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

Capital assets used in governmental activities that are not financial and therefore are not reported as assets in governmental funds.

Add: Capital Assets	33,387,473
Deduct: Accumulated Depreciation	(21,659,607)

Certain tax revenues are recognized in the period for which levied than when "available." A portion of the certain deferred tax revenues are not available.

Add: Property Taxes	296,252
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not report in the funds

Net Pension Liability	(24,297,670)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	\$ 3,685,231	
Deferred inflows of resources related to pensions	<u>(2,445,164)</u>	
		1,240,067

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

Deduct: Notes Payable	\$ (8,465,000)	
Deduct: Accrued Interest on Debt	(18,872)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(5,404,128)</u>	
		<u>(13,888,000)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (18,382,878)**

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources	\$ 8,433,239	\$ 24,208	\$ 8,457,447
State Sources	10,588,275	0	10,588,275
Federal Sources	<u>231,347</u>	<u>0</u>	<u>231,347</u>
TOTAL REVENUES	<u>\$ 19,252,861</u>	<u>\$ 24,208</u>	<u>\$ 19,277,069</u>
EXPENDITURES			
Instruction	\$ 11,368,889	\$ 0	\$ 11,368,889
Support Services	6,066,561	0	6,066,561
Non-Instructional Services	455,178	0	455,178
Capital Outlay	417,333	2,675,352	3,092,685
Debt Services	<u>425,451</u>	<u>0</u>	<u>425,451</u>
TOTAL EXPENDITURES	<u>\$ 18,733,412</u>	<u>\$ 2,675,352</u>	<u>\$ 21,408,764</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 519,449</u>	<u>\$ (2,651,144)</u>	<u>\$ (2,131,695)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out	\$ (199,700)	\$ 0	\$ (199,700)
Refund of Prior Year Receipts	<u>(15)</u>	<u>0</u>	<u>(15)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (199,715)</u>	<u>\$ 0</u>	<u>\$ (199,715)</u>
NET CHANGE IN FUND BALANCES	\$ 319,734	\$ (2,651,144)	\$ (2,331,410)
FUND BALANCE - JUNE 30, 2019	<u>5,193,109</u>	<u>3,676,908</u>	<u>8,870,017</u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 5,512,843</u>	<u>\$ 1,025,764</u>	<u>\$ 6,538,607</u>

See Accompanying Notes to Financial Statements.

**FORT CHERRY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (2,331,410)**

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

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

	Capital Outlays	\$ 3,040,811	
	Less: Depreciation Expense	<u>(955,858)</u>	
			2,084,953

Because some property and earned income taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.

27,282

Governmental funds report district pension contributions and expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

	District pension contributions	\$ 2,536,448	
	Cost of benefits earned net of employee contributions	<u>(2,376,605)</u>	
			159,843

The governmental funds report proceeds from debt as an other financing source, while the repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and leases is as follows:

	Repayment of Bond Principal	\$ 185,000	
	Interest Expense	<u>(4,195)</u>	
	Total		180,805

In the Statement of Activities, certain operating expenses-compensated absences and other post-employment 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 (essentially, the amounts actually paid). During this year, the total amount of the liability decreased by this amount.

(170,785)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (49,312)**

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
JUNE 30, 2020

	Food Service
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 194,190
Intergovernmental Receivable	14,521
Inventories	25,475
Total Current Assets	\$ 234,186
Noncurrent Assets:	
Machinery & Equipment (net)	\$ 143,331
Total Noncurrent Assets	\$ 143,331
TOTAL ASSETS	\$ 377,517
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	\$ 115,330
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 492,847
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 11,627
Unearned Revenue	28,603
Current Portion of Net Pension Liability	100,771
Total Current Liabilities	\$ 141,001
Noncurrent Liabilities:	
Compensated Absences Payable	\$ 22,800
Net Pension Liability	864,559
Total Noncurrent Liabilities	\$ 887,359
TOTAL LIABILITIES	\$ 1,028,360
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	\$ 81,084
NET POSITION	
Net Investment in Capital Assets	\$ 143,331
Unrestricted	(759,928)
TOTAL NET POSITION	\$ (616,597)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 492,847

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 193,848
TOTAL OPERATING REVENUES	<u>\$ 193,848</u>
OPERATING EXPENSES:	
Salaries	\$ 341,194
Employee Benefits	7,995
Professional Services	2,004
Repairs and Maintenance	9,038
Supplies	231,069
Equipment	2,166
Depreciation	20,218
Other Operating expenditures	<u>3,671</u>
TOTAL OPERATING EXPENSES	<u>\$ 617,355</u>
OPERATING INCOME (LOSS)	<u>\$ (423,507)</u>
NON-OPERATING REVENUES (EXPENSES):	
Earnings on Investments	\$ 3,728
State Sources	77,280
Federal Sources	<u>257,893</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 338,901</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (84,606)</u>
Operating Transfers In (Out)	<u>199,700</u>
CHANGE IN NET POSITION	<u>\$ 115,094</u>
NET POSITION - BEGINNING	<u>(731,691)</u>
NET POSITION - ENDING	<u>\$ (616,597)</u>

See Accompanying Notes to Financial Statements.

**FORT CHERRY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 193,848
Cash Payments to Employees for Services	(513,580)
Cash Payments to Suppliers for Goods and Services	<u>(244,000)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (563,732)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 76,703
Federal Sources	243,949
Interfund Transfer	<u>199,700</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 520,352</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loss on disposal of capital assets	\$ 0
Purchase of capital assets	<u>(7,650)</u>
NET CASH PROVIDED (USED) BY CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (7,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>\$ 3,728</u>
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>\$ 3,728</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (47,302)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>241,492</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 194,190</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (423,507)</u>
Depreciation and Net Amortization	\$ 20,218
Change in Assets and Liabilities	
(Increase) Decrease in Inventories	(4,266)
(Increase) Decrease in Deferred Outflows of Resources	35,489
Increase (Decrease) in Accounts Payable	1,787
Increase (Decrease) in Interfund Payable	0
Increase (Decrease) in Unearned Revenue	6,427
Increase (Decrease) in Deferred Inflows of Resources	14,879
Increase (Decrease) in Net Pension Liability	(219,547)
Increase (Decrease) in Compensated Absences Payable	<u>4,788</u>
Total Adjustments	<u>\$ (140,225)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (563,732)</u>

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Private Purpose Trust Fund	Student Activities Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 28,033	\$ 133,953
TOTAL ASSETS	<u>\$ 28,033</u>	<u>\$ 133,953</u>
LIABILITIES		
Accounts Payable	\$ 0	\$ 80
Due to Student Groups	<u>0</u>	<u>133,873</u>
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 133,953</u>
TOTAL NET POSITION	<u>\$ 28,033</u>	<u>\$ 0</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,033</u>	<u>\$ 133,953</u>

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest Revenue	\$ <u>322</u>
TOTAL ADDITIONS	<u>\$ 322</u>
DEDUCTIONS	
Scholarships & Other Deductions	\$ <u>751</u>
TOTAL DEDUCTIONS	<u>\$ 751</u>
CHANGE IN NET POSITION	\$ (429)
NET POSITION THE BEGINNING OF YEAR	<u>28,462</u>
NET POSITION END OF YEAR	<u>\$ 28,033</u>

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with and Positive</u>	<u>Budget to GAAP</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>(Negative)</u>	<u>Difference</u>	<u>GAAP Basis</u>
REVENUES						
Local revenues	\$ 8,044,530	\$ 8,044,530	\$ 8,433,239	\$ 388,709	\$ 0	\$ 8,433,239
State program revenues	10,114,831	10,114,831	10,588,275	473,444	0	10,588,275
Federal program revenues	181,000	181,000	231,347	50,347	0	231,347
TOTAL REVENUES	\$ 18,340,361	\$ 18,340,361	\$ 19,252,861	\$ 912,500	\$ 0	\$ 19,252,861
EXPENDITURES						
Regular Programs	\$ 7,738,084	\$ 7,738,084	\$ 7,972,316	\$ (234,232)	\$ 0	\$ 7,972,316
Special Programs	2,924,624	2,924,624	2,822,321	102,303	0	2,822,321
Vocational Programs	506,030	506,030	573,826	(67,796)	0	573,826
Other Instructional Programs	500	500	426	74	0	426
Pupil Personnel Services	315,913	315,913	313,005	2,908	0	313,005
Instructional Staff Services	425,860	425,860	418,457	7,403	0	418,457
Administrative Services	1,079,746	1,079,746	1,029,519	50,227	0	1,029,519
Pupil Health	226,984	226,984	221,244	5,740	0	221,244
Business Services	490,003	490,003	484,907	5,096	0	484,907
Operation & Maintenance of Plant Services	2,018,962	2,018,962	2,060,847	(41,885)	0	2,060,847
Student Transportation Services	1,217,267	1,217,267	1,310,376	(93,109)	0	1,310,376
Central	301,981	301,981	217,310	84,671	0	217,310
Other Support Services	10,913	10,913	10,896	17	0	10,896
Student Activities	507,514	507,514	449,678	57,836	0	449,678
Community Services	5,500	5,500	5,500	0	0	5,500
Facilities Acquisition, Construction and Improvement Services	0	0	417,333	(417,333)	0	417,333
Debt Services	465,410	465,410	425,451	39,959	0	425,451
TOTAL EXPENDITURES	\$ 18,235,291	\$ 18,235,291	\$ 18,733,412	\$ (498,121)	\$ 0	\$ 18,733,412
Excess (deficiency) of revenues over expenditures	\$ 105,070	\$ 105,070	\$ 519,449	\$ 414,379	\$ 0	\$ 519,449
OTHER FINANCING SOURCES (USES)						
Refund of Prior Year Receipts	\$ 0	\$ 0	\$ (15)	\$ (15)	\$ 0	\$ (15)
Interfund Transfer Out	(200,000)	(200,000)	(199,700)	300	0	(199,700)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (200,000)	\$ (200,000)	\$ (199,715)	\$ 285	\$ 0	\$ (199,715)
Net change in fund balances	\$ (94,930)	\$ (94,930)	\$ 319,734	\$ 414,664	\$ 0	\$ 319,734
FUND BALANCE - JUNE 30, 2019	904,880	904,880	5,193,109	4,288,229	0	5,193,109
FUND BALANCE - JUNE 30, 2020	\$ 809,950	\$ 809,950	\$ 5,512,843	\$ 4,702,893	\$ 0	\$ 5,512,843

See Accompanying Notes to Financial Statements.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

NOTE 1 – REPORTING ENTITY

The Fort Cherry School District is organized under Title 24 of the Pennsylvania Statutes. The School District provides educational services as authorized by State statute and/or federal guidelines.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Fort Cherry School District does not have any component units.

The Western Area Career and Technology Center and Intermediate Unit One were considered as possible component units but were excluded based on the above criteria.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fort Cherry School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the District are described below.

A. Basis of Presentation

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

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

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

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

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

B. Measurement Focus/Basis of Accounting

Fund Accounting

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

Governmental 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The District reports the following major governmental funds:

General Fund: The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

Capital Projects Fund: The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The District reports the following major proprietary funds:

Food Service Fund: This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary Funds: Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. Major fund reporting does not apply to Fiduciary Funds.

The District reports the following fiduciary funds:

Student Activity Fund: This fund is used to account for net position held in a purely custodial capacity for specific other persons or organizations or governments.

Private Purpose Trust Fund: This fund is used to account for a trust fund established to issue scholarships according to stated guidelines.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary 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.

C. Budgetary Process

The District passed an appropriated budget for the fiscal year ending June 30, 2020 with revenues totaling \$18,340,361 and expenditures totaling \$18,435,291.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

The District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (“GAAP”).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Preliminary Budget: The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election unless the District adopts a Resolution indicating that it will not raise the rate of any tax by more than its index. The Resolution must be adopted 110 days prior to the Primary Election, and the District must adopt a Resolution that follows traditional budget guidelines.

A *proposed* version must be prepared at least 20 days before adoption; this work-in-progress budget, defined as the *proposed preliminary budget*, must be made available for public inspection no later than 110 days prior to the Primary Election. Public notice of the intent to adopt the preliminary budget must be published no later than 10 days before adoption of the preliminary budget (100 days before Primary Election).

Final Budget: The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

A *proposed* version must be prepared and adopted (via Board vote) no later than May 30 of the preceding school fiscal year (at least 30 days before adoption); this work-in-progress budget, defined as the *proposed final budget*, must be made available for public inspection no later than June 10 of the preceding school fiscal year (20 days before adoption on June 30). Public notice of the intent to adopt the final budget must be published no later than June 20 of the preceding school fiscal year (10 days before adoption on June 30).

Note: For the adopted preliminary budget to become the proposed final budget, the school board must take action.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Directors. All budget appropriations lapse at year-end unless the District chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

D. Cash, Cash Equivalents, and Investments

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

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

E. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds that are not presented in the statement of net position.

F. Inventories

On government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an asset by offsetting the appropriate expense account. Due to a change in inventory controls and purchasing at the District, the inventory for Governmental Activities at June 30, 2020 was insignificant and not recorded. Inventory is currently ordered when needed.

The inventory for Business-type Activities at June 30, 2020 is \$25,475.

On fund financial statements, inventories are stated at cost using the purchase method for enterprise funds. Inventories are not maintained in governmental funds for fund financial statement reporting.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District has a capitalization threshold of \$5,000 per single item.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site Improvements	20 years	N/A
Buildings and Improvements	20-50 years	20-50 years
Furniture and Equipment	5-15 years	5-15 years

H. Compensated Absences/Retirement Incentives

Compensated Absences

District employees accrue sick days annually to an unlimited maximum. The liability recorded for compensated absences for governmental activities is based on the employee's contract rate, years of service, position, and accumulated days as of the end of the year. The District's governmental liability is as follows:

Compensated absence liability at June 30, 2019	\$ 418,204
Decrease in liability	<u>31,985</u>
Compensated absence liability at June 30, 2020	<u>\$ 450,189</u>

Business-type District employees also accrue sick days annually to an unlimited maximum. The liability recorded for compensated absences for the business-type activities is based on the employee's contract rate and accumulated days as of the end of the year. The District's liability is as follows:

Compensated absence liability at June 30, 2019	\$ 18,012
Decrease in liability	<u>4,788</u>
Compensated absence liability at June 30, 2020	<u>\$ 22,800</u>

Retirement Incentives

As of June 30, 2020, the School District measured and recognized an "other post-employment benefit" (OPEB) liability in accordance with provisions of Governmental Accounting Standards

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This statement provides guidance on accounting and financial reporting for “other post-employment benefits” accounted for in financial statements of plan sponsors and employers. OPEB refers to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees. More information on these liabilities is included later in these notes.

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected to be paid using expendable financial resources. In enterprise funds, the entire amount of the liabilities is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in-full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets and net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

K. Fund Balance

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), effective for reporting periods after June 15, 2010. The School has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances: non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority, the Fort Cherry School District Board of Directors, through board action.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board of Directors has given authority to assign portions of the fund balance to the Superintendent or designee.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

According to District policy, the District will strive to maintain an unassigned fund balance of not less than five percent and no more than eight percent of budgeted expenses for that fiscal year.

The School District applies resources in the following order when an expense is incurred for purposes for which multiple fund balances are available: restricted, committed, assigned, unassigned.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

M. Bond Premium and Discount

Bond premiums and discounts are deferred and accreted over the term of the bonds. Bond premiums and discounts are presented as an addition or subtraction to the face amount of the bonds.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported \$3,685,231 in the Governmental Activities and \$115,330 in the Business-type Activities as deferred outflows of resources related to pensions.

In addition to liabilities, the statement of financial position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District had \$296,252 in deferred inflows of resources reported on the Balance Sheet – Governmental Funds from unavailable property tax revenue and \$2,445,164 in deferred inflows of resources related to pensions in the Governmental Activities reported on the statement of net position. Additionally, the District had \$81,084 of deferred inflows of resources related to pension in Business-type Activities reported on the statement of net position as of June 30, 2020.

O. Pensions

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

NOTE 3 – CASH / INVESTMENTS

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2020, \$6,628,013 of the District's bank balance of \$8,279,085 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	\$	6,628,013

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

B. Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	6,628,013
Collateralized Amount Above		<u>1,651,072</u>
Carrying Amount - Bank Balances	\$	8,279,085
Less: Outstanding Items		(212,875)
Less: Fiduciary Funds		<u>(161,788)</u>
Total	\$	<u>7,904,422</u>

C. Statutory Authority

School Districts are to adopt local investment policies. The local investment policy must be written; primarily emphasize the safety of principal and liquidity; and address investment diversification, yield, maturity, and the quality and capability of investment management. Each District should customize its policies to meet board and administrative objectives as defined. Districts should review their investment policies and investment strategies annually.

Section 440.1(c) of the Pennsylvania School Code authorizes the types of investments school districts may have are as follows:

- United States Treasury bills
- Short-term obligations of the United States Government or its agencies or instrumentalities. *Short-term obligations* usually refer to investments of less than 13 months.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - The Federal Deposit Insurance Corporation (FDIC), or
 - The Federal Savings and Loan Insurance Corporation, or
 - The National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. *Full faith and credit* means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddie-Mac (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
 - Only investments of that company are in the authorized investments for school district funds listed in the categories above and repurchase agreements fully collateralized by such investments
 - The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds)
 - The investment company is rated in the highest category by a nationally recognized rating agency. This classification includes pooled investments such as the

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government
Investment Trust, and the Pennsylvania State Treasurer's Invest Program

NOTE 4 – TAXES

A. Property Taxes

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the District.

The schedule for property taxes levied for 2019-2020 is as follows:

July 1, 2019 - tax levy date
Through August 31, 2019 - 2% discount period
Through October 31, 2019 - face payment period
Beginning November 1, 2019 - 10% penalty period
January 10, 2020 - lien date

The District tax rate for all purposes in 2019-2020 was 12.5052 mills (\$12.51 per \$1,000 assessed valuation). Collections for the 2019-2020 year were \$6,217,141.

As of June 30, 2020, property taxes receivable by the District includes uncollected taxes assessed as of July 1, 2019 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

B. Income Taxes

The School District levied a vote continuing tax of 0.50% for general operations on the income of residents. Employers within the School District who employ School District residents are required to withhold income tax on compensation and remit the tax to the local tax collector. Taxpayers are required to file an annual return. The collector makes periodic distributions to the District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 57,429	\$ 0	\$ 0	\$ 57,429
Construction in Progress	<u>1,561,445</u>	<u>0</u>	<u>(1,561,445)</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 1,618,874</u>	<u>\$ 0</u>	<u>\$ (1,561,445)</u>	<u>\$ 57,429</u>
Capital assets, being depreciated:				
Site Improvements	\$ 1,757,415	\$ 28,780	\$ 0	\$ 1,786,195
Building and Building Improvements	23,792,476	4,219,889	0	28,012,365
Furniture and Equipment	<u>3,177,897</u>	<u>353,587</u>	<u>0</u>	<u>3,531,484</u>
Total Capital assets, being depreciated	<u>\$ 28,727,788</u>	<u>\$ 4,602,256</u>	<u>\$ 0</u>	<u>\$ 33,330,044</u>
Accumulated depreciation for:				
Site Improvements	\$ (1,026,369)	\$ (87,111)	\$ 0	\$ (1,113,480)
Building and Building Improvements	(17,586,459)	(716,236)	0	(18,302,695)
Furniture and Equipment	<u>(2,090,922)</u>	<u>(152,511)</u>	<u>0</u>	<u>(2,243,433)</u>
Total Accumulated depreciation	<u>\$(20,703,750)</u>	<u>\$ (955,858)</u>	<u>\$ 0</u>	<u>\$(21,659,608)</u>
Total Capital assets, being depreciated, net	<u>\$ 8,024,038</u>	<u>\$ 3,646,398</u>	<u>\$ 0</u>	<u>\$ 11,670,436</u>
Governmental activities capital assets, net:	<u>\$ 9,642,912</u>	<u>\$ 3,646,398</u>	<u>\$ (1,561,445)</u>	<u>\$ 11,727,865</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and Equipment	\$ 519,804	\$ 7,650	\$ 0	\$ 527,454
Total capital assets, being depreciated	<u>\$ 519,804</u>	<u>\$ 7,650</u>	<u>\$ 0</u>	<u>\$ 527,454</u>
Accumulated depreciation for:				
Furniture and Equipment	\$ (363,905)	\$ (20,218)	\$ 0	\$ (384,123)
Total accumulated depreciation	<u>\$ (363,905)</u>	<u>\$ (20,218)</u>	<u>\$ 0</u>	<u>\$ (384,123)</u>
Total Capital assets, being depreciated, net	<u>\$ 155,899</u>	<u>\$ (12,568)</u>	<u>\$ 0</u>	<u>\$ 143,331</u>
Business-type activities capital assets, net:	<u>\$ 155,899</u>	<u>\$ (12,568)</u>	<u>\$ 0</u>	<u>\$ 143,331</u>
Total Governmental and Business-type activities, net	<u>\$ 9,798,811</u>	<u>\$ 3,633,830</u>	<u>\$ (1,561,445)</u>	<u>\$ 11,871,196</u>

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions of the District as follows:

Governmental Activities:

Instruction:	
Regular Instruction	597,985
Support Services:	
Administration	162,589
Operation of Plant and Maintenance Services	100,821
Student Transportation Services	68,832
Unallocated	<u>25,631</u>
Total Depreciation Expense, Governmental Activities:	<u>\$ 955,858</u>

Business-Type Activities:

Food Services	
Total Depreciation Expense, Business-Type Activities:	<u>\$ 20,218</u>
Total Depreciation Expense, Governmental and Business-Type Activities:	<u>\$ 976,076</u>

NOTE 6 – RISK MANAGEMENT

Fort Cherry School District is a member of the Allegheny County Health Consortium (The Consortium) for Health Insurance. This Consortium was formed in 1987 in order to purchase health benefits on behalf of participating public school districts in Pennsylvania. The School District pays an annual premium to the Consortium for its health and medical insurance coverage. The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. Additionally, during the fiscal year of 2005, the Consortium designated a portion of the net assets for rate stabilization and catastrophic claims. The Net Assets Designated for rate stabilization were \$32,733,000 as of June 30, 2020, while the Net Assets Designated for Catastrophic Claims was \$24,550,000.

The School District’s agreement permits withdrawal from the Consortium only as of the last day of a fiscal year and after having given all participating entities and the Trustees written notice by April 30th of such fiscal year. If Fort Cherry School District were to withdraw, the School District would be entitled to receive a prorata share of the net assets or would be required to reimburse the Consortium for their prorata share of any deficiency in net assets.

The Consortium fund balance attributable to Fort Cherry School District was \$357,314 as of June 30, 2020 (audited), and at this time Fort Cherry School District has no plans to withdraw from the Consortium. The financial statements of the Consortium for the year ended June 30, 2020 are on file with Fort Cherry School District.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

NOTE 7 – PENSION PLAN

Public School Employees' Retirement System (PSERS)

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 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 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 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.

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

Contributions

Member Contributions

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

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

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

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

Employer Contributions

The school districts' contractually required contribution rate for the 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 accrued liability. Contributions to the pension plan from the District were \$2,637,219 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$25,263,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's 1-year reported covered payroll as it related to the total 1-year reported covered payroll. At June 30, 2019, the District's proportion was 0.0540%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,226,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 140,001	\$ 837,000
Changes in assumptions	241,000	0
Net difference between projected and actual investment earnings	0	72,000
Changes in proportions	0	1,213,000
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	<u>2,637,219</u>	<u>0</u>
Total	<u><u>\$ 3,018,220</u></u>	<u><u>\$ 2,122,000</u></u>

The District reported \$2,637,219 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30:	
2020	\$ (402,000)
2021	(964,000)
2022	(419,000)
2023	<u>45,000</u>
TOTAL	<u><u>\$ (1,740,000)</u></u>

Actuarial Assumptions

The total pension liability at June 30, 2019 was determined by rolling forward the System's total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2019
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

FORT CHERRY SCHOOL DISTRICT
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The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
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>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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 the Net Pension Liability to changes in the discount rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School District's proportionate

FORT CHERRY SCHOOL DISTRICT
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share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of net pension liability	\$ 31,467,000	\$ 25,263,000	\$ 20,009,000

Plan Fiduciary Net Position

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

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 8,650,000	\$ 0	\$ (185,000)	\$ 8,465,000	\$ 195,000
	\$ 8,650,000	\$ 0	\$ (185,000)	\$ 8,465,000	\$ 195,000
Compensated Absences Payable	418,204	31,985	0	450,189	0
Net Pension Liability	25,410,123	0	(1,112,453)	24,297,670	2,536,448
Other Post Emp Benefit Obligation payable	<u>4,599,679</u>	<u>354,260</u>	<u>0</u>	<u>4,953,939</u>	<u>0</u>
Total governmental activity long-term liabilities	<u>\$ 39,078,006</u>	<u>\$ 386,245</u>	<u>\$ (1,297,453)</u>	<u>\$ 38,166,798</u>	<u>\$ 2,731,448</u>
Business-Type Activities:					
Net Pension Liability	\$ 1,184,877	\$ 0	\$ (219,547)	\$ 965,330	\$ 100,771
Compensated Absences Payable	<u>18,012</u>	<u>4,788</u>	<u>0</u>	<u>22,800</u>	<u>0</u>
Total Business-type activities long-term liabilities	<u>\$ 1,202,889</u>	<u>\$ 4,788</u>	<u>\$ (219,547)</u>	<u>\$ 988,130</u>	<u>\$ 100,771</u>

Payments on general obligation bonds are made by the General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2020, including interest payments, are as follows:

FORT CHERRY SCHOOL DISTRICT
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Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	195,000	236,225	431,225
2022	195,000	232,325	427,325
2023	200,000	228,375	428,375
2024	205,000	224,325	429,325
2025	210,000	220,175	430,175
2026-2030	1,105,000	1,035,213	2,140,213
2031-2035	1,245,000	893,206	2,138,206
2036-2040	1,450,000	695,197	2,145,197
2041-2045	1,685,000	456,172	2,141,172
2046-2050	1,975,000	164,693	2,139,693
Total	<u>\$ 8,465,000</u>	<u>\$ 4,385,906</u>	<u>\$ 12,850,906</u>

General obligation bonds payable at June 30, 2020 with their outstanding balance are as follows:

\$3,305,000 general obligation refunding bonds, due in annual installments of \$40,000 to \$250,000, beginning December 1, 2016 through December 1, 2033, interest from 2.00 to 3.00%	\$ 2,985,000
\$5,485,000 general obligation refunding bonds, due in annual installments of \$5,000 to \$420,000, beginning December 1, 2019 through December 1, 2050, interest from 2.00 to 3.25%	<u>5,480,000</u>
	<u>\$ 8,465,000</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund transfers made during the year ended June 30, 2020 were as follows:

	Transfer From	Transfer To
Proprietary Fund	\$ 0	\$ 199,700
General Fund	<u>199,700</u>	<u>0</u>
	<u>\$ 199,700</u>	<u>\$ 199,700</u>

Interfund transfers were made to fulfill a portion of all current interfund payables.

NOTE 10 – CONTINGENCIES

A. Litigation

The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

B. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms

FORT CHERRY SCHOOL DISTRICT
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and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

NOTE 11 – SCHOOL DISTRICT OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Teachers and administrators who are fifty (50) years of age or older and who have completed thirty (30) years of credited service with PSERS qualify for participation in the Early Retirement Incentive Program. During the period between retirement and attaining age 65, the eligible retired employee may continue participation in the District’s hospitalization program, with the District paying up to \$650 (\$600 for administrators) per month and the retired employee paying the remainder of the premium.

Support personnel retiring prior to being Medicare eligible shall have the right to remain in the medical insurance group, at no cost to the District, until such time as they become eligible for Medicare benefits.

Membership in the plan consisted of the following at June 30, 2020, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	13
Active plan members	<u>121</u>
Total	<u><u>134</u></u>

The OPEB liability is calculated as follows:

	Total OPEB Liability
Balance at 6/30/2019	<u>\$3,444,679</u>
Changes for the year:	
Interest	\$ 121,892
Service cost	88,453
Changes in Assumptions	0
Differences between expected and actual experience	251,900
Benefit payments	<u>(100,985)</u>
Net changes	<u>\$ 361,260</u>
Balance at 6/30/2020	<u><u>\$3,805,939</u></u>

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability to the District as well as the total OPEB liability using a discount rate that 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 4,148,211	\$ 3,805,939	\$ 3,496,074

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following is the total OPEB liability to the District as well as the total OPEB liability using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 3,356,603	\$ 3,805,939	\$ 4,339,026

Actuarial assumptions used were as follows:

- Cost Method:** Entry age normal as a level percentage of pay
- Medical Inflation Rate:** 3% increase in the first year (actual), 6% in the 2nd year, decreasing by 0.5% per year to an ultimate rate of 5%
- Asset Valuation Method:** Market Value
- Inflation:** 2.60%
- Wage Inflation:** 3%
- Salary Increase:** 3%, average, including inflation
- Long-term Investment**
- rate of return:** 2.21% (6/30/2020 Bond Buyer Index AA)
3.50% (6/30/2019 Bond Buyer Index AA)
- Retirement Age:** Earlier of age 57 and 30 years of service or age 62 and 20 years of service
- Mortality:** RP-2000 Combined Healthy Annuitants Mortality Table with generational projection using Scale BB

The OPEB expense for the fiscal year ended June 30, 2020 was:

Service Cost	\$ 88,453
Interest on Total OPEB Liability	121,892
Recognition of Assumption Changes	(21,867)
Recognition of Experience Changes	71,306
Total GASB 75 OPEB Expense recognized	\$ 259,784

FORT CHERRY SCHOOL DISTRICT
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At June 30, 2020, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 736,341	\$ 119,182
Change of Assumptions	0	179,067
TOTAL	\$ 736,341	\$ 298,249

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

Year Ended June 30		
2021	\$	49,440
2022		49,440
2023		49,440
2024		49,440
2025		49,440
Thereafter		190,893

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS – PSERS

Summary of Significant Accounting Policies

Other Post-employment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

FORT CHERRY SCHOOL DISTRICT
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To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees

Employer Contributions: The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$63,835 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,148,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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was 0.0540%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Districted recognized OPEB expense of \$42,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,000	\$ 0
Changes in assumptions	38,000	34,000
Net difference between projected and actual investment earnings	2,000	0
Changes in proportion	0	71,999
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
	\$ 46,000	\$ 105,999

There were no amounts reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (14,000)
2021	\$ (14,000)
2022	\$ (14,000)
2023	\$ (14,000)
2024	\$ (4,000)
Thereafter	\$ 0

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2017
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables were used with age set back 7 years for males and 3 years for females. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

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

FORT CHERRY SCHOOL DISTRICT
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YEAR ENDING JUNE 30, 2020

The above schedule was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

E. Discount rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79%, 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.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 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. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	Dollar Amounts in Thousands		
	Current		
	1% Decrease	Trend Rate	1% Increase
System net OPEB liability	\$ 2,126,515	\$ 2,126,842	\$ 2,127,106

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2020

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 1,149,000	\$ 1,308,000	\$ 1,016,000

OPEB plan fiduciary net position

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

NOTE 13 – RECENT/FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, *Omnibus 2020*, is effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is effective for reporting periods beginning after June 15, 2020. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of IBOR.

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-private partnership arrangements (PPPs).

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No.*

FORT CHERRY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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32, is effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The effects of implementing GASB Statements No. 91-97 on the District's financial statements have not yet been determined.

NOTE 14 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The School District cannot reasonably estimate the length or severity of this pandemic, but this matter could negatively impact our business, results of operations, and financial position.

The School District evaluated its June 30, 2020 financial statements for subsequent events through the date of the Independent Auditor's Report, the date the statements were available to be issued. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FORT CHERRY SCHOOL DISTRICT

**SCHEDULE OF THE CHANGE IN THE DISTRICT'S NET OPEB LIABILITY AND
RELATED RATIOS**

YEAR ENDING JUNE 30, 2020

The schedule below reports the funding progress made by the School District.

	<u>SCHOOL DISTRICT OPEB</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 3,444,679	\$ 2,923,665	\$ 2,998,784
Interest	\$ 121,892	\$ 114,622	\$ 108,716
Service Cost	88,453	82,632	88,383
Changes of benefit terms	0	0	0
Differences between expected and actual experience	251,900	635,520	(171,378)
Changes in assumptions or other inputs	0	(222,800)	0
Benefit payments	<u>(100,985)</u>	<u>(88,960)</u>	<u>(100,840)</u>
Net change in total OPEB liability	<u>\$ 361,260</u>	<u>\$ 521,014</u>	<u>\$ (75,119)</u>
Total OPEB liability - end of year	<u>\$ 3,805,939</u>	<u>\$ 3,444,679</u>	<u>\$ 2,923,665</u>
Covered payroll	\$ 7,316,797	\$ 6,795,538	\$ 5,698,668
Net OPEB liability as a percentage of covered payroll	52.02%	50.69%	51.30%

The above schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

FORT CHERRY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PUBLIC
SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) NET OPEB LIABILITY**

YEAR ENDING JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the PSERS' Net OPEB Liability (Asset)	0.0540%	0.0554%	0.0580%
District's Proportionate Share of the PSERS' Net OPEB Liability (Asset)	\$ 1,148,000	\$ 1,155,000	\$ 1,182,000
District's Covered-Employee Payroll	\$ 7,447,356	\$ 7,461,954	\$ 7,719,493
District's Proportionate Share of the PSERS' Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	15.41%	15.48%	15.31%
PSERS' Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.56%	5.73%

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.

FORT CHERRY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
PREMIUM ASSISTANCE**

YEAR ENDING JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 63,835	\$ 62,224	\$ 61,708
Contributions in Relation to			
Contractually Required Contribution	<u>(63,835)</u>	<u>(62,224)</u>	<u>(61,708)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's Covered Employee Payroll	7,447,356	7,461,954	7,719,493
Contribution as a Percentage			
of Covered Employee Payroll	0.86%	0.83%	0.80%

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.

FORT CHERRY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

YEAR ENDING JUNE 30, 2020

The schedule below reports the School District's proportionate share of the net pension liability.

The Public School Employees' Retirement System
Last 10 Fiscal Years (As of years ended 6/30)

	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0540%	0.0554%	0.0580%	0.0586%	0.0586%	0.0585%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 25,263,000	\$ 26,595,000	\$ 28,645,000	\$ 29,040,000	\$ 25,383,000	\$ 23,154,999
District's Covered-Employee Payroll	\$ 7,447,356	\$ 7,461,954	\$ 7,719,493	\$ 7,590,418	\$ 7,537,585	\$ 7,470,092
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	339.22%	356.41%	371.07%	382.59%	336.75%	309.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

The amounts presented for each fiscal year are determined as of the calendar year-end that occurred within the fiscal year. This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

FORT CHERRY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

YEAR ENDING JUNE 30, 2020

The schedule below reports the School District's annual contributions to the Public School Employees' Retirement System as of the June 30 year end.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 2,637,219	\$ 2,506,199	\$ 2,421,469	\$ 2,330,622	\$ 1,996,923	\$ 1,633,347
Contributions in Relation to						
Contractually Required Contribution	<u>(2,637,219)</u>	<u>(2,506,199)</u>	<u>(2,421,469)</u>	<u>(2,330,622)</u>	<u>(1,996,923)</u>	<u>(1,633,347)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 7,447,356	\$ 7,461,954	\$ 7,719,493	\$ 7,590,418	\$ 7,537,585	\$ 7,470,092
Contribution as a Percentage of Covered Employee Payroll	35.41%	33.59%	31.37%	30.70%	26.49%	21.87%

This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

FORT CHERRY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDING JUNE 30, 2019

NOTE 1 – FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATIONS

A. District's Other Postemployment Benefits Other Than Pension Benefits (OPEBs)

Changes of benefit terms

There were no changes of benefit terms for the year ended June 30, 2020.

Changes of assumptions

Long-term investment rate of return changed to 2.21%.

B. PSERS Pension Benefits

Changes of benefit terms

There were no changes of benefit terms for the year ended June 30, 2020.

Changes of assumptions

The valuation date was changed to June 30, 2019.

C. PSERS Postemployment Benefits Other Than Pension Benefits (OPEBs)

Changes of benefit terms

There were no changes of benefit terms for the year ended June 30, 2020.

Changes of assumptions

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.