



# KEYSTONE OAKS SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

ANNUAL FINANCIAL REPORT  
SCHOOL YEAR ENDED JUNE 30, 2017



**Cypher & Cypher**

Accountants | Auditors | Advisors

KEYSTONE OAKS SCHOOL DISTRICT

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## Independent Auditor's Report

Keystone Oaks School District  
Pittsburgh, Pennsylvania

Ladies and Gentlemen:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Keystone Oaks School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Keystone Oaks School District as of June 30, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Information***

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of Keystone Oaks School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Keystone Oaks School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keystone Oaks School District’s internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in black ink that reads "Cypher & Cypher". The script is cursive and fluid, with the ampersand being a stylized, central element.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 3, 2017

# Management's Discussion and Analysis

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

It is management's privilege to present the financial status of Keystone Oaks School District. The discussion and analysis of the School District's financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2017 and a comparison to the financial activities for the prior year. Readers should also review the notes to the basic financial statements and financial statements to develop a better understanding of the School District's financial performance.

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

**Financial Highlights**

The School District's general fund received 72 % of its funding from local sources, 26 % from state sources, and 2 % from federal sources. Real estate tax receipts continue to be the primary source of revenue for the general fund. Earned income tax is the second most significant local revenue source funding general operations and it has increased modestly over the past few years.

Local Revenue sources such as real estate tax, real estate transfer tax, earned income tax and delinquent real estate tax are very difficult taxes to predict. Real estate tax can fluctuate by assessment changes and in a reassessment year, as in this year, are extremely difficult to predict with constant changes from the appeal process. This process will take multiple years before the district assessments and appeals are finalized. The taxable collection rate was set at 96% which is historically collected by the district.

The other local revenues as stated vary widely from year to year because these taxes are a result of properties changing hands, the fluctuation of earnings of taxpayers in the district and the uncertainty of delinquent real estate tax collection of which the School District has no control. The School District budgets for these local incomes are calculated on conservative basis.

Expenditures in the general fund decreased by \$95,795 compared to the 2015/2016 school year, while revenues in the general fund increased by \$1,001,479 compared to the 2015/2016 school year. The School District completed the 2016/2017 fiscal year with a \$7,833,502 general fund balance. This is a \$2,028,139 increase over the previous year's ending balance.



**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Using the Annual Financial Report**

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Keystone Oaks School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

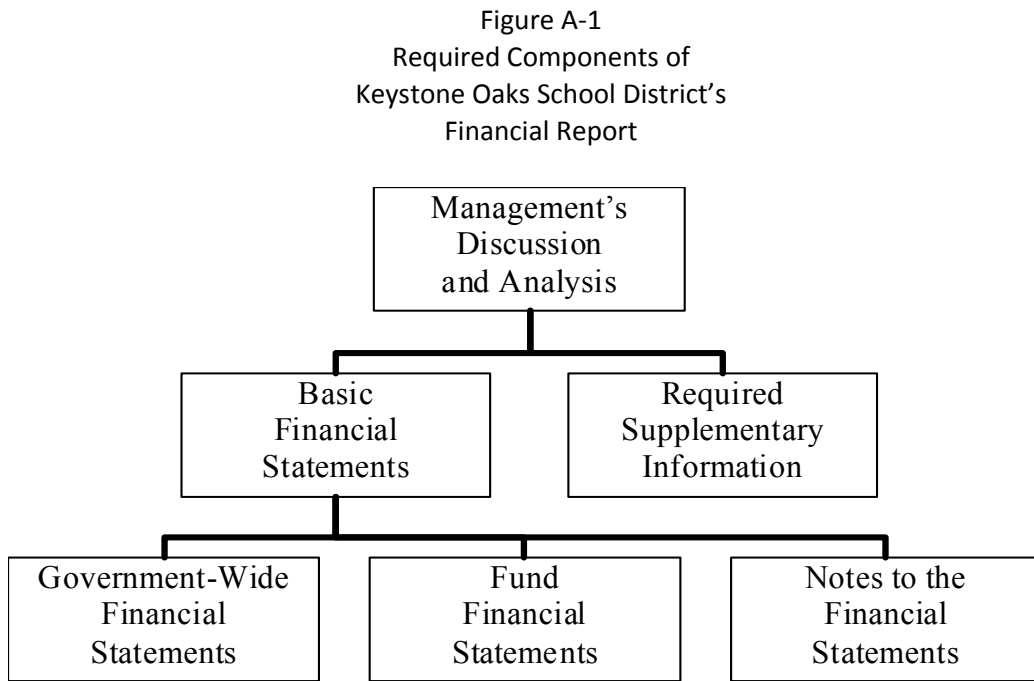


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Overview of Financial Statements (Cont'd)**

Figure A-2  
Major Features of Keystone Oaks School District's  
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
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 fund net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources Focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Overview of Financial Statements (Cont'd)**

Government-Wide Statements

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

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

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

In order to assess the overall financial health of the School District, you need also consider non-financial factors, such as changes in the School District's property tax base and the performance of its students.

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

- **Governmental Activities** - All basic services (instruction, administration and community services) are included here. Property, occupation, earned income taxes and state and federal subsidies finance most of these activities.
- **Business-Type Activities** - The food service operation is a contracted service and costs are covered through fees charged to staff, students and visitors.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole.

*Governmental funds* - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using the modified accrual accounting method that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it 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 School District's programs.

*Proprietary funds* - These funds are used to account for the School District activities that are similar to business operations in the private sector. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Overview of Financial Statements (Cont'd)**

Fund Financial Statements (Cont'd)

Other funds reported by the School District include:

*Agency fund* - This fund represents the School District's student activity funds.

*Special revenue funds* - This fund represents the capital reserve fund. This fund is considered a nonmajor governmental fund.

*Debt service fund* - Accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

**Financial Analysis of the School District as a Whole**

The statement of net position provides the perspective of the School District as a whole. Much of the change in this statement is a result of payment of debt and completion of capital projects.

Table A-1  
Years Ended June 30, 2017 and 2016  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and Other Assets	\$ 12,626,003	\$ 12,950,342	\$ 430,098	\$ 444,753	\$ 13,056,101	\$ 13,395,095
Non Current Assets	40,484,370	39,491,257	134,460	107,304	40,618,830	39,598,561
Deferred Outflows	5,680,297	12,723,358			5,680,297	12,723,358
<b>Total Assets</b>	<b>58,790,670</b>	<b>65,164,957</b>	<b>564,558</b>	<b>552,057</b>	<b>59,355,228</b>	<b>65,717,014</b>
Current and Other Liabilities	8,948,998	9,054,381	7,792	29,036	8,956,790	9,083,417
Non Current Liabilities	78,698,238	81,770,936			78,698,238	81,770,936
Deferred Inflows	337,880	548,430	18,763	26,578	356,643	575,008
<b>Total Liabilities</b>	<b>87,985,116</b>	<b>91,373,747</b>	<b>26,555</b>	<b>55,614</b>	<b>88,011,671</b>	<b>91,429,361</b>
Net Investment in Capital Assets	10,669,271	13,594,523	134,460	107,304	10,803,731	13,701,827
Restricted	3,991,903	2,819,767	271,869	271,624	4,263,772	3,091,391
Unrestricted	(43,855,620)	(42,623,080)	131,674	117,515	(43,723,946)	(42,505,565)
<b>Total Net Position</b>	<b>\$ (29,194,446)</b>	<b>\$ (26,208,790)</b>	<b>\$ 538,003</b>	<b>\$ 496,443</b>	<b>\$ (28,656,443)</b>	<b>\$ (25,712,347)</b>

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-2  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program Revenues:						
Charges for Services	\$ 402,646	\$ 369,577	\$ 477,844	\$ 404,255	\$ 880,490	\$ 773,832
Operating Grants and Contributions	6,323,331	6,674,180	548,031	559,340	6,871,362	7,233,520
General Revenues:						
Property Taxes	24,894,477	25,673,928			24,894,477	25,673,928
Other Taxes	3,465,246	3,424,040			3,465,246	3,424,040
Grants Subsidies and Contributions	4,782,796	4,638,928			4,782,796	4,638,928
Other	68,700	210,077	2,878	18,815	71,578	228,892
	<u>39,937,196</u>	<u>40,990,730</u>	<u>1,028,753</u>	<u>982,410</u>	<u>40,965,949</u>	<u>41,973,140</u>
Expenditures:						
Depreciation	1,736,687	1,660,598			1,736,687	1,660,598
Instruction	22,693,566	21,784,634			22,693,566	21,784,634
Instructional Student Support	2,285,587	2,147,864			2,285,587	2,147,864
Administrative and Financial Support	3,863,949	3,760,064			3,863,949	3,760,064
Operation and Maintenance of Plant	4,198,008	4,832,159			4,198,008	4,832,159
Pupil Transportation	2,271,105	1,989,275			2,271,105	1,989,275
Student Activities	1,066,076	1,065,478			1,066,076	1,065,478
Community Services	23,492	19,072			23,492	19,072
Debt Service	613,792	731,503			613,792	731,503
Food Service			1,053,091	1,022,769	1,053,091	1,022,769
Other	1,164	14,427	218,205	1,201	219,369	15,628
	<u>38,753,426</u>	<u>38,005,074</u>	<u>1,271,296</u>	<u>1,023,970</u>	<u>40,024,722</u>	<u>39,029,044</u>
Change in Net Position	<u>\$ 1,183,770</u>	<u>\$ 2,985,656</u>	<u>\$ (242,543)</u>	<u>\$ (41,560)</u>	<u>\$ 941,227</u>	<u>\$ 2,944,096</u>

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-3 shows the School District's largest functions - instruction, instructional support, administration and financial support, operation and maintenance, pupil transportation, student activities, community services and interest on long-term debt at net cost for governmental activities only.

Table A-3  
Years Ended June 30, 2017 and 2016  
Governmental Activities

Function/Programs	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2016	2017	Change 2016-2017	2016	2017	Change 2016-2017
Depreciation - Unallocated	\$ 1,736,687	\$ 1,660,598	0.0%	\$ 1,736,687	\$ 1,660,598	0.0%
Instruction	22,693,566	21,784,634	-4.0%	18,296,477	16,924,469	-7.5%
Instructional Student Support	2,285,587	2,147,864	-6.0%	1,194,748	1,004,988	-15.9%
Administrative and Financial Support	3,863,949	3,760,064	-2.7%	3,639,556	3,526,530	-3.1%
Operation and Maintenance of Plant	4,198,008	4,832,159	15.1%	3,994,566	4,769,777	19.4%
Pupil Transportation	2,271,105	1,989,275	-12.4%	1,707,183	1,391,532	-18.5%
Student Activities	1,066,076	1,065,478	-0.1%	920,960	914,337	-0.7%
Scholarships and Awards	23,492	19,072	-18.8%	23,492	16,142	-31.3%
Debt Service - Principal & Interest	613,792	731,503	19.2%	512,616	738,517	44.1%
<b>Total Governmental Activities</b>	<b>\$ 38,752,262</b>	<b>\$ 37,990,647</b>	<b>-2.0%</b>	<b>\$ 32,026,285</b>	<b>\$ 30,946,890</b>	<b>-3.4%</b>
Less: Unrestricted Grants, Subsidies and Unrestricted Contributions				(4,782,796)	(4,638,928)	
<b>Total Needs from Local Taxes and Other Revenues</b>				<b>\$ 27,243,489</b>	<b>\$ 26,307,962</b>	

The following table reflects the Food Service Program, the District's only business type activity.

Table A-4  
Years Ended June 30, 2017  
Business-Type Activities

Function/Programs	Total Cost of Service	Net Cost of Service
Food Service	\$ 1,022,769	\$ 59,174

**Keystone Oaks School District  
Management's Discussion and Analysis  
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**School District Funds**

General Fund Budget

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is included in the financial statements.

An overview of variances is included in this Management's Discussion and Analysis.

**Capital Assets and Debt Administration**

Capital Assets

Table A-5 compares capital assets for the fiscal years June 30, 2017 and 2016, respectively.

Table A-5  
Governmental Activities  
Capital Assets - Net of Depreciation

	2017	2016
<b>Governmental Activities</b>		
Land	\$ 1,355,020	\$ 1,355,020
Land Improvements	5,006,823	5,339,182
Buildings and Improvements	29,575,956	29,951,895
Furniture and Equipment	342,836	198,960
Construction in Progress	<u>-0-</u>	<u>-0-</u>
	<u>\$36,280,635</u>	<u>\$36,845,057</u>
<b>Business-Type Activities</b>		
Furniture and Equipment	<u>\$ 107,304</u>	<u>\$ 134,460</u>



**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

Debt Administration

Table A-6 demonstrates the reduction/addition in outstanding debt for the fiscal year.

Table A-6  
Outstanding Debt

General Obligation Bonds	As of 06/30/17	As of 06/30/16
Series of 2013	\$ 9,425,000	\$ 9,430,000
Series of 2013A	2,935,000	3,280,000
Series of 2014A	410,000	655,000
Series of 2014B	-0-	3,025,000
Series of 2014C	7,925,000	8,160,000
Series of 2015	4,880,000	4,960,000
Series of 2016	288,750	-0-
	<u>\$ 25,863,750</u>	<u>\$ 29,510,000</u>

**Economic Factors and Next Year's Budgets and Rates**

The School District does not expect significant growth given the lack of real estate available for development but there are a few major projects in development stages. There is development planned by all three boroughs that would impact future growth and development. The City Vista Apartment Project in Greentree Borough is already completed. Dormont Borough has a potential project to revitalize an area between Potomac Avenue and West Liberty Avenue. Castle Shannon Borough is proceeding with Shannon Transit Village a \$35 million project and Ellison Place Townhouses is another possible project.

Future economic factors that will impact the district are Pennsylvania Public School Employees Retirement System (PSERS) as all Pennsylvania district's employer rates are increasing at an alarming rate. The employer rates were 8.64% in 2011-2012, 12.36% 2012-2013, 16.93% in 2013-2014, 21.40% in 2014-2015, 25.84% in 2015-2016, 30.03% in 2016-2017, and future annual rates will be 32.57% in 2017-2018, 34.18% in 2018-2019, 35.62% in 2019-2020, 36.13% in 2020-2021, and 36.56% in 2021-2022. These increases will strain all Pennsylvania school districts. Medical Insurance is increasing 1.9% in the coming year but could be much worse if the district was not a member of the Allegheny County Health Insurance Consortium that is setup through Allegheny Intermediate Unit. There is an ongoing situation between Highmark and UPMC that could have an impact on rates for health insurance. Allegheny County implemented reassessment of all properties in calendar year beginning January 1, 2013. This is a major undertaking for Allegheny County School Districts and will have assessment appeals and values changing for the next few years. The values continue to change as there is approximately \$180,000,000 in assessed value still in assessment cases. The assessment directly impacts real estate

**Keystone Oaks School District  
Management's Discussion and Analysis  
June 30, 2017**

taxes and school districts adjusted the millage rate down with assessment increases. Keystone Oaks adjusted the rates from 22.03 to 18.05 based on increased reassessments from the county. The Pennsylvania state law Act 1 of 2006 does not allow school districts a windfall on real estate tax income and the tax dollar amount in the subsequent year must be the same as the current fiscal year.

In June 2012, The School Board adopted a Capital Reserve Plan for the next five (5) years on many needed improvements with facilities and grounds throughout the district. The major items are deteriorating parking lots at all schools in the district, HVAC systems, lighting and fixtures throughout the district, Dormont Stadium turf will need replaced and all roofs nearing useful life expectancy. These parking lots will be costly as most need totally replaced.

Lastly, the district will have three more bond issues that can be refinanced in the near future and with the current economic market's favorable borrowing interest rates can save the district a substantial amount of money. Bond refinancing savings are approximately \$1,000,000 that will be saved over the next nine year period. At this time, debt service payments will be paid through fiscal year 2023.

The comparison of revenue and expenditure categories is as follows:

Table A-7

	Budgeted Revenues 2016/2017	Actual Revenues 2016/2017
Local	71.2%	72.4%
State	26.7%	26.1%
Federal	2.1%	1.5%
	Budgeted Expenditures 2016/2017	Actual Expenditures 2016/2017
Instruction	53.3%	53.7%
Support Services	32.6%	30.2%
Noninstructional	2.5%	2.7%
Fund Transfers/Debt/Other	11.6%	13.4%

**Contacting the School District Financial Management**

Keystone Oaks School District's financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to demonstrate the Board's accountability for the money it received. If you have any questions about this report or wish to request additional financial information, please contact Keystone Oaks School District, 1000 Kelton Avenue, Pittsburgh, PA 15216, 412-571-6000.

# Basic Financial Statements

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,199,634	\$ 741,172	\$ 3,940,806
Investments	5,542,115	885,203	6,427,318
Taxes Receivable (net)	711,286		711,286
Internal Balances	1,281,497	(1,281,497)	
State Revenue Receivable	1,484,252	3,908	1,488,160
Federal Revenue Receivable	98,809	57,126	155,935
Due from Other Governments	319,071		319,071
Other Receivables	193,379	9,808	203,187
Inventories		29,033	29,033
Prepaid Expenses/Expenditures	120,299		120,299
Long Term Receivables	3,210,622		3,210,622
Capital Assets (net)	36,280,635	107,304	36,387,939
<b>TOTAL ASSETS</b>	<b>52,441,599</b>	<b>552,057</b>	<b>52,993,656</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	12,556,942		12,556,942
Deferred Refunding Loss	166,416		166,416
<b>Total Deferred Outflows of Resources</b>	<b>12,723,358</b>		<b>12,723,358</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 65,164,957</b>	<b>\$ 552,057</b>	<b>\$ 65,717,014</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 308,559	\$ 29,036	\$ 337,595
Accrued Salaries and Benefits	2,494,139		2,494,139
Payroll Deductions and Withholdings	1,429,073		1,429,073
Interest Payable	356,360		356,360
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	4,466,250		4,466,250
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	21,596,900		21,596,900
Net Pension Liability	57,842,000		57,842,000
Long-term Portion of Compensated Absences	415,426		415,426
OPEB Obligation	1,916,610		1,916,610
<b>Total Liabilities</b>	<b>90,825,317</b>	<b>29,036</b>	<b>90,854,353</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	482,000		482,000
Unearned Revenue	66,430	26,578	93,008
<b>Total Deferred Inflows of Resources</b>	<b>548,430</b>	<b>26,578</b>	<b>575,008</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,594,523	107,304	13,701,827
Restricted for:			
Capital Projects	218,639		218,639
Designated Purposes	2,601,128		2,601,128
Risk Management		271,624	271,624
Unrestricted	(42,623,080)	117,515	(42,505,565)
<b>TOTAL NET POSITION</b>	<b>(26,208,790)</b>	<b>496,443</b>	<b>(25,712,347)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 65,164,957</b>	<b>\$ 552,057</b>	<b>\$ 65,717,014</b>

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>						
Depreciation - Unallocated	\$ 1,660,598			\$ (1,660,598)		\$ (1,660,598)
Instruction	21,784,634	311,192	4,548,973	(16,924,469)		(16,924,469)
Instructional Student Support	2,147,864		1,142,876	(1,004,988)		(1,004,988)
Administrative and Financial Support	3,760,064		233,534	(3,526,530)		(3,526,530)
Operation and Maintenance of Plant	4,832,159		62,382	(4,769,777)		(4,769,777)
Pupil Transportation	1,989,275		597,743	(1,391,532)		(1,391,532)
Student Activities	1,065,478	58,385	92,756	(914,337)		(914,337)
Community Services	19,072		2,930	(16,142)		(16,142)
Interest on Long-Term Debt	731,503		(7,014)	(738,517)		(738,517)
<b>Total Governmental Activities</b>	<b>37,990,647</b>	<b>369,577</b>	<b>6,674,180</b>	<b>(30,946,890)</b>		<b>(30,946,890)</b>
<b>Business Type Activities</b>						
Food Service	1,022,769	404,255	559,340		(59,174)	(59,174)
Risk Management						
<b>Total Business Type Activities</b>	<b>1,022,769</b>	<b>404,255</b>	<b>559,340</b>		<b>(59,174)</b>	<b>(59,174)</b>
<b>Total Government</b>	<b>\$ 39,013,416</b>	<b>\$ 773,832</b>	<b>\$ 7,233,520</b>	<b>\$ (30,946,890)</b>	<b>\$ (59,174)</b>	<b>\$ (31,006,064)</b>
<b>General Revenues, Special and Extraordinary Items and Transfers</b>						
Taxes						
Property Taxes				25,673,928		25,673,928
Other Taxes				3,424,040		3,424,040
Grants, Subsidies and Contributions, Unrestricted				4,638,928		4,638,928
Investment Earnings				69,278	4,388	73,666
Miscellaneous Income				140,799		140,799
Miscellaneous Expense					(1,201)	(1,201)
Transfers Between Governmental and Business Type Activities				(14,427)	14,427	
<b>Total General Revenues, Special and Extraordinary Items and Transfers</b>				<b>33,932,546</b>	<b>17,614</b>	<b>33,950,160</b>
<b>Change in Net Position</b>				<b>2,985,656</b>	<b>(41,560)</b>	<b>2,944,096</b>
<b>Net Position - Beginning</b>				<b>(29,194,446)</b>	<b>538,003</b>	<b>(28,656,443)</b>
<b>Net Position - Ending</b>				<b>\$ (26,208,790)</b>	<b>\$ 496,443</b>	<b>\$ (25,712,347)</b>

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

KEYSTONE OAKS SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Governmental Funds			Totals
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,877,895	\$ 321,739	\$	\$ 3,199,634
Investments (At Fair Value)	5,542,115			5,542,115
Taxes Receivable (Net)	111,286			111,286
Due From Other Funds	1,384,939			1,384,939
State Revenue Receivable	1,484,252			1,484,252
Federal Revenue Receivable	98,809			98,809
Intergovernmental Receivables	319,071			319,071
Other Receivables (Net)	193,037			193,037
Prepaid Expenditures	120,299			120,299
<b>Total Assets</b>	<b><u>\$ 12,131,703</u></b>	<b><u>\$ 321,739</u></b>	<b><u>\$</u></b>	<b><u>\$ 12,453,442</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Due to Other Funds	\$ 700	\$ 103,100	\$	\$ 103,800
Accounts Payable	307,859			307,859
Accrued Salaries and Benefits	2,494,139			2,494,139
Payroll Deductions and Withholdings	1,429,073			1,429,073
<b>Total Liabilities</b>	<b><u>4,231,771</u></b>	<b><u>103,100</u></b>	<b><u>\$</u></b>	<b><u>4,334,871</u></b>
Deferred Inflows of Resources:				
Unearned Revenue	66,430			66,430
<b>Total Deferred Inflows of Resources</b>	<b><u>66,430</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>66,430</u></b>
Fund Balances:				
Nonspendable:				
Prepaid Expenditures	120,299			120,299
Committed to:				
Capital Projects		218,639		218,639
Employer Retirement Costs	901,128			901,128
Health Insurance Costs	500,000			500,000
Post-Retirement Benefits	1,200,000			1,200,000
Assigned to:				
Athletics	65,997			65,997
Unassigned:	5,046,078			5,046,078
<b>Total Fund Balances</b>	<b><u>7,833,502</u></b>	<b><u>218,639</u></b>	<b><u>\$</u></b>	<b><u>8,052,141</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 12,131,703</u></b>	<b><u>\$ 321,739</u></b>	<b><u>\$</u></b>	<b><u>\$ 12,453,442</u></b>

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

KEYSTONE OAKS SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	8,052,141
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$80,226,515 and the accumulated depreciation is \$43,945,880.		36,280,635
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.		(26,063,150)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.		3,210,622
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.		(356,360)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.		600,000
Deferred Gains and Losses on Refunding of Bonds are not reported in the governmental funds. They constitute deferred inflows and deferred outflows of resources on the Statement of Net Position.		166,416
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(57,842,000)
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 pension of \$12,556,942 =		
\$7,302,000 deferred outflows of resources related to pension expense + \$5,254,942 deferred outflow of 2016/2017 employer contributions related to pensions.		12,556,942
Deferred inflows of resources related to pensions.		(482,000)
Long-term portion of retirement obligations and compensated absences.		<u>(2,332,036)</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(26,208,790)</u></b>

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Funds			Totals
	General	Capital Projects Fund	Debt Service Fund	
<b>Revenues</b>				
Local Sources				
Taxes	\$ 29,097,968	\$	\$	\$ 29,097,968
Other Local Revenues	862,751	20,662		883,413
State Sources	10,803,738			10,803,738
Federal Sources	634,302			634,302
Total Revenues	<u>41,398,759</u>	<u>20,662</u>		<u>41,419,421</u>
<b>Expenditures</b>				
Instruction	21,312,492			21,312,492
Support Services	12,019,905	839,119		12,859,024
Operation Of Non-Instructional Services	1,083,981			1,083,981
Capital Outlay		853,679		853,679
Debt Service				
Principal and Interest	4,821,090		1,301	4,822,391
Total Expenditures	<u>39,237,468</u>	<u>1,692,798</u>	<u>1,301</u>	<u>40,931,567</u>
Excess (Deficiency) of Revenues Over Expenditures	2,161,291	(1,672,136)	(1,301)	487,854
<b>Other Financing Sources (Uses)</b>				
Proceeds from Extended Term Financing	385,000			385,000
Interfund Transfers In		500,000		500,000
Interfund Transfers (Out)	(514,427)			(514,427)
Refund of Prior Year Revenues	(3,725)			(3,725)
Total Other Financing Sources & (Uses)	<u>(133,152)</u>	<u>500,000</u>		<u>366,848</u>
Net Change in Fund Balances	2,028,139	(1,172,136)	(1,301)	854,702
Fund Balances - July 1, 2016	<u>5,805,363</u>	<u>1,390,775</u>	<u>1,301</u>	<u>7,197,439</u>
Fund Balances - June 30, 2017	<u>\$ 7,833,502</u>	<u>\$ 218,639</u>	<u>\$</u>	<u>\$ 8,052,141</u>

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



KEYSTONE OAKS SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	854,702
Depreciation Expense		(1,660,598)
Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		1,096,176
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.		(428,691)
Amortization of bond premiums, discounts, and deferred charges on bonds.		272,115
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable.		(144,046)
Notes payable issued during the current year are reported in the governmental funds as revenues. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(385,000)
In the statement of activities, compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		(296,206)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		4,031,250
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
District pension contributions		2,570,954
Cost of benefits earned net of employee contributions		(2,925,000)
		(354,046)
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>2,985,656</u></b>

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET VS ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
<b>Revenues</b>				
Local Sources				
Taxes	\$ 28,339,424	\$ 28,339,424	\$ 29,097,968	\$ 758,544
Other Local Revenues	535,000	535,000	862,751	327,751
State Sources	10,811,514	10,811,514	10,803,738	(7,776)
Federal Sources	847,073	847,073	634,302	(212,771)
Total Revenues	<u>40,533,011</u>	<u>40,533,011</u>	<u>41,398,759</u>	<u>865,748</u>
<b>Expenditures</b>				
Instruction				
Regular Programs	15,686,889	15,686,889	15,493,414	(193,475)
Special Programs	4,530,609	4,530,609	4,234,344	(296,265)
Vocational Education	528,723	528,723	535,910	7,187
Other Instructional Programs	939,475	939,475	897,927	(41,548)
Adult Education Programs	130,568	130,568	150,897	20,329
Total Instruction	<u>21,816,264</u>	<u>21,816,264</u>	<u>21,312,492</u>	<u>(503,772)</u>
Support Services				
Pupil Personnel	1,230,783	1,230,783	1,232,636	1,853
Instructional Staff	602,727	602,727	595,750	(6,977)
Administration	2,284,478	2,284,478	2,121,758	(162,720)
Pupil Health	522,498	522,498	522,131	(367)
Business	529,858	529,858	398,752	(131,106)
Operation & Maintenance of Plant Services	4,719,767	4,719,767	3,942,552	(777,215)
Student Transportation Services	2,255,170	2,255,170	1,990,240	(264,930)
Central	1,200,280	1,200,280	1,216,086	15,806
Total Support Services	<u>13,345,561</u>	<u>13,345,561</u>	<u>12,019,905</u>	<u>(1,325,656)</u>
Operation of Non-Instructional Services				
Student Activities	1,005,540	1,005,540	1,066,399	60,859
Community Services	34,721	34,721	17,582	(17,139)
Total Non-Instructional Services	<u>1,040,261</u>	<u>1,040,261</u>	<u>1,083,981</u>	<u>43,720</u>
Debt Service				
Principal and Interest	4,723,000	4,723,000	4,821,090	98,090
Total Expenditures	<u>40,925,086</u>	<u>40,925,086</u>	<u>39,237,468</u>	<u>(1,687,618)</u>
Excess (Deficiency) of Revenues Over Expenditures	(392,075)	(392,075)	2,161,291	2,553,366
<b>Other Financing Sources (Uses)</b>				
Proceeds from Extended Term Financing			385,000	385,000
Interfund Transfers In				
Interfund Transfers (Out)	(30,000)	(30,000)	(514,427)	(484,427)
Refund of Prior Year Revenues			(3,725)	(3,725)
Total Other Financing Sources & (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(133,152)</u>	<u>(103,152)</u>
Net Change in Fund Balances	(422,075)	(422,075)	2,028,139	2,450,214
Fund Balance - July 1, 2016	<u>5,805,363</u>	<u>5,805,363</u>	<u>5,805,363</u>	
Fund Balance - June 30, 2017	<u>\$ 5,383,288</u>	<u>\$ 5,383,288</u>	<u>\$ 7,833,502</u>	<u>\$ 2,450,214</u>

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2017

	Food Service Fund	Risk Management Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 467,741	\$ 273,431
Investments	885,203	
State Revenue Receivable	3,908	
Federal Revenue Receivable	57,126	
Other Receivables	9,808	
Inventories	29,033	
Total Current Assets	1,452,819	273,431
Noncurrent Assets:		
Food Service Equipment (Net of Depreciation)	107,304	
Total Noncurrent Assets	107,304	
<b>TOTAL ASSETS</b>	<b>\$ 1,560,123</b>	<b>\$ 273,431</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds	\$ 1,281,497	\$
Accounts Payable	27,229	1,807
Total Current Liabilities	1,308,726	1,807
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned Revenue	26,578	
Total Deferred Inflows of Resources	26,578	
<b>NET POSITION</b>		
Net Investment in Capital Assets	107,304	
Restricted for:		
Risk Management		271,624
Unrestricted	117,515	
Total Net Position	224,819	271,624
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 1,560,123</b>	<b>\$ 273,431</b>

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service	Risk Management Fund
<b>Operating Revenues</b>		
Food Service Revenue	\$ 404,255	\$
Total Operating Revenue	404,255	
<b>Operating Expenses</b>		
Personal Services - Salaries	343,759	
Personal Services - Benefits	159,821	
Purchased Professional and Technical Services	205	
Other Purchased Services	5,375	
Supplies	470,856	
Other Objects	110	
Depreciation Expense	42,643	
Total Operating Expenses	1,022,769	
Operating Income (Loss)	(618,514)	
<b>Nonoperating Revenues (Expenses)</b>		
Operating Subsidies		
State Subsidies	87,528	
Federal Subsidies		
Lunch and Breakfast Subsidies	415,099	
Value of Donated Commodities Received	56,713	
Refund of Prior Year Receipts		(1,201)
Earnings on Investments	3,432	956
Total Nonoperating Revenue and Expense	562,772	(245)
Income (Loss) Before Transfers	(55,742)	(245)
Contributions and Transfers		
Transfers from Other Funds	14,427	
Change in Net Position	(41,315)	(245)
Net Position - July 1, 2016	266,134	271,869
Net Position - June 30, 2017	\$ 224,819	\$ 271,624

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service	Risk Management Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 405,890	\$
Cash Payments to Employees for Services	246,561	
Cash Paid to Suppliers for Goods and Services	(389,669)	
Cash Received for Risk Management Activities		1,807
Net Cash Provided (Used) by Operating Activities	262,782	1,807
<b>Cash Flows from Noncapital Financing Activities:</b>		
Grants and Subsidies Received for Non-Operating Activities		
State Subsidies	91,002	
Federal Subsidies	467,509	
Transfer from Other Funds	14,427	
Refund of Prior Year Receipts		(1,201)
Net Cash Provided (Used) by Noncapital Financing Activities	572,938	(1,201)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of Equipment	(15,487)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,487)	
<b>Cash Flows from Investing Activities:</b>		
Earnings on Investments	3,432	956
Withdrawals (Purchases of) from Investment Pools	(443,251)	
Net Cash Provided (Used) by Investing Activities	(439,819)	956
Net Increase (Decrease) in Cash and Equivalents	380,414	1,562
Cash and Cash Equivalents, Beginning of Year	87,327	271,869
Cash and Cash Equivalents, End of Year	\$ 467,741	\$ 273,431
<b>Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities</b>		
Operating Income (Loss)	\$ (618,514)	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	42,643	
Donated Commodities Used	56,713	
Changes in Assets and Liabilities:		
Accounts Receivable	1,635	
Inventories	2,912	
Due to/Due From Other Funds	750,141	
Accounts Payable	19,437	
Other Liabilities		1,807
Unearned Revenues	7,815	
Total Adjustments	881,296	1,807
Net Cash Provided (Used) by Operating Activities	\$ 262,782	\$ 1,807

**Noncash Noncapital Financing Activities:**

During the year, the District received \$56,713 of food commodities from the U.S. Department of Agriculture.

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds Student Activities
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 10,384	\$ 87,896
Due from Other Funds	700	
<b>TOTAL ASSETS</b>	<b>\$ 11,084</b>	<b>\$ 87,896</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds	\$	\$ 342
Accounts Payable	600	
Other Current Liabilities		87,554
Total Liabilities		87,896
<b>NET POSITION</b>		
Unrestricted	10,484	
Total Net Position	10,484	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 11,084</b>	<b>\$ 87,896</b>

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

KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions	\$ 5,050
Interest Income	27
	5,077
Total Additions	5,077
<b>Deductions</b>	
Scholarship Awards	1,600
Other Deductions	34
	1,634
Total Deductions	1,634
Change in Net Position	3,443
Net Position - July 1, 2016	7,041
	10,484
Net Position - June 30, 2017	\$ 10,484

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

# Keystone Oaks School District

## Notes to the Financial Statements

### June 30, 2017

#### Note 1 - Summary of Significant Accounting Policies

The Keystone Oaks School District (the "School District") is located in Allegheny County, Pennsylvania, and provides public education to residents of the Boroughs of Castle Shannon, Dormont, and Green Tree.

##### **A. Reporting Entity**

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

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

The School District is however a participant in a jointly governed organization: Parkway West Career and Technology Center. The Center is not considered part of the reporting entity, as the School District is not financially accountable for the school. See Note 8 for details on operating information about this entity.

##### **B. Basis of Presentation**

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

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

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



## **1. Government-wide Financial Statements**

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

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

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

## **2. Fund Financial Statements**

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

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

## **C. Fund Accounting**

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

### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current

financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Capital Projects Fund are the School District's major governmental funds:

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

**Capital Projects Fund** – The Capital Projects Fund is the School District's construction fund and accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements.

The other governmental fund of the School District, a debt service fund, accounts for other resources whose use is restricted to a particular purpose.

**Debt Service Fund** – The Debt Service Fund accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

## **2. Proprietary Funds**

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

### **Enterprise Fund**

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

### ***Food Service***

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

### **Internal Service Funds**

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

### ***Risk Management***

The Risk Management internal service fund accounts for the financial transactions related to the risk management activities of the School District. This fund is used to account for the potential claims arising from certain torts, thefts, damages, and catastrophic loss of assets, errors and omissions, injury to employees and natural disasters incurred by the School District. The School District uses this fund to accumulate funds to protect against losses for which insurance cannot be obtained by reason of policy limitations or deductibles or uninsurability. See Note 11 for additional details on

the operation of this fund. This fund is the School District's only internal service fund and it is reported as a major fund.

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

### **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

#### ***Agency Funds***

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations.

#### ***Private Purpose Trust Fund***

Scholarship Fund - This is a non-expendable trust fund established to provide income for a continuing scholarship. The basis of accounting for non-expendable trust funds is full accrual.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

### **D. Measurement Focus, Basis of Accounting**

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

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized

in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

## **2. Governmental Fund Financial Statements**

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

## **3. Revenues - Exchange and Nonexchange Transactions**

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

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

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

## **4. Unearned Revenues**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

## **5. Expenses/Expenditures**

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

### **E. Budgetary Process**

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

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

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

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

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

## F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2017, the School District has no encumbrances.

## G. Cash and Investments

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

### Deposits

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

	<b>FDIC Insured</b>	<b>Pooled Collateral</b>	<b>Bank Balance</b>	<b>Carrying Amount</b>
Cash and Deposits	<u>\$ 250,762</u>	<u>\$ 4,134,241</u>	<u>\$ 4,385,003</u>	<u>\$ 4,039,086</u>

### Investments

The District's investments at June 30, 2017 consist of:

	<b>Cost</b>	<b>Fair Value</b>
Pennsylvania Local Government Investment Trust	\$ 6,099,829	\$ 6,099,829
Pennsylvania School District Liquid Asset Fund	155,470	155,470
Pennsylvania Treasurer's Investment Program	<u>172,019</u>	<u>172,019</u>
Total	<u>\$ 6,427,318</u>	<u>\$ 6,427,318</u>

The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust are investment pools. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net position value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

For PSDLAF, internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

For PLGIT, regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis,

evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

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

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

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

#### Investment Risks

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

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

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



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

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

#### *Foreign Currency Risk*

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

### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2017, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

### **I. Interfund Receivables/Payables**

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

### **J. Inventories**

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2017.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2017. The inventory consisted of food supplies and government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2017 are reported as unearned revenue.



## **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

## **L. Long-Term Liabilities**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **M. Estimates**

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

## **N. Fund Balances**

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2017 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

Fund balances in the School District’s general fund totals \$7,833,502 consisting of \$2,601,128 that is committed for employer retirement costs, health insurance costs, and post-retirement benefits, \$120,299 that is nonspendable for prepaid expenditures, \$65,997 that is assigned for athletics, and \$5,046,078 that is unassigned. In addition, \$218,639 is a committed fund balance in the capital projects fund.

## **O. Extraordinary and Special Items**

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

## Note 2 - Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1<sup>st</sup> of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2017 was based on assessed values on January 1, 2016 of \$1,392,999,824. The School District tax rate for the year ended June 30, 2016 was 19.0771 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, and at a 10% penalty until the lien date.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$111,286.

### Note 3 - Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-depreciable assets:				
Land	\$ 1,355,020	\$ -	\$ -	\$ 1,355,020
Depreciable assets				
Land Improvements	10,216,414			10,216,414
Buildings	62,206,848	797,241		63,004,089
Equipment	5,352,057	298,935		5,650,992
Totals at historical cost	<u>79,130,339</u>	<u>1,096,176</u>	<u>-</u>	<u>80,226,515</u>
Less accumulated depreciation for:				
Land Improvements	(4,877,232)	(332,359)		(5,209,591)
Buildings	(32,254,953)	(1,173,180)		(33,428,133)
Equipment	<u>(5,153,097)</u>	<u>(155,059)</u>		<u>(5,308,156)</u>
Total accumulated depreciation	<u>(42,285,282)</u>	<u>(1,660,598)</u>	<u>-</u>	<u>(43,945,880)</u>
Governmental activities capital assets, net	<u>\$ 36,845,057</u>	<u>\$ (564,422)</u>	<u>\$ -</u>	<u>\$ 36,280,635</u>
<b>Business-type Activities</b>				
Depreciable assets:				
Equipment	\$ 426,335	\$ 15,487	\$ -	\$ 441,822
Totals at historical cost	<u>426,335</u>	<u>15,487</u>	<u>-</u>	<u>441,822</u>
Less accumulated depreciation for:				
Equipment	<u>(291,875)</u>	<u>(42,643)</u>		<u>(334,518)</u>
Total accumulated depreciation	<u>(291,875)</u>	<u>(42,643)</u>	<u>-</u>	<u>(334,518)</u>
Business-type activities capital asset, net	<u>\$ 134,460</u>	<u>\$ (27,156)</u>	<u>\$ -</u>	<u>\$ 107,304</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ -
Support				
Plant				
Transportation				
Unallocated-governmental funds				<u>1,660,598</u>
Total depreciation expense				<u>\$ 1,660,598</u>

In the 2016-2017 school year, building renovations and equipment purchases added \$1,096,176 to the historical cost of governmental activities and \$15,487 to the cost basis of business activities. Depreciation expense for that same time period was \$1,660,598 and \$42,643, resulting in a net book value decrease of \$564,422 and \$27,156 for the governmental activities and business activities, respectively.

## Note 4 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 29,510,000	\$ 385,000	\$ (4,031,250)	\$ 25,863,750	\$ 4,466,250
	29,510,000	385,000	(4,031,250)	25,863,750	4,466,250
Plus net bond premium	590,285		(334,737)	255,548	
Less net bond discount	(68,877)	12,729		(56,148)	
Total bonds, loans and leases payable	30,031,408	397,729	(4,365,987)	26,063,150	4,466,250
Other liabilities:					
Compensated absences	418,189	79,385	(82,148)	415,426	
Pension Liability	50,566,000	11,177,000	(3,901,000)	57,842,000	
OPEB Obligation	1,617,641	1,090,653	(791,684)	1,916,610	-
Total other liabilities	52,601,830	12,347,038	(4,774,832)	60,174,036	-
Governmental activities long-term liabilities	\$ 82,633,238	\$ 12,744,767	\$ (9,140,819)	\$ 86,237,186	\$ 4,466,250

### General Obligation Bonds and Notes

General Obligation Bonds, Series of 2013, issuance amount of \$9,440,000, variable rates from 2.0% to 3.0% with final payment due October 15, 2019.

General Obligation Bonds, Series of 2013A, issuance amount of \$3,950,000, variable rates from 0.5% to 3.0% with final payment due February 15, 2022.

General Obligation Bonds, Series of 2014A, issuance amount of \$970,000, variable rates from 0.25% to 2.0% with final payment due October 15, 2017.

General Obligation Bonds, Series of 2014B, issuance amount of \$6,165,000, variable rates from 0.25% to 2.0% with final payment due September 1, 2016. These bonds were fully repaid as of June 30, 2017.

General Obligation Bonds, Series of 2014C, issuance amount of \$8,375,000, variable rates from 2.0% to 3.0% with final payment due April 15, 2023.

General Obligation Bonds, Series of 2015, issuance amount of \$5,040,000, variable rates from 2.0% to 3.0% with final payment due March 1, 2021.

General Obligation Notes, Series of 2016, issuance amount of \$385,000, interest at the rate of 1.83%% with final payment due March 1, 2020.

The balances remaining on the remaining seven series at June 30, 2017 are:

2013 General Obligation Bonds	\$ 9,425,000
2013A General Obligation Bonds	2,935,000
2014A General Obligation Bonds	410,000
2014C General Obligation Bonds	7,925,000
2015 General Obligation Bonds	4,880,000
2016 General Obligation Notes	<u>288,750</u>
Total General Obligation Bonds and Notes	<u><u>\$ 25,863,750</u></u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,466,250	\$ 683,131	\$ 5,149,381
2019	4,591,250	553,081	5,144,331
2020	4,601,250	439,797	5,041,047
2021	4,560,000	361,813	4,921,813
2022	3,970,000	229,350	4,199,350
2023	<u>3,675,000</u>	<u>110,250</u>	<u>3,785,250</u>
Total	<u><u>\$ 25,863,750</u></u>	<u><u>\$ 2,377,422</u></u>	<u><u>\$ 28,241,172</u></u>

The General Fund is used to liquidate the liability for long-term debt. Interest expense disclosed in the government wide financial statements includes interest paid on long term debt obligations, refund of prior year revenues and unamortized costs related to refunding of debt.

## Note 5 - Pension Plan

### **1. Summary of Significant Accounting Policies**

#### Pensions

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

recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

## ***General Information about the Pension Plan***

### Plan Description

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

### Benefits Provided

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

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

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

## Contributions

### Member Contributions:

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

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

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

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

### Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% 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 \$5,254,942 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$57,842,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.1167 percent, which was the same as its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,638,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:



	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 482,000
Changes in Assumptions	2,088,000	
Net difference between projected and actual investment earnings	3,223,000	
Changes in proportions	1,991,000	
Contributions subsequent to the measurement date	5,254,942	
	<u>\$ 12,556,942</u>	<u>\$ 482,000</u>

\$5,254,942 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 1,702,000
2018	1,702,000
2019	2,203,000
2020	1,214,000

#### Changes in Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were

based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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 a 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	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternate investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<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, 2016.

#### Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 70,745,000	\$ 57,833,000	\$46,983,000

Pension plan fiduciary net position

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

	2017	2016	2015
Total payroll for the year ended	\$ 15,931,763	\$ 15,658,553	\$ 15,634,545
Total covered payroll	15,037,090	14,811,188	14,658,192
Total required retirement expense	4,515,638	3,827,211	3,136,853
Total actual retirement expense	4,515,638	3,827,211	3,136,853
Percentage of required contribution	100%	100%	100%
Contribution percentage actuarially determined	30.03	25.84	21.40

Note 6 - Compensated Absences & Other Post-Employment Benefits

The School District has made early retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement. The payable for declared retirements is recorded as a current liability in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	<u>Sick Day Liability</u>
June 30, 2016 Balance	\$ 418,189
Increases	79,385
Decreases	(82,148)
June 30, 2017 Balance	<u>\$ 415,426</u>

## Note 7 – Other Post Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District's health insurance plan.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The Annual Required Contribution for the year ended June 30, 2017 was not made by the District.

*Funded Status and Funding Progress.* As of July 1, 2015 the actuarial accrued liability for benefits was \$5,431,723.

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>
<u>7/1/2011</u>	<u>\$ -0-</u>	<u>\$ 5,593,844</u>	<u>\$ 5,593,844</u>
<u>7/1/2013</u>	<u>\$ -0-</u>	<u>\$ 5,641,870</u>	<u>\$ 5,641,870</u>
<u>7/1/2015</u>	<u>\$ -0-</u>	<u>\$ 5,431,723</u>	<u>\$ 5,431,723</u>

*Annual Required Contribution.* For the 2016/2017 year, the District's annual required contribution of \$1,389,313 was not made. The required contribution was determined as part of the July 1, 2015 actuarial valuation using the projected unit credit method.

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 1,356,885	71.9%	\$ 845,767
6/30/14	1,444,154	66.4%	1,174,810
6/30/15	1,227,252	74.5%	1,488,255
6/30/16	1,389,313	70.9%	1,617,141
6/30/17	1,389,313	57.0%	1,916,610

2016/2017 Contribution Details

Annual Required Contribution (ARC)	\$ 1,389,313
Interest on NET OPEB Obligation @ 4.00%	64,706
Adjustment to ARC	<u>(363,366)</u>
Annual OPEB Cost	1,090,653
Contributions Made	<u>(791,684)</u>
Estimated Increase in Net OPEB Obligation	298,969
Net OPEB Obligation - Beginning of Year	<u>1,617,641</u>
Net OPEB Obligation - End of Year	<u>\$ 1,916,610</u>

The following assumptions were also made:

*Mortality* – The RP-2014 Total Data Set Mortality Table Projected Using MP-2015.

*Rates of Disablement* – Not assumed.

*Marital Status* – Actual spousal information was utilized for current retirees. For the active population, it was assumed that 50% of employees will have a covered spouse at retirement. Females are assumed to be three years younger than males.

Salary Increase – 3.00%

*Health Care Trend Rates* – 7.0% in the first year, gradually decreasing to an ultimate rate of 4.5%.

Participation – It is assumed that 100% of eligible teachers and administrators will participate in the retiree medical program.

Note 8 - Jointly Governed Organizations

The School District is one of twelve member school districts of the Parkway West Career & Technology Center. The Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of the Center’s operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of The Center. The School District’s share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

Note 9- Commitments and Contingencies

The Keystone Oaks School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2017 have not yet been conducted. Accordingly, the School District’s compliance with applicable

grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

### Note 10 – Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2017 were:

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
General Fund	\$ 1,384,939	Cafeteria Fund	\$ 1,281,497
Scholarship Fund	700	Capital Projects Fund	103,100
		General Fund	700
		Activity Fund	342
	<u>\$ 1,385,639</u>		<u>\$ 1,385,639</u>

The above amount due to the General Fund represents principally expenses paid by the General Fund that are the responsibility of the Cafeteria and Capital Projects funds. Capital Projects fund represents amounts being set aside for future capital improvements.

During the fiscal year ended June 30, 2017, the following interfund level transfers were made:

<u>Transfers From</u>		<u>Transfers To</u>	
General Fund	\$ 514,427	Capital Projects Fund	\$ 500,000
		Cafeteria Fund	14,427
	<u>\$ 514,427</u>		<u>\$ 514,427</u>

### Note 11 - Risk Management

*General Risk* – The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Keystone Oaks School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. However, for those amounts not covered by insurance by reason of policy limitations or deductibles or uninsurability, the School District has established a Risk Management Fund to account for and to accumulate money to be used in the event of such uninsured losses.

The District estimates that the amount of actual or potential claims against the District as of June 30, 2017 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

## Note 12 – Health Insurance Consortium

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

At June 30, 2017, such net residual net assets (deficit) were \$57,685,965 for the Consortium as a whole, of which a share of the residual net assets of \$792,827 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. In such event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium's net assets or deficit as determined on the date of withdrawal.

Audited financial statements for the consortium through the fiscal year ended June 30, 2017 are available by calling the School District business office.

## Note 13 – Pending Pronouncements

The Governmental Accounting Standards Board has issued Statement #75 to address accounting and financial reporting for post-employment benefits other than pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows and expenditures.

The application of this Statement will result in the School District being required to include the total unfunded post retirement liability within its financial statements. The Statement will be implemented during the 2017/2018 year.

# Supplementary Information



KEYSTONE OAKS SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

Student Activity Fund

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 93,105	\$ 66,215	\$ 71,424	\$ 87,896
Total Assets	<u>\$ 93,105</u>	<u>\$ 66,215</u>	<u>\$ 71,424</u>	<u>\$ 87,896</u>
<b>Liabilities</b>				
Due to Other Funds	\$	\$ 342	\$	\$ 342
Other Liabilities	<u>93,105</u>	<u>65,873</u>	<u>71,424</u>	<u>87,554</u>
Total Liabilities	<u>\$ 93,105</u>	<u>\$ 66,215</u>	<u>\$ 71,424</u>	<u>\$ 87,896</u>

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

Keystone Oaks School District  
Pittsburgh, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Keystone Oaks School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Keystone Oaks School District's basic financial statements and have issued our report thereon dated November 3, 2017.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 3, 2017

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

Keystone Oaks School District  
Pittsburgh, Pennsylvania

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

We have audited Keystone Oaks School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Keystone Oaks School District's major federal programs for the year ended June 30, 2017. Keystone Oaks School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, Keystone Oaks School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

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

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

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

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

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 3, 2017

# Keystone Oaks School District

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2017

#### Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	No
iii.	Noncompliance material to financial statements noted?	No

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

vii.	Major programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	84.010	Title I, Part A
	10.553 10.555 10.559	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
ix.	Auditee qualify as low-risk auditee?	No

**Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS**

None.

**Section 3 – Findings and Questioned Costs for Federal Awards**

None.

**Section 4 – Status of Prior Audit Findings**

<b>Financial Statement Finding #2015-001</b>	
<b>Criteria</b>	Finding Criteria – A component of internal control relating to financial reporting is to verify the accuracy of ledger account balances.
<b>Condition</b>	Condition Found – Various account balances were not in balance at year end. The reconciliation process that verifies transactions recorded to the books and records was not performed to certain cash, accounts receivable, and fund balance accounts.  This was due to prior year balances not adjusted in the current period and ledger account balances not verified to source documentation.
<b>Cause/Effect</b>	Cause of the Finding – Change in key personnel of the business office occurred which lead to lack of oversight during the transition.

	Effect of the Finding – Misstatement of income and expense may occur within the district without being detected in a timely manner.  Questioned Costs – No questioned costs.
<b>Status of this finding as of June 30, 2017</b>	This situation has been corrected and is not included as a finding in the current year.

<b>Financial Statement Finding #2016-001</b>	
<b>Criteria</b>	Finding Criteria – A component of internal control relating to financial reporting is to verify the accuracy of ledger account balances.
<b>Condition</b>	Condition Found – Various account balances were not reconciled and in balance at year end for the District’s General, Cafeteria, Capital Reserve, and Risk Management Fund’s accounting records.
<b>Cause/Effect</b>	<p>Cause of the Finding – Prior year balances were not recorded/adjusted in the current period. Ledger account balances were not reconciled and verified to source documentation. Prior year-end accrual entries were not reversed. Current year-end accrual entries were not recorded and various types of account analysis was not completed.</p> <p>Effect of the Finding – Caused financial misstatement of asset, liability, fund balance, income and expense to occur and not be detected. More importantly the Board of School Directors did not receive accurate monthly reports to provide the information upon which to base critical decisions regarding current year spending, budget size and composition, student and staffing needs, funding for programs, revenue levels, etc.</p> <p>Questioned Costs – No questioned costs.</p>
<b>Status of this finding as of June 30, 2017</b>	This situation has been corrected and is not included as a finding in the current year.



Keystone Oaks School District  
Schedule of Expenditure of Federal Awards  
for the Year Ended June 30, 2017

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 16/17	Accrued/Deferred Revenue June 30, 2016	Revenues Recognized 16/17	Expenditures Recognized 16/17	Accrued/Deferred Revenue June 30, 2017	Carryover To 17/18
Title I, Part A Cluster											
U.S. Department Of Education											
Passed From Pennsylvania Department Of Education											
Title I	I	84.010	170213	16/17	\$ 501,541.00	\$ 408,340.42	\$ -	\$ 501,541.00	\$ 501,541.00	\$ 93,200.58	\$ -
					<u>\$ 501,541.00</u>	<u>\$ 408,340.42</u>	<u>\$ -</u>	<u>\$ 501,541.00</u>	<u>\$ 501,541.00</u>	<u>\$ 93,200.58</u>	<u>\$ -</u>
Special Education Cluster (IDEA)											
U.S. Department Of Education											
Passed From Allegheny Intermediate Unit											
IDEA - Part B	I	84.027	062-17-0-003	16/17	\$ 297,854.00	\$ 22,333.36	\$ -	\$ 297,854.00	\$ 297,854.00	275,520.64	\$ -
			062-16-0-003	15/16	204,392.00	204,392.00	204,392.00				
IDEA - Section 619 Early Intervention	I	84.173	131-16-0-003	16/17	1,905.00	1,905.00		1,905.00	1,905.00		
Title III - K12 English as a Second Language	I	84.365	FA-010-17-0603	16/17	4,000.00	4,000.00		4,000.00	4,000.00		
Total Special Education Cluster (IDEA)					<u>\$ 504,151.00</u>	<u>\$ 228,630.36</u>	<u>\$ 204,392.00</u>	<u>\$ 299,759.00</u>	<u>\$ 299,759.00</u>	<u>\$ 275,520.64</u>	<u>\$ -</u>
Child Nutrition Cluster											
U.S. Department Of Agriculture											
Passed From Pennsylvania Department Of Education											
National School Breakfast Program	I	10.553		16/17	\$ 63,147.15	\$ 53,265.99	\$ -	\$ 63,147.15	\$ 63,147.15	\$ 9,881.16	\$ -
				15/16	60,021.25	16,984.77	18,218.97			1,234.20	
National School Lunch Program	I	10.555		16/17	307,120.50	270,469.28		307,120.50	307,120.50	36,651.22	
				15/16	318,397.36	81,958.11	91,317.52			9,359.41	
Passed From Pennsylvania Department Of Agriculture											
National School Lunch Program - Donated Commodities	I	10.555		16/17	57,471.02	57,471.02		42,167.94	42,167.94	(15,303.08)	15,303.08
				15/16	63,190.90	-	(14,545.02) b	14,545.02	14,545.02 c		
Subtotal CFDA #10.555					<u>746,179.78</u>	<u>409,898.41</u>	<u>76,772.50</u>	<u>363,833.46</u>	<u>363,833.46</u>	<u>30,707.55</u>	<u>15,303.08</u>
Summer Food	I	10.559		16/17	30,716.49	30,716.49		48,188.86	48,188.86	17,472.37	
				15/16	14,114.91	14,114.91	14,114.91				
Total Child Nutrition Cluster					<u>\$ 914,179.58</u>	<u>\$ 524,980.57</u>	<u>\$ 109,106.38</u>	<u>\$ 475,169.47</u>	<u>\$ 475,169.47</u>	<u>\$ 59,295.28</u>	<u>\$ 15,303.08</u>
U.S. Department of Education											
Passed From Pennsylvania Department Of Education											
Title II - Improving Teacher Quality	I	84.367	170213	16/17	\$ 104,242.00	\$ 83,602.00	\$ -	\$ 89,209.96	\$ 89,209.96	\$ 5,607.96	\$ 15,032.04
Total Department of Education					<u>\$ 104,242.00</u>	<u>\$ 83,602.00</u>	<u>\$ -</u>	<u>\$ 89,209.96</u>	<u>\$ 89,209.96</u>	<u>\$ 5,607.96</u>	<u>\$ 15,032.04</u>
U.S. Department of Health and Human Services											
Passed From Pennsylvania Department Of Education											
Medical Assistance Reimbursement Title 19	I	93.778	NA	15/16	\$ 433.38	\$ 433.38	\$ 433.38	\$ -	\$ -	\$ -	\$ -
					<u>433.38</u>	<u>433.38</u>	<u>433.38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total					<u>\$ 2,024,546.96</u>	<u>\$ 1,245,986.73</u>	<u>\$ 313,931.76</u>	<u>\$ 1,365,679.43</u>	<u>\$ 1,365,679.43</u>	<u>\$ 433,624.46</u>	<u>\$ 30,335.12</u>

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

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

# Keystone Oaks School District

## Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2017

### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Keystone Oaks School District (the “School District”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Keystone Oaks School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Keystone Oaks School District.

### Note 2 – Summary of Significant Accounting Policies

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

### Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District had food commodities totaling \$15,303 in inventory.

### Note 4 – Indirect Cost Rates

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