

KEYSTONE OAKS SCHOOL DISTRICT

PITTSBURGH, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018



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, 2018, 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, 2018 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Proportionate Share of the Net OPEB Liability on Pages i through xi, 44, and 45 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 December 16, 2018 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 simple, stylized symbol.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
December 16, 2018

Management's Discussion and Analysis

Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018

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, 2018 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 70 % of its funding from local sources, 28 % 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 increased by \$3,350,711 compared to the 2016/2017 school year, while revenues in the general fund increased by \$1,408,096 compared to the 2016/2017 school year. The General Fund also transferred \$5,178,515 to other funds during the year. The School District completed the 2017/2018 fiscal year with a \$2,965,014 general fund balance. This is a \$4,868,488 decrease over the previous year's ending balance.

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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, 2018**

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:

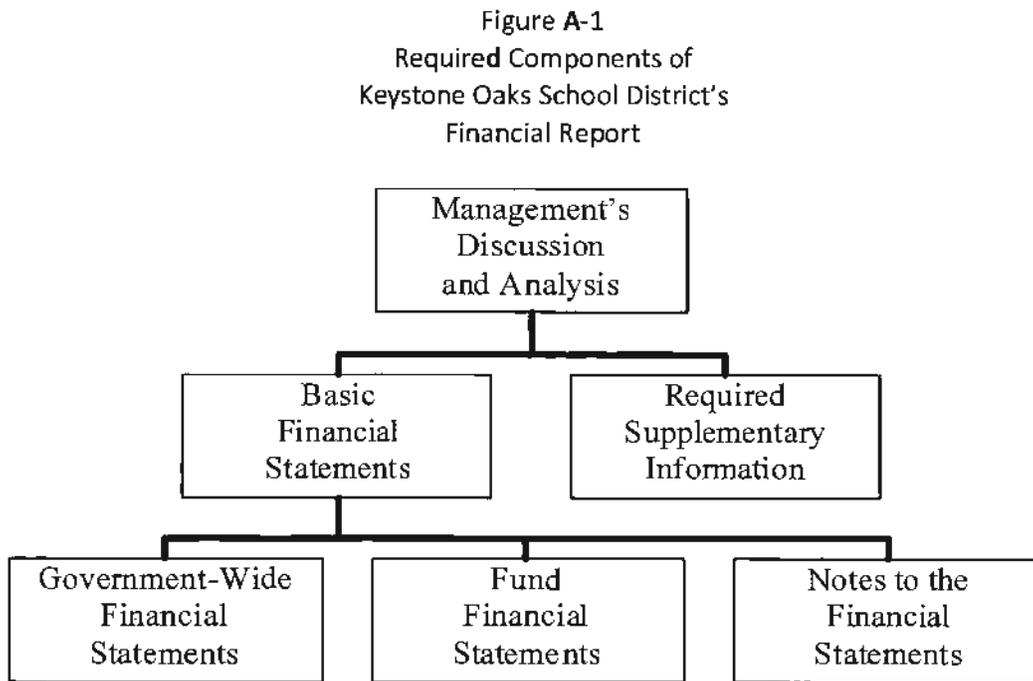


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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	Fund Statements		
	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, 2018**

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, the risk management fund, the compensated absences fund, and the OPEB fund are the School District's proprietary funds and are 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, 2018**

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.

Capital projects 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, 2018 and 2017
Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current and Other Assets	\$ 12,950,342	\$ 10,166,845	\$ 444,753	\$ 2,970,714	\$ 13,395,095	\$ 13,137,559
Non Current Assets	39,491,257	39,153,905	107,304	66,039	39,598,561	39,219,944
Deferred Outflows	12,723,358	10,414,867			12,723,358	10,414,867
Total Assets	<u>65,164,957</u>	<u>59,735,617</u>	<u>552,057</u>	<u>3,036,753</u>	<u>65,717,014</u>	<u>62,772,370</u>
Current and Other Liabilities	9,054,381	10,484,560	29,036	24,146	9,083,417	10,508,706
Non Current Liabilities	81,770,936	78,694,715			81,770,936	78,694,715
Deferred Inflows	548,430	3,656,068	26,578	30,419	575,008	3,686,487
Total Liabilities	<u>91,373,747</u>	<u>92,835,343</u>	<u>55,614</u>	<u>54,565</u>	<u>91,429,361</u>	<u>92,889,908</u>
Net Investment in Capital Assets	13,594,523	17,634,073	107,304	66,039	13,701,827	17,700,112
Restricted	2,819,767	799,158	271,624	2,824,983	3,091,391	3,624,141
Unrestricted	(42,623,080)	(51,532,956)	117,515	91,166	(42,505,565)	(51,441,790)
Total Net Position	<u>\$ (26,208,790)</u>	<u>\$ (33,099,725)</u>	<u>\$ 496,443</u>	<u>\$ 2,982,188</u>	<u>\$ (25,712,347)</u>	<u>\$ (30,117,537)</u>

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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

Table A-2
Years Ended June 30, 2018 and 2017
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	\$ 369,577	\$ 314,820	\$ 404,255	\$ 400,833	\$ 773,832	\$ 715,653
Operating Grants and Contributions	6,674,180	7,037,317	559,340	570,363	7,233,520	7,607,680
General Revenues:						
Property Taxes	25,673,928	25,568,609			25,673,928	25,568,609
Other Taxes	3,424,040	3,780,882			3,424,040	3,780,882
Grants Subsidies and Contributions	4,638,928	5,033,369			4,638,928	5,033,369
Other	210,077	393,473	18,815	2,560,418	228,892	2,953,891
	<u>40,990,730</u>	<u>42,128,470</u>	<u>982,410</u>	<u>3,531,614</u>	<u>41,973,140</u>	<u>45,660,084</u>
Expenditures:						
Depreciation	1,660,598	1,715,472			1,660,598	1,715,472
Instruction	21,784,634	23,354,862			21,784,634	23,354,862
Instructional Student Support	2,147,864	2,944,911			2,147,864	2,944,911
Administrative and Financial Support	3,760,064	3,831,139			3,760,064	3,831,139
Operation and Maintenance of Plant	4,832,159	4,307,497			4,832,159	4,307,497
Pupil Transportation	1,989,275	2,500,233			1,989,275	2,500,233
Student Activities	1,065,478	1,073,730			1,065,478	1,073,730
Community Services	19,072	19,320			19,072	19,320
Debt Service	731,503	691,327			731,503	691,327
Food Service			1,022,769	1,044,251	1,022,769	1,044,251
Other	14,427	2,551,801	1,201	1,618	15,628	2,553,419
	<u>38,005,074</u>	<u>42,990,292</u>	<u>1,023,970</u>	<u>1,045,869</u>	<u>39,029,044</u>	<u>44,036,161</u>
Change in Net Position	<u>\$ 2,985,656</u>	<u>\$ (861,822)</u>	<u>\$ (41,560)</u>	<u>\$ 2,485,745</u>	<u>\$ 2,944,096</u>	<u>\$ 1,623,923</u>

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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, 2018 and 2017
Governmental Activities**

Function/Programs	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
Depreciation - Unallocated	\$ 1,660,598	\$ 1,715,472	0.0%	\$ 1,660,598	\$ 1,715,472	0.0%
Instruction	21,784,634	23,354,862	7.2%	16,924,469	18,201,597	7.5%
Instructional Student Support	2,147,864	2,944,911	37.1%	1,004,988	1,721,311	71.3%
Administrative and Financial Support	3,760,064	3,831,139	1.9%	3,526,530	3,587,609	1.7%
Operation and Maintenance of Plant	4,832,159	4,307,497	-10.9%	4,769,777	4,045,218	-15.2%
Pupil Transportation	1,989,275	2,500,233	25.7%	1,391,532	2,001,130	43.8%
Student Activities	1,065,478	1,073,730	0.8%	914,337	956,947	4.7%
Scholarships and Awards	19,072	19,320	1.3%	16,142	16,022	-0.7%
Debt Service - Principal & Interest	731,503	691,327	-5.5%	738,517	841,048	13.9%
Total Governmental Activities	<u>\$ 37,990,647</u>	<u>\$ 40,438,491</u>	<u>6.4%</u>	<u>\$ 30,946,890</u>	<u>\$ 33,086,354</u>	<u>6.9%</u>
Less: Unrestricted Grants, Subsidies and Unrestricted Contributions				(4,638,928)	(5,033,369)	
Total Needs from Local Taxes and Other Revenues				<u>\$ 26,307,962</u>	<u>\$ 28,052,985</u>	

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

**Table A-4
Years Ended June 30, 2018
Business-Type Activities**

Function/Programs	Total Cost of Service	Net Cost of Service
Food Service	\$ 1,044,251	\$ 73,055

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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, 2018 and 2017, respectively.

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

	2018	2017
Governmental Activities		
Land	\$ 1,355,020	\$ 1,355,020
Land Improvements	4,946,127	5,006,823
Buildings and Improvements	30,430,520	29,575,956
Furniture and Equipment	499,726	342,836
Construction in Progress	<u>-0-</u>	<u>-0-</u>
	<u>\$36,731,667</u>	<u>\$36,280,635</u>
Business-Type Activities		
Furniture and Equipment	\$ <u>66,039</u>	\$ <u>107,304</u>

**Keystone Oaks School District
Management's Discussion and Analysis
June 30, 2018**

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 06/30/18	As of 06/30/17
Series of 2013	\$ 6,290,000	\$ 9,425,000
Series of 2013A	2,820,000	2,935,000
Series of 2014A	-0-	410,000
Series of 2014C	7,280,000	7,925,000
Series of 2015	4,815,000	4,880,000
Series of 2016	<u>192,500</u>	<u>288,750</u>
	<u>\$ 21,397,500</u>	<u>\$ 25,863,750</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, 32.57% in 2017-2018, and future annual rates will be 33.43% in 2018-2019, 34.29% in 2019-2020, 34.77% in 2020-2021, and 35.19% 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, 2018**

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.

The School Board maintains 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 HVAC systems, lighting and fixtures in the HS, and particularly roofs nearing useful life expectancy.

Lastly, the district will keep monitoring if there are any bond issues that can be refinanced in the near future. With the current economic market's favorable borrowing interest rates, the district can save a substantial amount of money. 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 2017/2018	Actual Revenues 2017/2018
Local	69.6%	70.7%
State	28.4%	27.7%
Federal	2.0%	1.6%
	Budgeted Expenditures 2017/2018	Actual Expenditures 2017/2018
Instruction	54.5%	48.7%
Support Services	30.6%	27.4%
Noninstructional	2.8%	2.2%
Fund Transfers/Debt/Other	12.1%	21.7%

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,267,363	\$ 567,193	\$ 3,834,556
Investments	6,500,427	183	6,500,610
Taxes Receivable (net)	787,575		787,575
Internal Balances	(2,315,575)	2,315,575	
State Revenue Receivable	1,253,841	3,485	1,257,326
Federal Revenue Receivable	150,040	41,001	191,041
Due from Other Governments	114,245		114,245
Other Receivables	290,411	9,808	300,219
Inventories		33,469	33,469
Prepaid Expenses/Expenditures	118,518		118,518
Long Term Receivables	2,422,238		2,422,238
Capital Assets (net)	36,731,667	66,039	36,797,706
TOTAL ASSETS	49,320,750	3,036,753	52,357,503
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Gain on Refunding of Bonds	116,523		116,523
Pension and OPEB Related	10,298,344		10,298,344
Total Deferred Inflows of Resources	10,414,867		10,414,867
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,735,617	\$ 3,036,753	\$ 62,772,370
LIABILITIES			
Accounts Payable	\$ 1,203,827	\$ 24,146	\$ 1,227,973
Accrued Salaries and Benefits	3,268,623		3,268,623
Payroll Deductions and Withholdings	1,262,393		1,262,393
Interest Payable	158,466		158,466
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable	4,591,250		4,591,250
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	16,928,582		16,928,582
Net Pension Liability	56,707,000		56,707,000
OPEB Liability - Health Insurance Premium Share	2,339,000		2,339,000
Long-term Portion of Compensated Absences	449,035		449,035
OPEB Obligation	2,271,098		2,271,098
Total Liabilities	89,179,274	24,146	89,203,420
DEFERRED INFLOWS OF RESOURCES			
Pension and OPEB Related	3,588,238		3,588,238
Unearned Revenue	67,830	30,419	98,249
Total Deferred Inflows of Resources	3,656,068	30,419	3,686,487
NET POSITION			
Net Investment in Capital Assets	17,634,073	66,039	17,700,112
Restricted for:			
Capital Projects	799,158		799,158
Retirement Obligations		2,824,983	2,824,983
Unrestricted	(51,532,956)	91,166	(51,441,790)
TOTAL NET POSITION	(33,099,725)	2,982,188	(30,117,537)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 59,735,617	\$ 3,036,753	\$ 62,772,370

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

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Depreciation - Unallocated	\$ 1,715,472	\$ -	\$ -	\$ (1,715,472)	\$ -	\$ (1,715,472)
Instruction	23,354,862	295,907	4,857,358	(18,201,597)		(18,201,597)
Instructional Student Support	2,944,911		1,223,600	(1,721,311)		(1,721,311)
Administrative and Financial Support	3,831,139		243,530	(3,587,609)		(3,587,609)
Operation and Maintenance of Plant	4,307,497		262,279	(4,045,218)		(4,045,218)
Pupil Transportation	2,500,233		499,103	(2,001,130)		(2,001,130)
Student Activities	1,073,730	18,913	97,870	(956,947)		(956,947)
Community Services	19,320		3,298	(16,022)		(16,022)
Interest on Long-Term Debt	691,327		(149,721)	(841,048)		(841,048)
Total Governmental Activities	40,438,491	314,820	7,037,317	(33,086,354)		(33,086,354)
Business Type Activities						
Food Service	1,044,251	400,833	570,363		(73,055)	(73,055)
Retirement Obligations	1,618				(1,618)	(1,618)
Total Business Type Activities	1,045,869	400,833	570,363		(74,673)	(74,673)
Total Government	41,484,360	715,653	7,607,680	(33,086,354)	(74,673)	(33,161,027)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				25,568,609		25,568,609
Other Taxes				3,780,882		3,780,882
Grants, Subsidies and Contributions, Unrestricted				5,033,369		5,033,369
Investment Earnings				154,413	8,617	163,030
Miscellaneous Income				239,060		239,060
Transfers Between Governmental and Business Type Activities				(2,551,801)	2,551,801	
Total General Revenues, Special and Extraordinary Items and Transfers				32,224,532	2,560,418	34,784,950
Change in Net Position				(861,822)	2,485,745	1,623,923
Net Position - Beginning - Restated				(32,237,903)	496,443	(31,741,460)
Net Position - Ending				\$ (33,099,725)	\$ 2,982,188	\$ (30,117,537)

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

KEYSTONE OAKS SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	Governmental Funds		Totals
	General Fund	Capital Projects Fund	
ASSETS			
Cash and Cash Equivalents	\$ 1,711,581	\$ 1,555,782	\$ 3,267,363
Investments (At Fair Value)	6,500,427		6,500,427
Taxes Receivable (Net)	187,575		187,575
Due From Other Funds	17,090		17,090
State Revenue Receivable	1,253,841		1,253,841
Federal Revenue Receivable	150,040		150,040
Intergovernmental Receivables	114,245		114,245
Other Receivables (Net)	290,411		290,411
Prepaid Expenditures	118,518		118,518
Total Assets	<u>\$ 10,343,728</u>	<u>\$ 1,555,782</u>	<u>\$ 11,899,510</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 2,336,967	\$ 361	\$ 2,337,328
Accounts Payable	442,901	756,263	1,199,164
Accrued Salaries and Benefits	3,268,623		3,268,623
Payroll Deductions and Withholdings	1,262,393		1,262,393
Total Liabilities	<u>7,310,884</u>	<u>756,624</u>	<u>8,067,508</u>
Deferred Inflows of Resources:			
Unearned Revenue	67,830		67,830
Total Deferred Inflows of Resources	<u>67,830</u>		<u>67,830</u>
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	118,518		118,518
Committed to:			
Capital Projects		799,158	799,158
Assigned to:			
Athletics	65,035		65,035
Unassigned:	2,781,461		2,781,461
Total Fund Balances	<u>2,965,014</u>	<u>799,158</u>	<u>3,764,172</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 10,343,728</u>	<u>\$ 1,555,782</u>	<u>\$ 11,899,510</u>

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, 2018

Total Fund Balances - Governmental Funds	\$ 3,764,172
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 \$82,393,019 and the accumulated depreciation is \$45,661,352.	36,731,667
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(21,519,832)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	2,422,238
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.	(158,466)
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.	116,523
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(56,707,000)
Deferred outflows and inflows of resources related to pensions are	
Deferred outflows of resources.	10,298,344
Deferred inflows of resources related to pensions	(3,588,238)
Long-term portion of retirement obligations and compensated absences.	<u>(5,059,133)</u>
Total Net Position - Governmental Activities	<u>\$ (33,099,725)</u>

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Funds		Totals
	General	Capital Projects Fund	
Revenues			
Local Sources			
Taxes	\$ 29,349,491	\$ -	\$ 29,349,491
Other Local Revenues	916,651	10,000	926,651
State Sources	11,853,299		11,853,299
Federal Sources	687,414		687,414
Total Revenues	<u>42,806,855</u>	<u>10,000</u>	<u>42,816,855</u>
Expenditures			
Instruction	23,272,892		23,272,892
Support Services	13,110,955	1,169,238	14,280,193
Operation Of Non-Instructional Services	1,047,604		1,047,604
Capital Outlay		886,957	886,957
Debt Service			
Principal and Interest	5,156,728		5,156,728
Total Expenditures	<u>42,588,179</u>	<u>2,056,195</u>	<u>44,644,374</u>
Excess (Deficiency) of Revenues Over Expenditures	218,676	(2,046,195)	(1,827,519)
Other Financing Sources (Uses)			
Refund of Prior Year Receipts	(8,649)		(8,649)
Insurance Recoveries	100,000		100,000
Interfund Transfers In		2,626,714	2,626,714
Interfund Transfers (Out)	(5,178,515)		(5,178,515)
Total Other Financing Sources & (Uses)	<u>(5,087,164)</u>	<u>2,626,714</u>	<u>(2,460,450)</u>
Net Change in Fund Balances	(4,868,488)	580,519	(4,287,969)
Fund Balances - July 1, 2017	<u>7,833,502</u>	<u>218,639</u>	<u>8,052,141</u>
Fund Balances - June 30, 2018	<u>\$ 2,965,014</u>	<u>\$ 799,158</u>	<u>\$ 3,764,172</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, 2018

Net Change in Fund Balances - Governmental Funds	\$	(4,287,969)
Depreciation Expense		(1,715,472)
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.		2,166,504
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.		(788,384)
Amortization of bond premiums, discounts, and deferred charges on bonds.		27,175
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.		197,894
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.		1,289,418
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		4,466,250
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		(164,238)
Cost of benefits earned net of employee contributions		(2,053,000)
		(2,217,238)
Change in Net Position - Governmental Activities	\$	<u>(861,822)</u>

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 28,677,575	\$ 28,677,575	\$ 29,349,491	\$ 671,916
Other Local Revenues	528,000	528,000	916,651	388,651
State Sources	11,884,614	11,884,614	11,853,299	(31,315)
Federal Sources	847,073	847,073	687,414	(159,659)
Total Revenues	<u>41,937,262</u>	<u>41,937,262</u>	<u>42,806,855</u>	<u>869,593</u>
Expenditures				
Instruction				
Regular Programs	16,229,268	16,229,268	16,258,241	28,973
Special Programs	4,926,945	4,926,945	5,100,901	173,956
Vocational Education	558,632	558,632	542,950	(15,682)
Other Instructional Programs	980,388	980,388	1,226,588	246,200
Adult Education Programs	152,320	152,320	144,212	(8,108)
Total Instruction	<u>22,847,553</u>	<u>22,847,553</u>	<u>23,272,892</u>	<u>425,339</u>
Support Services				
Pupil Personnel	1,487,135	1,487,135	1,397,478	(89,657)
Instructional Staff	623,458	623,458	670,034	46,576
Administration	2,125,254	2,125,254	2,281,965	156,711
Pupil Health	532,267	532,267	542,474	10,207
Business	289,509	289,509	277,603	(11,906)
Operation & Maintenance of Plant Services	4,339,782	4,339,782	4,216,317	(123,465)
Student Transportation Services	2,313,029	2,313,029	2,493,071	180,042
Central	1,120,193	1,120,193	1,193,003	72,810
Other Support Services			39,010	39,010
Total Support Services	<u>12,830,627</u>	<u>12,830,627</u>	<u>13,110,955</u>	<u>280,328</u>
Operation of Non-Instructional Services				
Student Activities	1,130,316	1,130,316	1,028,284	(102,032)
Community Services	36,634	36,634	19,320	(17,314)
Total Non-Instructional Services	<u>1,166,950</u>	<u>1,166,950</u>	<u>1,047,604</u>	<u>(119,346)</u>
Debt Service				
Principal and Interest	5,057,132	5,057,132	5,156,728	99,596
Total Expenditures	<u>41,902,262</u>	<u>41,902,262</u>	<u>42,588,179</u>	<u>685,917</u>
Excess (Deficiency) of Revenues Over Expenditures	35,000	35,000	218,676	183,676
Other Financing Sources (Uses)				
Refund of Prior Year Receipts			(8,649)	(8,649)
Insurance Recoveries			100,000	100,000
Interfund Transfers In				
Interfund Transfers (Out)	(35,000)	(35,000)	(5,178,515)	(5,143,515)
Total Other Financing Sources & (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(5,087,164)</u>	<u>(5,052,164)</u>
Net Change in Fund Balances			(4,868,488)	(4,868,488)
Fund Balance - July 1, 2017	<u>7,833,502</u>	<u>7,833,502</u>	<u>7,833,502</u>	
Fund Balance - June 30, 2018	<u>\$ 7,833,502</u>	<u>\$ 7,833,502</u>	<u>\$ 2,965,014</u>	<u>\$ (4,868,488)</u>

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

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Food Service Fund	Risk Management Fund	Compensated Absences Fund	OPEB Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 72,439	\$ 494,754	\$ -	\$ -
Investments	183			
Due from Other Funds			415,426	1,916,610
State Revenue Receivable	3,485			
Federal Revenue Receivable	41,001			
Other Receivables	9,808			
Inventories	33,469			
Total Current Assets	<u>160,385</u>	<u>494,754</u>	<u>415,426</u>	<u>1,916,610</u>
Noncurrent Assets:				
Food Service Equipment (Net of Depreciation)	<u>66,039</u>			
Total Noncurrent Assets	<u>66,039</u>			
TOTAL ASSETS	<u><u>226,424</u></u>	<u><u>494,754</u></u>	<u><u>415,426</u></u>	<u><u>1,916,610</u></u>
LIABILITIES				
Current Liabilities:				
Due to Other Funds	\$ 16,461	\$ -	\$ -	\$ -
Accounts Payable	22,339	1,807		
Total Current Liabilities	<u>38,800</u>	<u>1,807</u>		
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue	<u>30,419</u>			
Total Deferred Inflows of Resources	<u>30,419</u>			
NET POSITION				
Net Investment in Capital Assets	66,039			
Restricted for:				
Retirement Obligations		492,947	415,426	1,916,610
Unrestricted	<u>91,166</u>			
Total Net Position	<u>157,205</u>	<u>492,947</u>	<u>415,426</u>	<u>1,916,610</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 226,424</u></u>	<u><u>\$ 494,754</u></u>	<u><u>\$ 415,426</u></u>	<u><u>\$ 1,916,610</u></u>

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, 2018

	Food Service	Risk Management Fund	Compensated Absences Fund	OPEB Fund
Operating Revenues				
Food Service Revenue	\$ 400,833	\$ -	\$ -	\$ -
Total Operating Revenue	400,833			
Operating Expenses				
Personal Services - Salaries	364,547			
Personal Services - Benefits	186,896			
Purchased Professional and Technical Services	389			
Other Purchased Services	6,344			
Supplies	442,410			
Other Objects	2,400	1,618		
Depreciation Expense	41,265			
Total Operating Expenses	1,044,251	1,618		
Operating Income (Loss)	(643,418)	(1,618)		
Nonoperating Revenues (Expenses)				
Operating Subsidies				
State Subsidies	96,427			
Federal Subsidies				
Lunch and Breakfast Subsidies	413,370			
Value of Donated Commodities Received	60,566			
Earnings on Investments	5,441	3,176		
Total Nonoperating Revenue and Expense	575,804	3,176		
Income (Loss) Before Transfers	(67,614)	1,558		
Contributions and Transfers				
Transfers from Other Funds		219,765	415,426	1,916,610
Change in Net Position	(67,614)	221,323	415,426	1,916,610
Net Position - July 1, 2017	224,819	271,624		
Net Position - June 30, 2018	\$ 157,205	\$ 492,947	\$ 415,426	\$ 1,916,610

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

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service	Risk Management Fund	Compensated Absences Fund	OPEB Fund
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 400,833	\$	\$	\$
Cash Payments to Employees for Services	(1,816,479)			
Cash Paid to Suppliers for Goods and Services	(396,462)			
Cash Paid for Risk Management Activities		(1,618)		
Net Cash Provided (Used) by Operating Activities	(1,812,108)	(1,618)		
Cash Flows from Noncapital Financing Activities:				
Grants and Subsidies Received for Non-Operating Activities				
State Subsidies	96,850			
Federal Subsidies	429,494			
Transfer from Other Funds		219,765		
Net Cash Provided (Used) by Noncapital Financing Activities	526,344	219,765		
Cash Flows from Investing Activities:				
Earnings on Investments	5,441	3,176		
Withdrawals (Purchases of) from Investment Pools	885,021			
Net Cash Provided (Used) by Investing Activities	890,462	3,176		
Net Increase (Decrease) in Cash and Equivalents	(395,302)	221,323		
Cash and Cash Equivalents, Beginning of Year	467,741	273,431		
Cash and Cash Equivalents, End of Year	\$ 72,439	\$ 494,754	\$	\$
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities				
Operating Income (Loss)	\$ (643,418)	\$ (1,618)	\$	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:				
Depreciation	41,265			
Donated Commodities Used	60,566			
Changes in Assets and Liabilities:				
Inventories	(4,436)			
Due to/Due From Other Funds	(1,265,036)			
Accounts Payable	(4,890)			
Unearned Revenues	3,841			
Total Adjustments	(1,168,690)			
Net Cash Provided (Used) by Operating Activities	\$ (1,812,108)	\$ (1,618)	\$	\$

Noncash Noncapital Financing Activities:

During the year, the District received \$62,632 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, 2018

	Private Purpose Trust Fund	Agency Funds Student Activities
ASSETS		
Cash and Cash Equivalents	\$ 12,440	\$ 76,823
Due from Other Funds		4,663
TOTAL ASSETS	\$ 12,440	\$ 81,486
LIABILITIES		
Other Current Liabilities	\$ -	\$ 81,486
Total Liabilities		81,486
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	12,440	
Total Net Position	12,440	
TOTAL LIABILITIES AND NET POSITION	\$ 12,440	\$ 81,486

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, 2018

	Private Purpose Trust Fund
Additions	
Contributions	\$ 4,100
Interest Income	56
	4,156
Total Additions	4,156
Deductions	
Scholarship Awards	2,200
	2,200
Total Deductions	2,200
Change in Net Position	1,956
Net Position - July 1, 2017	10,484
Net Position - June 30, 2018	\$ 12,440

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

Keystone Oaks School District

Notes to the Financial Statements

June 30, 2018

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 9 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.

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. The School District maintains three internal service funds.

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.

Compensated Absences Fund

The Compensated Absences Fund was established by the School District to account for funds accumulated to provide for payment of unused sick days and retirement incentives.

OPEB Fund

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

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, 2018, but which were levied to finance fiscal year 2019 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.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 250,772</u>	<u>\$ 4,247,292</u>	<u>\$ 4,498,064</u>	<u>\$ 3,923,819</u>

Investments

The District's investments at June 30, 2018 consist of:

	Cost	Fair Value
Pennsylvania Local Government Investment Trust	<u>\$ 6,169,194</u>	<u>\$ 6,169,194</u>
Pennsylvania School District Liquid Asset Fund	<u>157,168</u>	<u>157,168</u>
Pennsylvania Treasurer's Investment Program	<u>174,248</u>	<u>174,248</u>
Total	<u>\$ 6,500,610</u>	<u>\$ 6,500,610</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 any one 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, 2018, 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, 2018.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2018. 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, 2018 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, 2018 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 \$2,965,014 consisting of \$118,518 that is nonspendable for prepaid expenditures, \$65,035 that is assigned for athletics, and \$2,781,461 that is unassigned. In addition, \$799,158 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.

P. Subsequent Events

The School District evaluated subsequent events for recognition and disclosure through December 16, 2018, the date the financial statements were available to be issued. No subsequent events were identified requiring recognition or disclosure.

Note 2 - Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2018 was based on assessed values on January 1, 2017 of \$1,402,513,572. The School District tax rate for the year ended June 30, 2018 was 19.0771 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30th, at face until November 30th, 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 \$187,575.

Note 3 - Changes in Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable assets:				
Land	\$ 1,355,020	\$ -	\$ -	\$ 1,355,020
Depreciable assets				
Land Improvements	10,216,414	270,001		10,486,415
Buildings	63,004,089	1,599,893		64,603,982
Equipment	5,650,992	296,610		5,947,602
Totals at historical cost	<u>80,226,515</u>	<u>2,166,504</u>	<u>-</u>	<u>82,393,019</u>
Less accumulated depreciation for:				
Land Improvements	(5,209,591)	(330,697)		(5,540,288)
Buildings	(33,428,133)	(1,245,055)		(34,673,188)
Equipment	(5,308,156)	(139,720)		(5,447,876)
Total accumulated depreciation	<u>(43,945,880)</u>	<u>(1,715,472)</u>	<u>-</u>	<u>(45,661,352)</u>
Governmental activities capital assets, net	<u>\$ 36,280,635</u>	<u>\$ 451,032</u>	<u>\$ -</u>	<u>\$ 36,731,667</u>
Business-type Activities				
Depreciable assets:				
Equipment	\$ 441,822	\$ -	\$ -	\$ 441,822
Totals at historical cost	<u>441,822</u>	<u>-</u>	<u>-</u>	<u>441,822</u>
Less accumulated depreciation for:				
Equipment	(334,518)	(41,265)		(375,783)
Total accumulated depreciation	<u>(334,518)</u>	<u>(41,265)</u>	<u>-</u>	<u>(375,783)</u>
Business-type activities capital asset, net	<u>\$ 107,304</u>	<u>\$ (41,265)</u>	<u>\$ -</u>	<u>\$ 66,039</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ -
Support				
Plant				
Transportation				
Unallocated-governmental funds				1,715,472
Total depreciation expense				<u>\$ 1,715,472</u>

In the 2017-2018 school year, building renovations and equipment purchases added \$2,166,504 to the historical cost of governmental activities. Depreciation expense for that same time period was \$1,715,472 and \$41,265, resulting in a net book value increase of \$451,032 and decrease of \$41,265 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 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 25,863,750	\$ -	\$ (4,466,250)	\$ 21,397,500	\$ 4,591,250
	25,863,750	-	(4,466,250)	21,397,500	4,591,250
Plus net bond premium	255,548		(89,797)	165,751	
Less net bond discount	(56,148)	12,729		(43,419)	
Total bonds, loans and leases payable	26,063,150	12,729	(4,556,047)	21,519,832	4,591,250
Other liabilities:					
Compensated absences	415,426	84,970	(51,361)	449,035	
Pension liability	57,842,000	6,453,000	(7,588,000)	56,707,000	
OPEB - Health Insurance Premium Share	2,514,000	96,000	(271,000)	2,339,000	
OPEB Obligation	5,431,723	386,470	(3,547,095)	2,271,098	-
Total other liabilities	66,203,149	7,020,440	(11,457,456)	61,766,133	-
Governmental activities long-term liabilities	\$ 92,266,299	\$ 7,033,169	\$ (16,013,503)	\$ 83,285,965	\$ 4,591,250

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. These bonds were fully repaid as of June 30, 2018.

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 five series at June 30, 2018 are:

2013 General Obligation Bonds	\$ 6,290,000
2013A General Obligation Bonds	2,820,000
2014C General Obligation Bonds	7,280,000
2015 General Obligation Bonds	4,815,000
2016 General Obligation Notes	<u>192,500</u>
Total General Obligation Bonds and Notes	<u>\$ 21,397,500</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>
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	3,675,000	110,250	3,785,250
Total	<u>\$ 21,397,500</u>	<u>\$ 1,694,291</u>	<u>\$ 23,091,791</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.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 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, 2018 was 31.74% 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 \$5,090,704 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$56,707,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2018, the District's proportion was 0.1148 percent, which was a decrease of 0.0019 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$6,453,000. At June 30, 2018, 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	\$ 591,000	\$ 343,000
Changes in Assumptions	1,540,000	
Net difference between projected and actual investment earnings	1,315,000	
Changes in proportions	1,219,000	690,000
Contributions subsequent to the measurement date	5,090,704	
	<u>\$ 9,755,704</u>	<u>\$ 1,033,000</u>

\$5,090,704 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, 2018. 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,	
2018	\$ 1,331,000
2019	1,818,000
2020	838,000
2021	(356,000)

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternate investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<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, 2017.

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	\$ 69,790,000	\$ 56,698,000	\$ 45,644,000

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.

Schedule of Employer Contributions

	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 4,390,994	\$ 4,131,535	\$ 3,838,981	\$ 3,324,567
Contributions in relation to the actuarially determined contribution	4,390,994	3,712,738	3,013,327	2,233,126
Contribution Deficiency	-	418,797	825,654	1,091,440
Covered Payroll	15,286,052	15,118,352	15,011,475	14,301,373
Contribution as a percentage of covered payroll	28.73%	24.56%	20.07%	15.61%

Note 6 – OPEB Liability – Health Insurance Premium Share

OPEB Plan

1. Summary of Significant Account Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during

the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$127,000 for the year ended June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$2,339,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District’s proportion was 0.1148%, which was a decrease of 0.0019% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expenses of \$94,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 109,000
Net difference between projected and actual investment earnings	2,000	
Changes in proportions		35,000
Contributions subsequent to the measurement date	42,606	
	<u>\$ 44,606</u>	<u>\$ 144,000</u>

\$42,606 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2018	\$ (23,000)
2019	(23,000)
2020	(23,000)
2021	(23,000)
2022	(24,000)
Thereafter	(24,000)

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 @ 50%
 - Eligible retirees will elect to participate Post age 65 @ 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<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, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 3.13%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserve that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retiree Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System net OPEB Liability (in thousands)	\$ 2,315,996	\$ 2,037,412	\$ 1,805,991

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate.

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 2,659,000	\$ 2,339,000	\$ 2,073,000

OPEB plan fiduciary net position

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

Schedule of Employer Premium Assistance Contributions

	2017	2016
Actuarially Determined Contribution	\$ 144,297	\$ 151,119
Contributions in relation to the actuarially determined contributoion	126,921	131,354
Contribution Deficiency	17,376	19,765
Covered Payroll	15,286,052	15,118,352
Contribution as a percentage of covered payroll	0.83%	0.87%

Note 7 - 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, 2017 Balance	\$ 415,426
Increases	84,970
Decreases	(51,361)
June 30, 2018 Balance	<u>\$ 449,035</u>

Note 8 – 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.

Funded Status and Funding Progress. As of June 30, 2018, the actuarial accrued liability for benefits was \$2,271,098, all of which was unfunded.

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

For the year ended June 30, 2018, the District recognized expense of \$169,201. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,325,679
Changes of Assumptions		1,085,559
Benefit payments subsequent to the measurement date	498,034	
	<u>\$ 498,034</u>	<u>\$ 2,411,238</u>

The \$498,034 amount reported as deferred outflows of resources resulting from the District’s benefit payments subsequent to the measurement date will be recognized as a reduction in next year’s total OPEB liability. The other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (150,702)
2020	(150,702)
2021	(150,702)
2022	(150,702)
2023	(150,702)
Thereafter	(1,657,728)

Sensitivity of the Total OPEB liability to changes in the discount rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 2,382,100	\$ 2,271,098	\$ 2,165,692

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,241,753	\$ 2,271,098	\$ 2,304,570

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2018
Service Cost	\$ 169,201
Interest	217,269
Changes of Benefit Terms	-
Difference between expected and actual	(1,408,534)
Changes of assumptions or other inputs	(1,153,406)
Benefit Payments	(985,155)
Net Change in total OPEB Liability	(3,160,625)
Total OPEB liability - beginning of year	5,431,723
Total OPEB liability - end of year	\$ 2,271,098
Covered-employee payroll	\$ 13,497,361
Total OPEB liability as a percentage of covered-employee payroll	16.83%

The following assumptions were also made:

Actuarial Cost Method – Entry Age Normal as a Level Percentage of Pay

Mortality – RPH-2014 Total Dataset Mortality Table projected using Scale MP-2017

Discount Rate – 3.58% - based on the Bond Buyers 20-Bond Index

Inflation Rate – 3.00%

Investment Return – Investment return was not utilized in this valuation since there are no assets.

Salary increases – 2.50%

Percent Married – Actual spousal information was utilized for current retirees. For the active population, it was assumed that 25% of employees will have a covered spouse at retirement. Females are assumed to be three years younger than males.

Participation – It is assumed that 25% of eligible employees will participate in the retiree medical program. It is assumed that 100% of eligible employees will participate in the retiree life insurance program.

Note 9 - 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 10- 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, 2018 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 11 – Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2018 were:

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
OPEB Fund	\$ 1,916,610	General Fund	\$ 2,336,967
Compensated Absences Fund	415,426	Cafeteria Fund	16,461
General Fund	17,090	Capital Projects Fund	361
Activity Fund	4,663		
	<u>\$ 2,353,789</u>		<u>\$ 2,353,789</u>

The above amount due to the OPEB and Compensated Absences Funds represent funds being set aside for the future payment of retiree health care payments and sick day obligations.

During the fiscal year ended June 30, 2018, the following interfund level transfers were made:

<u>Transfers From</u>		<u>Transfers To</u>	
General Fund	\$ 5,178,515	Capital Projects Fund	\$ 2,626,714
		OPEB Fund	1,916,610
		Compensated Absences Fund	415,426
		Risk Management Fund	219,765
	<u>\$ 5,178,515</u>		<u>\$ 5,178,515</u>

The above transfers were made to set aside fund for future capital improvements, retiree health insurance and sick day liabilities, and risk management activities.

Note 12 - 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, 2018 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

Note 13 – Health Insurance Consortium

The School District is one of sixty 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, 2018, such net residual net assets (deficit) were \$64,048,819 for the Consortium as a whole, of which a share of the residual net assets of \$1,059,451 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, 2018 are available by calling the School District business office.

Note 14 – New Accounting Pronouncement

GASB Statement #75 was implemented in the 2017/2018 year. This statement addresses 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 beginning balance of the School District's long term net position was restated as of July 1, 2017 to comply with this Statement. The application of this Statement has resulted in the School District including the total unfunded post retirement liability within its financial statements. The beginning balance of the School District's net position was restated to comply with this Statement.

Required Supplementary Information

KEYSTONE OAKS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's Proportion of the Net Pension Liability	0.1148%	0.1167%	0.1167%	0.1121%	0.1121%
District's Proportionate Share of the Net Pension Liability	\$ 56,698,000	\$ 57,833,000	\$ 50,549,000	\$ 44,370,000	\$ 43,924,000
District's Covered-employee Payroll	\$ 15,286,052	\$ 15,118,352	\$ 15,011,475	\$ 14,301,373	\$ 13,765,141
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	370.91%	382.54%	336.74%	310.25%	319.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%

KEYSTONE OAKS SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.1148%	0.1167%
District's Proportionate Share of the Net OPEB Liability	\$ 2,339,000	\$ 2,514,000
District's Covered-employee Payroll	\$ 15,286,052	\$ 15,118,352
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	15.30%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.73%	5.47%

Supplementary Information

KEYSTONE OAKS SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Student Activity Fund

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>
Assets				
Cash and Cash Equivalents	\$ 87,896	\$ 66,438	\$ 77,511	\$ 76,823
Due From Other Funds		4,663		4,663
Total Assets	<u>\$ 87,896</u>	<u>\$ 71,101</u>	<u>\$ 77,511</u>	<u>\$ 81,486</u>
Liabilities				
Due to Other Funds	\$ 342	\$	\$ 342	\$
Other Liabilities	87,554	71,101	77,169	81,486
Total Liabilities	<u>\$ 87,896</u>	<u>\$ 71,101</u>	<u>\$ 77,511</u>	<u>\$ 81,486</u>



Cypher & Cypher

Accountants | Auditors | Advisors

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, 2018, 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 December 16, 2018.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
December 16, 2018



Cypher & Cypher

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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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2018.

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
December 16, 2018

Keystone Oaks School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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
	84.027 84.173	Special Education Cluster
	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

None.

Keystone Oaks School District
Schedule of Expenditure of Federal Awards
for the Year Ended June 30, 2018

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received in 17/18	Accrued/Deferred Revenue June 30, 2017	Revenues Recognized 17/18	Expenditures Recognized 17/18	Accrued/Deferred Revenue June 30, 2018	Carryover To 18/19
Title I, Part A Cluster											
U.S. Department Of Education											
Passed From Pennsylvania Department Of Education											
Title I	I	84 010	170213	17/18 16/17	\$ 560,947.00 501,541.00	\$ 412,601.53 93,200.58	\$ 93,200.58	\$ 560,947.00 -	\$ 560,947.00	\$ 148,345.47 -	\$ -
					<u>\$ 1,062,488.00</u>	<u>\$ 505,802.11</u>	<u>\$ 93,200.58</u>	<u>\$ 560,947.00</u>	<u>\$ 560,947.00</u>	<u>\$ 148,345.47</u>	<u>\$ -</u>
Special Education Cluster (IDEA)											
U.S. Department Of Education											
Passed From Allegheny Intermediate Unit											
IDEA - Part B	I	84 027	062-18-0-003 062-17-0-003	17/18 16/17	\$ 308,668.06 297,854.00	\$ 194,423.25 275,520.64	\$ 275,520.64	\$ 308,668.06 -	\$ 308,668.06	\$ 114,244.81 -	\$ -
IDEA - Section 619 Early Intervention	I	84 173	131-17-0-003	17/18	3,072.00	3,072.00	-	3,072.00	3,072.00	-	-
Total Special Education Cluster (IDEA)					<u>\$ 609,594.06</u>	<u>\$ 473,015.89</u>	<u>\$ 275,520.64</u>	<u>\$ 311,740.06</u>	<u>\$ 311,740.06</u>	<u>\$ 114,244.81</u>	<u>\$ -</u>
Child Nutrition Cluster											
U.S. Department Of Agriculture											
Passed From Pennsylvania Department Of Education											
National School Breakfast Program	I	10 553		17/18 16/17 15/16	\$ 64,586.30 63,147.15 60,021.25	\$ 56,484.46 9,881.16 1,226.69	\$ 9,881.16 1,234.20	\$ 64,586.30 -	\$ 64,586.30	\$ 8,101.84 -	\$ -
National School Lunch Program	I	10 555		17/18 16/17 15/16	\$ 303,395.82 307,120.50 318,397.36	\$ 270,496.15 36,651.22 9,261.06	\$ 36,651.22 9,359.41	\$ 303,395.82 -	\$ 303,395.82	\$ 32,899.47 -	\$ -
Passed From Pennsylvania Department Of Agriculture											
National School Lunch Program - Donated Commodities	I	10 555		17/18 16/17	\$ 62,631.73 57,471.02	\$ 62,631.73	(15,303.08)	45,262.51 15,303.08	45,262.51 15,303.08	(17,369.22) -	17,369.22
Subtotal CFDA #10 555					<u>1,049,016.43</u>	<u>379,040.36</u>	<u>30,707.55</u>	<u>369,961.41</u>	<u>369,961.41</u>	<u>15,590.25</u>	<u>17,369.22</u>
Summer Food	I	10 559		17/18 16/17	\$ 45,388.31 30,716.49	\$ 27,915.94 17,472.37	17,472.37	45,388.31 -	45,388.31	17,472.37	-
Total Child Nutrition Cluster					<u>\$ 1,252,854.68</u>	<u>\$ 490,794.29</u>	<u>\$ 59,295.28</u>	<u>\$ 479,936.02</u>	<u>\$ 479,936.02</u>	<u>\$ 41,104.46</u>	<u>\$ 17,869.22</u>
U.S. Department of Education											
Passed From Pennsylvania Department Of Education											
TRIC II - Improving Teacher Quality	I	84 367	170213	17/18 16/17	\$ 93,715.00 104,242.00	\$ 93,715.00 20,640.00	5,607.96	\$ 93,715.00 15,032.04	\$ 93,715.00 15,032.04	\$ -	\$ -
Passed from Allegheny Intermediate Unit											
Title III - K-12 English as a Second Language	I	84 365	FA-010-18-0603	17/18	4,000.00	4,000.00	-	4,000.00	4,000.00	-	-
Title IV - Student Support and Academic Enrichment	I	84 424	180213	17/18	\$ 12,712.00	\$ 11,017.11	-	\$ 12,712.00	\$ 12,712.00	\$ 1,694.89	\$ -
Total Department of Education					<u>\$ 214,669.00</u>	<u>\$ 129,372.11</u>	<u>\$ 5,607.96</u>	<u>\$ 125,459.04</u>	<u>\$ 125,459.04</u>	<u>\$ 1,694.89</u>	<u>\$ -</u>
U.S. Department of Health and Human Services											
Passed From Pennsylvania Department Of Education											
Medical Assistance Reimbursement Title 19	I	93 773	NA	15/16	\$ 496.10	\$ 496.10	-	\$ 496.10	\$ 496.10	\$ -	\$ -
					<u>496.10</u>	<u>496.10</u>	<u>-</u>	<u>496.10</u>	<u>496.10</u>	<u>-</u>	<u>-</u>
Grand Total					<u>\$ 3,140,101.84</u>	<u>\$ 1,599,480.50</u>	<u>\$ 433,624.46</u>	<u>\$ 1,472,578.22</u>	<u>\$ 1,472,578.22</u>	<u>\$ 305,389.63</u>	<u>\$ 17,369.22</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

Keystone Oaks School District

Notes to the Schedule of

Expenditures of Federal Awards

for the Year Ended June 30, 2018

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, 2018. 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, 2018, the District had food commodities totaling \$17,369 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.