

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Financial Statements**  
**June 30, 2022**

# KEYSTONE OAKS SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors  
Keystone Oaks School District  
Pittsburgh, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise Keystone Oaks School District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keystone Oaks School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, Keystone Oaks School District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to that matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Keystone Oaks School District's ability to continue as a going concern for twelve months beyond the financial

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statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Keystone Oaks School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Keystone Oaks School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

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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.

**Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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.

*Meyer, Patsy & Associates, LLC*

Carnegie, Pennsylvania  
March 27, 2023

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Management's Discussion & Analysis**  
**June 30, 2022**

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The Management's Discussion and Analysis (MD&A) of Keystone Oaks School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis 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. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

### **Financial Highlights**

The School District's general fund received 71.3% of its funding from local sources, 26.2% from state sources, and 2.5% 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. The 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 94.5% which is historically collected by the School District.

Other local tax revenues are subject to vary from year to year because these taxes are a result of properties changing hands, the fluctuation of earnings of taxpayers in the School 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 revenues on a conservative basis.

Expenditures in the general fund decreased by \$185,802 compared to the 2020-2021 school year, while revenues in the general fund increased by \$90,009. The School District completed the 2021-2022 fiscal year with an \$8,986,919 general fund balance. This is a \$1,444,075 increase over the previous year's ending balance.

### **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 the 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.

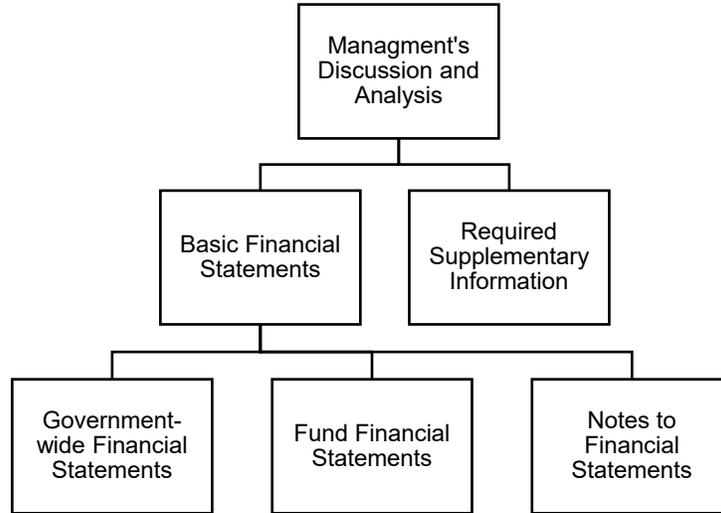
The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds' statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information

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about the activities that the School District operates like a business. For this School District, this is the 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.

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

The figure below shows how the required parts of the financial section are arranged and relate to one another:



The table below summarizes the major features of the School District's financial statements, including the portion of the School District's activities 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.

	Government-wide Statements	Fund Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School District operates similar to private businesses - food service	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

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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

**Overview of Financial Statements**

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the School District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating. Net position is classified into three components as follows:

**Net Investment in Capital Assets**

This amount consists of capital assets, net of accumulated depreciation, and is reduced by outstanding debt (excluding unspent bond proceeds), bond premiums, and deferred refunding proceeds.

**Restricted**

This amount is restricted by external creditors, granters, contributors, or laws or regulations of other governments.

**Unrestricted**

This amount is all net position that is not invested in capital assets or restricted net position.

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods.

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Both of the government-wide financial statements distinguish functions of the School District that are principally supported by property taxes and intergovernmental revenue, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user charges. The governmental activities of the School District are categorized as instruction, support services, operation of non-instructional support services, facilities acquisition, construction and improvement services, interest expense, and unallocated depreciation. The business-type activities of the School District include food service operations.

**Fund Financial Statements**

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

The School District has three kinds of funds:

**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 a modified accrual accounting method. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services the School District provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the School District's instructional programs.

**Proprietary Funds**

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

**Fiduciary Funds**

The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because the School District cannot use these assets to finance its operations. The School District reports one fiduciary fund, the scholarship fund.

**Notes to the Financial Statements.**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 27 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a schedule of revenue, expenditures, and changes in fund balance - budget and actual - general fund, a schedule of the School District's proportionate share of the net pension liabilities, a schedule of the School District's pension contributions, a schedule of changes in the School District's net OPEB liability and related ratios (PSERS Premium Assistance Plan), and a schedule of the School District's OPEB (PSERS Premium Assistance Plan) contributions, and a schedule

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of changes in the School District's total OPEB liability and related ratios (Single-Employer Defined Benefit Plan). Also included in this section are the notes to the required supplementary information.

**Single Audit Reports**

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the School District, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information 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, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Also included in the single audit reports are the notes to the schedule of expenditures of federal awards, as well as information on the results from the single audit performed by the independent auditors.

**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 changes in long-term debt and capital projects.

	2022			2021		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Current assets	\$ 16,273,406	\$ 627,901	\$ 16,901,307	\$ 15,048,749	\$ 120,386	\$ 15,169,135
Noncurrent assets	27,030,472	18,216	27,048,688	28,320,392	20,251	28,340,643
Total assets	43,303,878	646,117	43,949,995	43,369,141	140,637	43,509,778
Deferred outflows	10,948,214	-	10,948,214	11,492,892	-	11,492,892
Current liabilities	9,759,966	49,292	9,809,258	10,400,368	61,681	10,462,049
Noncurrent liabilities	53,339,286	-	53,339,286	69,594,887	-	69,594,887
Total liabilities	63,099,252	49,292	63,148,544	79,995,255	61,681	80,056,936
Deferred inflows	12,489,033	-	12,489,033	3,687,334	-	3,687,334
Net position (deficit)						
Net invest. in cap. assets	23,288,874	18,216	23,307,090	20,442,098	20,251	20,462,349
Restricted	95,200	-	95,200	85,728	-	85,728
Unrestricted	(44,720,267)	578,609	(44,141,658)	(49,348,382)	58,705	(49,289,677)
Total net position (deficit)	\$ (21,336,193)	\$ 596,825	\$ (20,739,368)	\$ (28,820,556)	\$ 78,956	\$ (28,741,600)

The School District's total net deficit was \$(20,739,368) at June 30, 2022, and a total net deficit of \$(28,741,600) at June 30, 2021. The statement of net position for the year ended June 30, 2021 does not reflect the changes in accounting principles (see Note 2) and is shown at the amounts previously reported.

Current assets include cash and cash equivalents (money in banks and liquid investments), net taxes receivable (fund accounting includes only property and earned income taxes anticipated to be received within 60 days of the close of the fiscal year, June 30), subsidies still to be received from the state and federal government, inventories, and prepaid expenses.

Capital assets include land values, site improvements, building and building improvements, furniture and equipment, and right-to-use lease assets (all net of amortization or depreciation). Current liabilities include accounts payable, the current portion of long-term debt, short-term payables, and accrued salaries and benefits (July and August costs for teachers who do not take "balance of contract" in June).

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Long-term liabilities include bonds payable and unamortized bond premiums, lease liabilities, the long-term portion of other post-employment benefits (medical and dental insurances for retirees paid by the School District under the retirement incentive plans), and the long-term portion of compensated absences (value of sick days should employees use all their accumulated entitlements).

Buildings, land, and equipment make up most of the School District's net position in the net investment in capital assets. Capital assets of the School District are shown at cost less accumulated depreciation, which does not reflect market values. The remaining net position consists of restricted and unrestricted amounts. Restricted net position is the amount held for student clubs.

The results of this year's operations as a whole are reported in the statement of activities as shown in the following table. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

	2022			2021		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 492,960	\$ 57,110	\$ 550,070	\$ 443,892	\$ 4,739	\$ 448,631
Operating grants & contrib.	7,441,983	1,372,754	8,814,737	8,247,565	620,623	8,868,188
Capital grants & contrib.	-	-	-	772,915	-	772,915
General revenues						
Property taxes	27,248,629	-	27,248,629	25,908,746	-	25,908,746
Other taxes	4,367,789	-	4,367,789	3,887,483	-	3,887,483
Grants, subsidies & contrib.	5,991,985	-	5,991,985	5,894,873	-	5,894,873
Net investment earnings	40,078	2,011	42,089	211,213	675	211,888
Other	172,742	-	172,742	71,544	-	71,544
<b>Total revenues</b>	<b>45,756,166</b>	<b>1,431,875</b>	<b>47,188,041</b>	<b>45,438,231</b>	<b>626,037</b>	<b>46,064,268</b>
<b>Expenses</b>						
Instruction	22,911,387	-	22,911,387	25,169,441	-	25,169,441
Instructional support	2,258,775	-	2,258,775	2,723,851	-	2,723,851
Administrative & financial	3,759,451	-	3,759,451	4,025,760	-	4,025,760
Operations & maintenance	4,360,847	-	4,360,847	4,125,007	-	4,125,007
Pupil transportation	2,073,419	-	2,073,419	1,790,475	-	1,790,475
Student activities	1,020,242	-	1,020,242	934,822	-	934,822
Community services	4,048	-	4,048	15,388	-	15,388
Interest on debt	249,096	-	249,096	200,414	-	200,414
Unallocated depreciation	1,638,920	-	1,638,920	1,648,799	-	1,648,799
Food service	-	914,006	914,006	-	586,536	586,536
<b>Total expenses</b>	<b>38,276,185</b>	<b>914,006</b>	<b>39,190,191</b>	<b>40,633,957</b>	<b>586,536</b>	<b>41,220,493</b>
Increase in net position	7,479,981	517,869	7,997,850	4,804,274	39,501	4,843,775
Net position (deficit) - beginning *	(28,816,174)	78,956	(28,737,218)	(33,624,830)	39,455	(33,585,375)
<b>Net position (deficit) - ending</b>	<b>\$ (21,336,193)</b>	<b>\$ 596,825</b>	<b>\$ (20,739,368)</b>	<b>\$ (28,820,556)</b>	<b>\$ 78,956</b>	<b>\$ (28,741,600)</b>

Net position for governmental activities as of July 1, 2021 (\*) was restated for the implementation of GASB Statement No. 87, *Leases*. Please refer to Note 2 to the financial statements for additional information about the change in accounting principles, the activity for the year ended June 30, 2021 is presented at the amounts previously reported.

**Governmental Activities**

The School District's largest functions are instruction, instructional support, administration and financial support, and operations and maintenance. Those amounts are shown in the next table at net cost for

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governmental activities only. This table also shows the net costs offset by the other unrestricted grants, subsidies, and unrestricted contributions to show the remaining financial needs supported by local tax efforts and other miscellaneous revenues.

The results of this year's operations as a whole are reported in the statement of activities as shown in the following table. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions/Programs				
Instruction	\$ 22,911,387	\$ 17,064,919	\$ 25,169,441	\$ 19,276,427
Instructional support	2,258,775	1,909,639	2,723,851	2,347,001
Administrative & financial	3,759,451	3,396,418	4,025,760	3,680,053
Operations & maintenance	4,360,847	3,602,622	4,125,007	2,613,301
Pupil transportation	2,073,419	1,706,742	1,790,475	1,395,984
Student activities	1,020,242	773,378	934,822	780,225
Community services	4,048	(492)	15,388	(34,704)
Interest on long-term debt	249,096	249,096	200,414	(537,501)
Unallocated depreciation	1,638,920	1,638,920	1,648,799	1,648,799
Total governmental activities	<u>\$ 38,276,185</u>	30,341,242	<u>\$ 40,633,957</u>	31,169,585
Less: unrestricted grants, subsidies		<u>(5,991,985)</u>		<u>(5,894,873)</u>
Total needs from local taxes and other revenues		<u>\$ 24,349,257</u>		<u>\$ 25,274,712</u>

**Business-type Activities**

The School District continued to provide free breakfast and lunch under the School Breakfast Program and National School Lunch Program through COVID-19 waivers.

The following table reflects the food service program, the School District's only business-type activity.

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions/Programs				
Food service	<u>\$ 914,006</u>	<u>\$ (515,858)</u>	<u>\$ 586,536</u>	<u>\$ (38,826)</u>

**School District Funds**

**General Fund Budget**

	Budget Revenues 2021-2022	Actual Revenues 2021-2022	Variance
Local	\$ 31,108,214	\$ 32,458,935	\$ 1,350,721
State	11,886,363	11,915,819	29,456
Federal	691,742	1,146,581	454,839

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**Management's Discussion & Analysis**  
**June 30, 2022**

Local revenues exceeded the budget due to the fact that the School District experienced a higher collection of current and delinquent real estate taxes than anticipated. In addition, revenues from earned income taxes and real estate transfer taxes exceed budgeted amounts that were held consistent with prior year collections. Federal revenues exceeded planned budgeted amounts for ESSER programs.

	Budget Expenditures 2021-2022	Actual Expenditures 2021-2022	Variance
Instruction	\$ 25,470,407	\$ 25,020,944	\$ 449,463
Support services	13,232,063	12,888,775	343,288
Noninstructional	1,156,001	976,619	179,382
Debt service	4,206,200	4,427,105	(220,905)

Budget surpluses were realized across functions relating to various impacts on School District operations due to personnel vacancies and supply chain shortages. Debt service expenditures exceeded the budget for the reclassification of lease payments from instruction and support services.

**Capital Assets and Debt Administration**

**Capital Assets**

Capital assets, net of accumulated depreciation

	2022	2021 (restated)
Governmental activities		
Land	\$ 1,355,020	\$ 1,355,020
Construction in progress	-	746,479
Site improvements	1,303,804	1,643,764
Buildings and improvements	23,436,343	23,578,009
Furniture and equipment	905,035	997,120
Right-to-use lease assets	30,270	146,213
	<u>\$ 27,030,472</u>	<u>\$ 28,466,605</u>
Business-type activities		
Furniture and equipment	<u>\$ 18,216</u>	<u>\$ 20,251</u>

During the 2021-2022 school year, the School District completed the replacement of HVAC rooftop units at Myrtle Elementary School. Total capital additions for governmental activities were \$509,175, and depreciation expense was \$1,975,212 for the year ended June 30, 2022.

**Debt Administration**

Outstanding Debt

	2022	2021
General obligation bonds		
Series A of 2019	\$ -	\$ 2,615,000
Series B of 2019	3,640,000	4,950,000
	<u>\$ 3,640,000</u>	<u>\$ 7,565,000</u>

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Management’s Discussion & Analysis**  
**June 30, 2022**

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During the year the School District’s Series A of 2019 bonds fully matured. Series B of 2019 matures in the fiscal year 2023.

**Financial Highlights**

The School District does not expect significant growth given the lack of real estate available for development within its geographical boundaries.

Future economic factors that will impact the School District include the Pennsylvania Public School Employees Retirement System (PSERS) employer contribution rates, which are very high. These increases are anticipated to strain budget resources for all Pennsylvania school districts. The employer rates for the last five years and scheduled for future years are as follows:

Last 5 School Years	Employer Contribution Rate	Next 5 School Years	Employer Contribution Rate
2017-2018	32.57%	2022-2023	35.26%
2018-2019	33.43%	2023-2024	34.00%
2019-2020	34.29%	2024-2025	34.73%
2020-2021	34.51%	2025-2026	35.49%
2021-2022	34.94%	2026-2027	36.15%

Medical insurance increases in the coming years could be above 10.0% but could be much worse if the School District was not a member of the Allegheny County Health Insurance Consortium that is set up through the Allegheny Intermediate Unit. Allegheny County implemented a reassessment of all properties in the calendar year beginning January 1, 2013. The Pennsylvania state law Act 1 of 2006 sets a cap on the amount a school district can raise property taxes without first getting voter approval.

The School District has adopted a Capital Reserve Plan for the next five (5) years on many needed improvements with facilities and grounds throughout the School District. The major items are the replacement of roofs and rooftop units across the district, updating buildings both internally and externally, security updates across the School District, classroom redesign projects, painting exterior panels, and deteriorating tennis courts.

The adopted budget for the fiscal year 2022-2023 includes total revenue sources of \$48,169,304 and appropriated expenditures of \$48,462,499. The real estate tax levy for the 2022 tax year is 20.4856 mills and represents \$27,081,933 or 56% of total budgeted revenues, which is an increase of approximately \$1.3 million. The 2022-2023 budget includes \$2.7 million in revenues recognized under ESSER programs.

**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 Joseph Kubiak, Assistant to the Superintendent for Operations, Keystone Oaks School District, 1000 Kelton Avenue, Pittsburgh, PA 15216, (412) 571-6000.

# KEYSTONE OAKS SCHOOL DISTRICT

## Statement of Net Position (Deficit)

June 30, 2022

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 12,127,474	\$ 1,088,023	\$ 13,215,497
Taxes receivable, net	1,504,131	-	1,504,131
Internal balances	800,106	(800,106)	-
Due from other governments	1,748,903	286,547	2,035,450
Other receivables	82,379	11,355	93,734
Inventories	-	42,082	42,082
Prepaid expenses	10,413	-	10,413
<b>Total current assets</b>	<u>16,273,406</u>	<u>627,901</u>	<u>16,901,307</u>
<b>Noncurrent assets</b>			
Land	1,355,020	-	1,355,020
Site improvements, net	1,303,804	-	1,303,804
Buildings and building improvements, net	23,436,343	-	23,436,343
Furniture and equipment, net	905,035	18,216	923,251
Right-to-use lease assets, net	30,270	-	30,270
<b>Total noncurrent assets</b>	<u>27,030,472</u>	<u>18,216</u>	<u>27,048,688</u>
<b>Total assets</b>	<u>43,303,878</u>	<u>646,117</u>	<u>43,949,995</u>
<b>Deferred outflows of resources</b>			
Related to pension	9,329,035	-	9,329,035
Related to OPEB - PSERS	558,313	-	558,313
Related to OPEB - School Plan	1,060,866	-	1,060,866
<b>Total deferred outflows of resources</b>	<u>10,948,214</u>	<u>-</u>	<u>10,948,214</u>

*(Continued)*

**KEYSTONE OAKS SCHOOL DISTRICT**

**Statement of Net Position (Deficit)**

**June 30, 2022**

	Governmental Activities	Business-type Activities	Totals
			<i>(Continued)</i>
Liabilities			
Current Liabilities			
Accounts payable	735,888	17,499	753,387
Accrued salaries, benefits and withholdings	5,106,274	-	5,106,274
Accrued interest	59,827	-	59,827
Unearned revenues	93,180	31,793	124,973
Current portion of long-term debt	3,764,797	-	3,764,797
Total current liabilities	<u>9,759,966</u>	<u>49,292</u>	<u>9,809,258</u>
Noncurrent liabilities			
Bonds payable, net	79,725	-	79,725
Lease liability	395	-	395
Compensated absences	470,677	-	470,677
Net pension liabilities	47,708,000	-	47,708,000
Net OPEB liability - PSERS	2,752,000	-	2,752,000
Total OPEB liability - School Plan	2,328,489	-	2,328,489
Total noncurrent liabilities	<u>53,339,286</u>	<u>-</u>	<u>53,339,286</u>
Total liabilities	<u>63,099,252</u>	<u>49,292</u>	<u>63,148,544</u>
Deferred inflows of resources			
Related to pension	10,495,000	-	10,495,000
Related to OPEB - PSERS	162,000	-	162,000
Related to OPEB - School Plan	1,832,033	-	1,832,033
Total deferred inflows of resources	<u>12,489,033</u>	<u>-</u>	<u>12,489,033</u>
Net position (deficit)			
Net investment in capital assets	23,288,874	18,216	23,307,090
Restricted	95,200	-	95,200
Unrestricted	(44,720,267)	578,609	(44,141,658)
Total net position (deficit)	<u>\$ (21,336,193)</u>	<u>\$ 596,825</u>	<u>\$ (20,739,368)</u>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Instruction	\$ 22,911,387	\$ 252,058	\$ 5,594,410	\$ -	\$ (17,064,919)	\$ -	\$ (17,064,919)
Instructional support	2,258,775	-	349,136	-	(1,909,639)	-	(1,909,639)
Administrative and financial	3,759,451	-	363,033	-	(3,396,418)	-	(3,396,418)
Operations and maintenance	4,360,847	63,013	695,212	-	(3,602,622)	-	(3,602,622)
Pupil transportation	2,073,419	-	366,677	-	(1,706,742)	-	(1,706,742)
Student activities	1,020,242	177,889	68,975	-	(773,378)	-	(773,378)
Community services	4,048	-	4,540	-	492	-	492
Interest on long-term debt	249,096	-	-	-	(249,096)	-	(249,096)
Unallocated depreciation	1,638,920	-	-	-	(1,638,920)	-	(1,638,920)
Total governmental activities	<u>38,276,185</u>	<u>492,960</u>	<u>7,441,983</u>	<u>-</u>	<u>(30,341,242)</u>	<u>-</u>	<u>(30,341,242)</u>
Business-type activities:							
Food service	<u>914,006</u>	<u>57,110</u>	<u>1,372,754</u>	<u>-</u>	<u>-</u>	<u>515,858</u>	<u>515,858</u>
Total primary government	<u>\$ 39,190,191</u>	<u>\$ 550,070</u>	<u>\$ 8,814,737</u>	<u>\$ -</u>	<u>(30,341,242)</u>	<u>515,858</u>	<u>(29,825,384)</u>
General revenues:							
Taxes:							
Property taxes, net					27,248,629	-	27,248,629
Earned income tax					3,578,478	-	3,578,478
Other taxes levied for general purposes					789,311	-	789,311
Grants, subsidies, and contributions, not restricted					5,991,985	-	5,991,985
Net investment earnings					40,078	2,011	42,089
Miscellaneous income					<u>172,742</u>	<u>-</u>	<u>172,742</u>
Total general revenues					<u>37,821,223</u>	<u>2,011</u>	<u>37,823,234</u>
Change in net position					7,479,981	517,869	7,997,850
Net position (deficit) - July 1, 2021 (restated)					<u>(28,816,174)</u>	<u>78,956</u>	<u>(28,737,218)</u>
Net position (deficit) - June 30, 2022					<u>\$ (21,336,193)</u>	<u>\$ 596,825</u>	<u>\$ (20,739,368)</u>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds  
June 30, 2022**

	General Fund	Capital Reserve Fund	Nonmajor Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 11,955,496	\$ 42,231	\$ 129,747	\$ 12,127,474
Taxes receivable, net	1,504,131	-	-	1,504,131
Due from other funds	886,909	-	10,025	896,934
Due from other governments	1,748,903	-	-	1,748,903
Other receivables	82,379	-	-	82,379
Prepaid items	10,413	-	-	10,413
<b>Total assets</b>	<b><u>\$ 16,188,231</u></b>	<b><u>\$ 42,231</u></b>	<b><u>\$ 139,772</u></b>	<b><u>\$ 16,370,234</u></b>
<b>Liabilities, deferred inflows of resources, and fund balance</b>				
<b>Liabilities</b>				
Due to other funds	\$ 10,025	\$ -	\$ 86,803	\$ 96,828
Accounts payable	735,888	-	-	735,888
Payroll accruals and withholding	5,106,274	-	-	5,106,274
Unearned revenues	93,180	-	-	93,180
<b>Total liabilities</b>	<b><u>5,945,367</u></b>	<b><u>-</u></b>	<b><u>86,803</u></b>	<b><u>6,032,170</u></b>
<b>Deferred inflows of resources</b>				
Unavailable property taxes	1,255,945	-	-	1,255,945
<b>Fund balance</b>				
Nonspendable	10,413	-	-	10,413
Restricted	-	42,231	52,969	95,200
Committed	5,053,002	-	-	5,053,002
Assigned	573,996	-	-	573,996
Unassigned	3,349,508	-	-	3,349,508
<b>Total fund balance</b>	<b><u>8,986,919</u></b>	<b><u>42,231</u></b>	<b><u>52,969</u></b>	<b><u>9,082,119</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b><u>\$ 16,188,231</u></b>	<b><u>\$ 42,231</u></b>	<b><u>\$ 139,772</u></b>	<b><u>\$ 16,370,234</u></b>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position (Deficit)**  
**June 30, 2022**

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Total fund balances - governmental funds \$ 9,082,119

Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$82,702,918, and the accumulated depreciation is \$55,672,446. 27,030,472

Property taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 1,255,945

Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds. (1,540,819)

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

Bonds payable	\$ (3,640,000)	
Unamortized bond premiums	(79,725)	
Accrued interest on the bonds	(59,827)	
Lease liability	(21,873)	
Compensated absences	(573,996)	
Net pension liability	(47,708,000)	
Net OPEB liability-PSERS	(2,752,000)	
Total OPEB liability-School plan	(2,328,489)	(57,163,910)

Total net position (deficit) - governmental activities \$ (21,336,193)

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	General Fund	Capital Reserve Fund	Nonmajor Fund	Total Governmental Funds
Revenues				
Local sources	\$ 32,458,935	\$ 113	\$ 54,038	\$ 32,513,086
State sources	11,915,819	-	-	11,915,819
Federal sources	1,146,581	-	-	1,146,581
Total revenues	<u>45,521,335</u>	<u>113</u>	<u>54,038</u>	<u>45,575,486</u>
Expenditures				
Instruction	25,020,944	-	-	25,020,944
Support services	12,888,775	3,350	-	12,892,125
Noninstructional services	976,619	-	86,797	1,063,416
Capital outlay	-	769,922	-	769,922
Debt service	4,427,105	-	-	4,427,105
Refunds of prior year's receipts	-	-	-	-
Total expenditures	<u>43,313,443</u>	<u>773,272</u>	<u>86,797</u>	<u>44,173,512</u>
Excess (deficiency) of revenues over expenditures	<u>2,207,892</u>	<u>(773,159)</u>	<u>(32,759)</u>	<u>1,401,974</u>
Other financing sources (uses)				
Sale of capital assets	6,105	-	-	6,105
Transfers in	-	769,922	-	769,922
Transfers out	(769,922)	-	-	(769,922)
Total other financing sources (uses)	<u>(763,817)</u>	<u>769,922</u>	<u>-</u>	<u>6,105</u>
Net change in fund balances	1,444,075	(3,237)	(32,759)	1,408,079
Fund balance - July 1, 2021	<u>7,542,844</u>	<u>45,468</u>	<u>85,728</u>	<u>7,674,040</u>
Fund balance - June 30, 2022	<u>\$ 8,986,919</u>	<u>\$ 42,231</u>	<u>\$ 52,969</u>	<u>\$ 9,082,119</u>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2022**

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Total net change in fund balances of governmental funds \$ 1,408,079

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

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

Depreciation expense	\$ (1,975,212)	
Capital outlays	539,079	(1,436,133)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. 174,575

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,925,000

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit). 119,958

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net change in accrued interest on bonds	10,842	
Amortization of deferred gain on refunding	9,365	
Amortization of premiums on bonds	112,844	133,051

*(Continued)*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2022**

*(Continued)*

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the liability for compensated absences decreased by this amount.

44,673

Governmental funds report School District pension and OPEB contributions as expenditures. However in the governmental activities, the cost of benefits earned is reported as an expense.

Pension contributions	5,913,320	
Cost of pension benefits earned	(3,111,127)	
OPEB benefit payments	392,445	
Cost of OPEB benefits earned	<u>(83,860)</u>	<u>3,110,778</u>

Change in net position of governmental activities	<u>\$ 7,479,981</u>
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*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	Food Service Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,088,023
Due from other governments	286,547
Other receivables	11,355
Inventories	42,082
Machinery and equipment, net	18,216
<b>Total assets</b>	<b>\$ 1,446,223</b>
<b>Liabilities and net position</b>	
<b>Liabilities</b>	
Due to other funds	\$ 800,106
Accounts payable	17,499
Student accounts	16,515
Unearned revenues	15,278
<b>Total Liabilities</b>	<b>849,398</b>
<b>Net position</b>	
Net investment in capital assets	18,216
Unrestricted	578,609
<b>Total net position</b>	<b>596,825</b>
<b>Total liabilities and net position</b>	<b>\$ 1,446,223</b>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	Food Service Fund
Operating revenues	
Food service revenue	\$ 57,110
Operating expenses	
Salaries	306,679
Employee benefits	146,331
Purchased professional and technical service	14,944
Supplies	438,951
Depreciation	5,514
Other operating expenditures	1,587
Total operating expenses	914,006
Operating loss	(856,896)
Nonoperating revenues	
Earnings on investments	2,011
State sources	93,984
Federal sources	1,278,770
Total nonoperating revenues	1,374,765
Change in net position	517,869
Net position - July 1, 2021	78,956
Net position - June 30, 2022	\$ 596,825

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	Food Service Fund
Cash flows from operating activities	
Cash received from users	\$ 57,266
Cash payments to employees for services	(50,981)
Cash payments to suppliers for goods and services	(385,922)
Cash payments for other operating expenses	(1,587)
Net cash used in operating activities	(381,224)
 Cash flows from noncapital financing activities	
State sources	84,997
Federal sources	1,126,292
Net cash provided by noncapital financing activities	1,211,289
 Cash flows from capital and related financing activities	
Capital asset purchases	(3,479)
 Cash flows from investing activities	
Earnings on investments	2,011
 Net increase in cash and cash equivalents	828,597
 Cash and cash equivalents - July 1, 2021	259,426
 Cash and cash equivalents - June 30, 2022	\$ 1,088,023

*(Continued)*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	(Continued) Food Service Fund
<hr/>	
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (856,896)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and net amortization	5,514
Donated commodities	79,308
(Increase) decrease in accounts receivable	6,055
(Increase) decrease in inventories	(9,282)
Increase (decrease) in accounts payable	(2,053)
Increase (decrease) in advances from other funds	402,029
Increase (decrease) in unearned revenue	(5,899)
Total adjustments	<u>475,672</u>
Net cash used in operating activities	<u>\$ (381,224)</u>
Schedule of noncash investing, capital, and financing activities	
During the year ended June 30, 2022, the School District received USDA donated commodities.	<u>\$ 74,871</u>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2022**

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	<u>Private Purpose Trust Fund</u>
Assets	
Investments	<u>\$ 23,190</u>
Net position	
Held in trust for scholarships	<u>\$ 23,190</u>

*The accompanying notes are an integral part of the financial statements.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2022**

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	<u>Private Purpose Trust Fund</u>
Additions	
Gifts and Contributions	\$ 8,350
Interest	<u>52</u>
Total additions	<u>8,402</u>
Deductions	
Scholarships awarded	<u>3,600</u>
Change in net position	4,802
Net position - July 1, 2021	<u>18,388</u>
Net position - June 30, 2022	<u>\$ 23,190</u>

*The accompanying notes are an integral part of the financial statements.*

## Note 1 – Summary of Significant Accounting Policies

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

### Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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 the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of these 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 (Center). The Center is not considered part of the reporting entity, as the School District is not financially accountable for the Center.

### Basis of Presentation

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

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

### Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the

# KEYSTONE OAKS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

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.

### Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements 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.

### *Fund Accounting*

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

### **Governmental 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 School District reports the following major and nonmajor 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 Reserve Fund**

The School District's capital reserve fund is authorized by Municipal Code P.L. 145, Act of April 30, 1943, also known as Purdon's 53 § 1431, and accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus monies in the general fund of the treasury of the LEA at the end of any

fiscal year, and (3) interest earnings of the fund itself. Bond proceeds and other local, state, or federal revenue received by the School District may not be deposited into this fund. No transfers out of this fund are allowable for any purpose.

### **Nonmajor 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.

### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. 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.

### **Enterprise Fund**

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

#### *Food Service Fund*

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

### **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, of which the School District reports the following:

### **Private Purpose Trust Fund**

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 programs.

#### *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.

**Measurement Focus, Basis of Accounting**

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.

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 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.

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.

### Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

### 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.

### 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 measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

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 final budgeted amounts represent the final appropriation that includes budget transfer amendments as passed by the Board during the fiscal year. There were no supplemental budgetary appropriations made during the year ended June 30, 2022.

### 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, 2022, the School District has no encumbrances.

### Cash and Cash Equivalents

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

### Fair Value Measurements

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., 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 or 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.

### **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.

#### Taxes Receivable

Taxes receivable consist of delinquent real estate and other taxes due at June 30, 2022, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

#### Interfund Receivables and Payables

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

#### 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, 2022.

A physical inventory of the food service fund's food and supplies was taken as of June 30, 2022. 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, 2022, are reported as unearned revenue.

#### 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

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives (Years)</u>
Site improvements	10 - 15
Buildings and building improvements	20 - 50
Vehicles	6 - 10
Machinery and equipment	6 - 10

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums are reported as other financing sources while the discount on debt issuances are reported as other financing uses.

**Compensated Absences**

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or personal days which they are paid for upon retirement or termination of service. The amount the employee is compensated, and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused personal or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$10,948,214 in the governmental activities as deferred outflows of resources related to pension and OPEB.

# KEYSTONE OAKS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$12,489,033 in governmental activities as deferred inflows of resources related to pension and OPEB. The School District also had \$1,255,945 of deferred inflows of resources from unavailable property tax revenue reported on the balance sheet as of June 30, 2022.

### **Equity Classifications**

#### Net Position

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

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

- Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 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, 2022, 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 School District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.

# KEYSTONE OAKS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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- 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 Director of Finance and Operations 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.

The School District's policy is to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

### **Operating Revenues and Expenses**

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

### **Use of Estimates**

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

### **Newly Adopted Pronouncements**

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the year ended June 30, 2022:

GASB Statement No. 87, Leases, was adopted on July 1, 2021. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard is further discussed in Note 2.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was adopted on July 1, 2021. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. There were no transactions for the School District applicable under this new standard.

**Pending Pronouncements**

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations, and is effective for the School District's June 30, 2023 financial statements. This statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for the School District's June 30, 2023 financial statements.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines an SBITA; (2) establishes that an SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding an SBITA. The provisions of this statement are effective for the School District's June 30, 2023, financial statements.

In April 2022, GASB issued Statement No. 99, Omnibus 2022. Certain requirements were effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the year ended June 30, 2024.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections-an amendment to GASB Statement No. 62. The provisions of this statement are effective for the year ending June 30, 2024.

In June 2022, GASB issued Statement No. 101, Compensated Absences. This standard updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. The provisions of this statement are effective for the year ending June 30, 2025.

The effects of the implementation of these standards have not yet been determined.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**Note 2 – Change in Accounting Principles**

For the year ended June 30, 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This change in accounting principle was implemented effective July 1, 2021, and applied retroactively. Right-to-use lease assets are reported with the School District's capital assets under governmental activities for copiers and printers financed by leases. Right-to-use lease assets are amortized over the shorter of the life of the asset or term of the lease on a straight-line basis. Leases payable are recognized at the present value of future lease payments. The net effect of implementation decreased the beginning net deficit of the governmental activities by \$4,382.

Net deficit, governmental activities, at June 30, 2021, as previously stated	\$ (28,820,556)
Implementation of GASB 87	
Right-to-use lease assets, net	146,213
Leases payable	<u>(141,831)</u>
Net deficit, governmental activities, at July 1, 2021, restated	<u>\$ (28,816,174)</u>

**Note 3 – Cash and Investments**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District is required by state statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania, or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,951,539 was collateralized by the School District's depositories in accordance with Act 72.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**Investments**

As of June 30, 2022, the School District had the following investments:

	Fair Value (Level 1)
Pennsylvania Local Government Investment Trust	\$ 6,829,468
Pennsylvania School District Liquid Asset Fund	162,471
Pennsylvania Treasurer's Investment Program	181,883
Total	\$ 7,173,822

The Pennsylvania Local Government Investment Trust (PLGIT), the Pennsylvania School District Liquid Asset Fund (PSDLAF), and the Pennsylvania Treasurer's Investment Program (INVEST) 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.

PLGIT's 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. PLGIT's Standard & Poor's rating is AAAM.

PSDLAF's 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.

The INVEST Program is administered by the Pennsylvania Treasury Department in strict accordance with investment criteria prescribed by state law, local ordinance, and the Treasury Investment Policy. In addition, rated pools are further restricted to investments that also satisfy criteria established by Standard & Poor's. The INVEST Daily pool is rated AAAM by Standard & Poor's. The Compliance Division within Treasury's Bureau of Cash Management and Investments has implemented investment-monitoring procedures for the INVEST Program to ensure strict adherence to Treasury's Investment Policy. In addition, the financial statements of the INVEST Program are audited annually by an independent Certified Public Accounting firm and/or the Pennsylvania Department of the Auditor General. Furthermore, Treasury's Investment Committee meets regularly to review the objectives and performance of the INVEST Program, as well as all other programs administered by the Department. The Investment Committee shall consist of the Treasurer; the Chief Investment Officer, who shall chair meetings of the Committee; the Chief Counsel; and other persons whom the Treasurer may wish to appoint.

**Note 4 – Interfund Balances and Transfers**

**Interfund Receivables and Payables**

Interfund balances at June 30, 2022 consisted of the following fund receivables and payables:

	Interfund Receivables	Interfund Payables
General fund	\$ 886,909	\$ 10,025
Food service fund	-	800,106
Nonmajor funds	10,025	86,803
Total	\$ 896,934	\$ 896,934

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

**Interfund Transfers**

During the fiscal year ended June 30, 2022, the general fund transferred \$769,922 to the capital reserve fund for future capital improvements.

**Note 5 – Property Taxes**

The School District bills and collects its own property taxes through locally elected tax collectors. Taxes are levied on July 1 of the fiscal year. Property taxes attach as an enforceable lien on properties as of July 1 of the year following levy. Collection of delinquent property taxes is contracted to a private collection agency. The 2021 tax levy was based on assessed values on July 1, 2021, of \$1,385,835,686. The School District tax rate for the year ended June 30, 2021 was 20.0839 mills.

Taxes may be paid in full at a 2% discount until August 31, at face until October 31, and at a 10% penalty until the lien date. Installments may be made at face where 50% is due by August 31st, 25% is due by October 31 and 25% is due by December 31.

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable is net of the estimated uncollectible amount of \$156,681 and are reported on the balance sheet in the amount of \$1,410,537, along with other taxes receivable of \$93,594.

**Note 6 – Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2022, the following amounts are due from other governmental units:

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	Governmental Funds	Enterprise Fund	Total
Federal (through State)	\$ 120,127	\$ 277,560	\$ 397,687
Federal (through local sources)	214,993	-	214,993
State	1,413,783	8,987	1,422,770
<b>Total</b>	<b><u>\$ 1,748,903</u></b>	<b><u>\$ 286,547</u></b>	<b><u>\$ 2,035,450</u></b>

**Note 7 – Capital Assets**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance (restated)	Additions	Retirements	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,355,020	\$ -	\$ -	\$ 1,355,020
Construction in progress	746,479	492,105	1,238,584	-
<b>Total capital assets not being depreciated</b>	<b><u>2,101,499</u></b>	<b><u>492,105</u></b>	<b><u>1,238,584</u></b>	<b><u>1,355,020</u></b>
Capital assets being depreciated				
Site improvements	8,160,581	-	-	8,160,581
Buildings and building improvements	61,073,553	1,238,584	-	62,312,137
Furniture and equipment	10,248,488	46,974	-	10,295,462
Right-to-use lease assets	579,718	-	-	579,718
<b>Total capital assets being depreciated</b>	<b><u>80,062,340</u></b>	<b><u>1,285,558</u></b>	<b><u>-</u></b>	<b><u>81,347,898</u></b>
Less accumulated depreciation				
Site improvements	6,516,817	339,960	-	6,856,777
Buildings and building improvements	37,495,544	1,380,250	-	38,875,794
Furniture and equipment	9,251,368	139,059	-	9,390,427
Right-to-use lease assets	433,505	115,943	-	549,448
<b>Total accumulated depreciation</b>	<b><u>53,697,234</u></b>	<b><u>1,975,212</u></b>	<b><u>-</u></b>	<b><u>55,672,446</u></b>
<b>Capital assets being depreciated, net</b>	<b><u>26,365,106</u></b>	<b><u>(689,654)</u></b>	<b><u>-</u></b>	<b><u>25,675,452</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 28,466,605</u></b>	<b><u>\$ (197,549)</u></b>	<b><u>\$ 1,238,584</u></b>	<b><u>\$ 27,030,472</u></b>
<b>Business-type activities</b>				
Furniture and equipment	\$ 457,671	\$ 3,479	\$ -	\$ 461,150
Less accumulated depreciation	437,420	5,514	-	442,934
<b>Business-type activities capital assets, net</b>	<b><u>\$ 20,251</u></b>	<b><u>\$ (2,035)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,216</u></b>

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Depreciation was charged to functions as follows:

Governmental activities	
Instruction	\$ 122,637
Admin. & financial support	69,585
Operation & maintenance	117,184
Pupil transportation	6,844
Student activities	20,042
Unallocated depreciation expense	<u>1,638,920</u>
	<u>\$ 1,975,212</u>
Business-type activities	
Food service	<u>\$ 5,514</u>

**Note 8 – General Long-Term Debt**

Changes in the School District’s long-term obligations during the fiscal year ended June 30, 2022, were as follows:

	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 7,565,000	\$ -	\$ 3,925,000	\$ 3,640,000	\$ 3,640,000
Bond premiums, net	<u>192,569</u>	-	<u>112,844</u>	<u>79,725</u>	-
Bonds payable, net	7,757,569	-	4,037,844	3,719,725	3,640,000
Lease liability	141,831	-	119,958	21,873	21,478
Compensated absences	618,669	2,840	8,175	613,334	103,319
Net pension liability - PSERS	60,318,000	-	12,610,000	47,708,000	-
Net OPEB liability - PSERS	2,645,000	107,000	-	2,752,000	-
OPEB liability - School plan	<u>2,292,009</u>	<u>234,372</u>	<u>197,892</u>	<u>2,328,489</u>	-
Total long-term liabilities	<u>\$ 73,773,078</u>	<u>\$ 344,212</u>	<u>\$ 16,973,869</u>	<u>\$ 57,143,421</u>	<u>\$ 3,764,797</u>

**Note 9 – General Obligation Bonds and Notes**

The School District had the following general obligation bonds outstanding at June 30, 2022:

General Obligation Bonds

General Obligation Bonds, Series B of 2019, issuance amount of \$6,405,000, interest at 4.0%, due April 15, 2023.

\$ 3,640,000

Debt service payments on general obligation bonds is made by the general fund.

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The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2022, including interest payments, are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 3,640,000	\$ 145,600	\$ 3,785,600

**Note 10 – Lease Liability**

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2021	Balance June 30, 2022
Postage machines	8/1/2018	20 quarters	\$ 404	9.24%	\$ 6,412	\$ 3,249	\$ 1,887
Copy machines	9/24/2017	60 months	10,020	1.95%	573,306	138,582	119,958

Annual requirements to amortize long-term obligations and related interest are as follows:

Year ending June 30,	Principal	Interest	Totals
2023	\$ 21,478	\$ 178	\$ 21,656
2024	395	9	404
	\$ 21,873	\$ 187	\$ 22,060

Payments on lease obligations are made by the general fund.

**Note 11 – PSERS Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees’ Retirement System (PSERS) and additions to/deductions from PSERS’ 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

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

### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching: (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 2.00% or 2.50%, 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 2.00% or 2.50%, 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

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to one of four membership classes. Class T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

### Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

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Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% *	N/A	7.50%
T-F	On or after July 1, 2011	10.30% *	N/A	10.30%
T-G	On or after July 1, 2019	5.50% *	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% *	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

\* base rate with shared risk provision

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 33.99% 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 School District were \$6,005,035 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$47,708,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School District's proportion was 0.1162 percent, which was a decrease of 0.0063 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of \$3,166,000. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,000	\$ 627,000
Changes in assumptions	2,314,000	-
Net difference between projected and actual investment earnings	-	7,594,000
Changes in proportions	976,000	2,274,000
Contributions subsequent to the measurement date	6,004,035	-
	\$ 9,329,035	\$ 10,495,000

An amount of \$6,004,035 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (1,720,000)
2024	(1,314,000)
2025	(1,681,000)
2026	(2,455,000)
	\$ (7,170,000)

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2021, was determined by rolling forward PSERS' total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2020.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, including inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.

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- Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	100.0%	

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, 2021.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan

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members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School District's proportionate share of the net pension liability	\$ 62,618,000	\$ 47,708,000	\$ 35,130,000

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 PSERS' website at [www.psers.pa.gov](http://www.psers.pa.gov).

**Act 5 Defined Contribution Plan**

For the year ended June 30, 2022, the covered payroll for class T-G and T-H was \$1,084,402 and \$3,082, respectively. The School District's required contribution rate for Act 5 defined contribution was 0.15% of total pensionable wages based on an estimated average DC contribution rate. The School District's estimated contribution was \$26,500 for the year ended June 30, 2022.

**Note 12 – Other Post-Employment Benefits, PSERS Health Insurance Premium Share**

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 PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments 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 Pennsylvania Public School Employees' Retirement System provides Premium Assistance which is a governmental cost-sharing, multiple-employer other postemployment benefit plan 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

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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 (HOP).

### Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

### Pension Plan Description

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

### Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

### *Employer Contributions*

The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% 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 School District were \$108,068 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$2,392,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School 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, 2022, the School District's proportion was 0.1161 percent, which was a decrease of 0.0063 percent from its proportion measured as of June 30, 2021.

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For the year ended June 30, 2022, the School District recognized OPEB expense of \$164,000 related to this plan. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,000	\$ -
Changes in assumptions	293,000	37,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportions	93,000	125,000
Contributions subsequent to the measurement date	141,313	-
	\$ 558,313	\$ 162,000

\$141,313 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ 44,000
2024	43,000
2025	67,000
2026	50,000
2027	34,000
Thereafter	17,000
	\$ 255,000

**Actuarial Assumptions**

The total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20-Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%.
  - Eligible retirees will elect to participate Post age 65 at 70%. 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for the fiscal year 2021.
- 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 Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core fixed income	17.5%	0.7%
Non-US developed fixed	2.7%	-0.3%
	100.0%	

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, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 the solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding

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year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.18% which represents the S&P 20- year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB liability	\$ 2,752,000	\$ 2,752,000	\$ 2,752,000

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

The following presents the School District’s proportionate share of the net OPEB liability, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
School District's proportionate share of the net OPEB liability	\$ 3,158,000	\$ 2,752,000	\$ 2,417,000

OPEB Plan Fiduciary Net Position

Detailed information about the PSERS OPEB plan’s fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System’s website at [www.psers.pa.gov](http://www.psers.pa.gov).

**Note 13 – Other Post-Employment Benefits – School District Plan**

**Plan Description**

The School District provides other post-employment benefits for certain employees for current and future health, prescription drug, dental, and vision insurance benefit expenses through a single-employer defined benefit plan. A biennial actuarial valuation is made to determine whether the

contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2021. The post-retirement plan does not issue stand-alone financial reports.

### **Summary of Plan Provisions**

#### **Categories of Employee/Retiree**

The School District categorizes employees into six classifications as follows: Teachers; Administrators; Secretaries; Custodians; Paraprofessionals; and Cafeteria Workers. Bus drivers are contracted out and are not eligible for postretirement medical, dental, and/or vision benefits.

#### **Medical, Dental, and Vision Benefits**

Below is a summary of the postretirement medical, dental, and vision programs for the various employee groups as well as past incentives that were offered:

##### **Teachers and Administrators - who retired before the start of the 2020-2021 school year**

Eligible Teachers and Administrators were permitted to continue with retiree medical, dental, and vision coverage for no more than ten (10) years, or upon becoming eligible for coverage through Medicare, whichever occurs first. Retirees are required to contribute the same premium share that was in effect at retirement, plus any increases in the premium.

##### **Teachers and Administrators - who retired during the 2014-2015 school year**

Eligible Teachers and Administrators were permitted to continue with retiree medical, dental, and vision coverage up to the age of 65. However, they are required to contribute a specified percentage of the premium rate in order to maintain coverage. The percentage is the same amount that was paid as an active employee.

##### **All other Teachers and Administrators**

Eligible Teachers and Administrators who do not retire under a retirement incentive are required to contribute 100% of the premium for medical, dental, and vision coverage in order to maintain coverage.

##### **Cafeteria Workers, Secretaries, and Paraprofessionals**

Eligible employees are permitted to continue with retiree medical, dental, and vision coverage up to the age of 65. However, they are required to contribute 100% of the premium rate in order to maintain coverage.

##### **Custodians**

Custodians are not provided with postretirement medical. However, retired Custodians are permitted to continue enrollment in the dental and/or vision programs by paying 100% of the premium rate.

#### **Medical Plan**

For medical coverage, the retiree may continue in the plan they elected as an employee. There are two options for medical plans. One is a PPO program called Community Blue Flex PPO and the other is an EPO program called Community Blue Flex EPO. Both of these plans are provided through

the Allegheny County Schools Health Insurance Consortium (ACSHIC) and are administered by Highmark.

#### Benefit Duration

Postretirement medical benefits are provided up to the age of 65 only unless otherwise stated in a retirement incentive.

Retirees with dental and/or vision coverage are eligible to continue coverage beyond age 65 but they are required to contribute 100% of the cost beyond age 65.

#### Surviving Spouses

For any retiree who retired during the 2012-2013 school year: If a retiree dies prior to attaining age 65, all benefits cease for any surviving dependents.

For all other retirees: surviving spouses are permitted to continue up to the point where the surviving spouse turns 65. Surviving dependents are required to contribute any applicable contributions.

#### Eligibility

Employees become eligible for postretirement medical upon attaining eligibility under PSERS and attaining 10 years with the School District.

Eligibility for PSERS is as follows:

- For employees hired prior to July 1, 2011: 35 years of service with PSERS, or attainment of age 60 with at least 30 years of PSERS service, or attainment of age 62 with 1 year of PSERS service.
- For employees hired on or after July 1, 2011: Attainment of age 65 with at least 3 years of service or a combination of age and service equal to at least 92 with at least 35 years of service.

#### Life Insurance

Post-retirement life insurance coverage is available to retired Teachers provided they meet the eligibility criteria and they pay the required premiums. The coverage amount is a flat \$50,000 prior to age 65. Upon turning age 65, the amount is reduced by 50%. At age 70, the amount is reduced another 50%. At 75, coverage ceases.

Post-retirement life coverage is also available to retired Administrators. The amounts are based on a multiple of final salary. Life amounts for certain retired Administrators are reduced by 50% at age 65, another 50% at age 70, and then life insurance ceases at age 75. Life amounts for recent and future retired Administrators do not reduce.

Secretaries and Paraprofessionals are eligible for post-retirement life insurance in the amount of \$50,000 that ceases at age 75. Unlike the Teachers and Administrators, the amount does not reduce.

Custodians are eligible to continue their \$25,000 policy that they have while active. However, the Custodian must retire after age 62 and the coverage ceases at age 65.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2022**

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Changes in Benefit Terms

The Secretaries and Paraprofessionals are eligible for retiree medical coverage if they pay 100% of the premium and their life insurance policy ends at age 75. Also, there was a one-time incentive offered to Teachers and Administrators.

**Participant Data**

Membership in the plan consisted of the following at July 1, 2021, the date of the last actuarial valuation:

	Covered for Medical	Covered for Life Insurance
Active participants	179	256
Retired participants	15	68
	<u>194</u>	<u>324</u>

**Actuarial Assumptions**

Cost method	Entry age normal as a level percentage of pay
Discount rate	2.16% - Based on the Bond Buyers 20-Bond Index
Mortality	Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2020
Inflation rate	3.00%
Salary increases	2.50%

Healthcare cost trend      Healthcare trend rates are assumed to increase as follows:

Time Period, Year ending	Medical	Dental	Vision
<u>June 30,</u> 2023	<u>7.00%</u>	<u>3.00%</u>	<u>1.50%</u>
2024	6.50%	3.00%	1.50%
2025	6.25%	3.00%	1.50%
2026	6.00%	3.00%	1.50%
2027	5.75%	3.00%	1.50%
2028	5.50%	3.00%	1.50%
2029	5.25%	3.00%	1.50%
2030	5.00%	3.00%	1.50%
2031	4.75%	3.00%	1.50%
Thereafter	4.50%	3.00%	1.50%

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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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.

Retirement rates      Rates of retirement are shown below:

Age	Rate
55-57	5%
58-59	10%
60-62	30%
63-64	15%
65	100%

**Changes in the Total OPEB Liability**

The total OPEB liability is calculated as follows:

Balance at June 30, 2021	\$ 2,292,009
Changes for the year	
Service cost	69,451
Interest	50,653
Changes in benefit terms	(106,617)
Differences between expected and actual experience	222,459
Changes of assumptions	(1,574)
Benefit payments	(197,892)
Net change	36,480
Balance at June 30, 2022	\$ 2,328,489

**Changes of Assumptions**

- The discount rate changed from 2.21% to 2.16%.
- Updated the mortality improvement scale to MP-2021
- Updated the assumed medical, dental, and vision trend rates

**Changes in Benefit Terms**

- Secretaries' and paraprofessionals' life insurance now ends at age 75.
- Secretaries and Paraprofessionals are now eligible for post-retirement medical coverage if they pay 100% of the premium.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2022**

- A retirement incentive was offered to the Teachers and Administrators in which 6 employees took.

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

For the year ended June 30, 2022, the School District recognized a negative OPEB expense of \$79,203, comprised of the following:

Service cost	\$	69,451
Interest on total OPEB liability		50,653
Changes of benefit terms		(106,617)
Amortization of deferred outflows		(45,326)
Amortization of deferred inflows		(47,364)
Total OPEB expense	\$	<u>(79,203)</u>

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 502,704	\$ 994,259
Changes in assumptions	304,895	837,774
Contributions subsequent to the measurement date	253,267	-
	\$ 1,060,866	\$ 1,832,033

The \$253,267 amount reported as deferred outflows of resources resulting from the School 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 outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ (92,690)
2024	(92,690)
2025	(92,690)
2026	(92,690)
2027	(92,690)
Thereafter	(560,984)
	\$ (1,024,434)

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2022**

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	\$ 2,471,573	\$ 2,328,489	\$ 2,196,206

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

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

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 2,238,166	\$ 2,328,489	\$ 2,431,582

**Note 14 – Fund Balance**

Governmental fund balances at June 30, 2022 are as follows:

Category	Purpose	General Fund	Capital Reserve Fund	Student Activity Fund	Totals
Nonspendable	Prepaid expenditures	\$ 10,413	\$ -	\$ -	\$ 10,413
Restricted	Future capital improvements	-	42,231	-	42,231
	Student clubs and organizations	-	-	52,969	52,969
		-	42,231	52,969	95,200
Committed	OPEB liabilities	5,053,002	-	-	5,053,002
Assigned	Compensated absences	573,996	-	-	573,996
Unassigned	N/A	3,349,508	-	-	3,349,508
		\$ 8,986,919	\$ 42,231	\$ 52,969	\$ 9,082,119

**Note 15 – Jointly Governed Organizations**

The School District is one of twelve member school districts of the Parkway West Career & Technology Center (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 of enrollment of each member school district. The School District's financial obligation

to the Center for the year ended June 30, 2022 was \$504,602 which has been reported in the School District's general fund. The audit report may be obtained by calling the business office of the School District.

**Note 16 – Health Insurance Consortium**

The School District is one of fifty-one members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool, which provides health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based on 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, 2022, such residual net assets were \$51,449,149 for the Consortium as a whole, of which a share of the residual net assets of \$650,978 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. In such an event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium'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, 2022 are available by calling the School District business office.

**Note 17 – Risk Management**

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. The School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Note 18 – Commitments and Contingencies**

The 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, 2022 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.

**Required  
Supplementary Information**

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
<b>Local sources</b>				
Current real estate taxes	\$25,778,563	\$25,778,563	\$25,937,815	\$ 159,252
Public utility realty taxes	28,735	28,735	29,412	677
Local services taxes	61,000	61,000	54,495	(6,505)
Earned income taxes	3,296,000	3,296,000	3,578,345	282,345
Real estate transfer taxes	300,000	300,000	705,404	405,404
Delinquencies on taxes	875,750	875,750	1,136,371	260,621
Earnings on investments	40,000	40,000	33,675	(6,325)
Revenues from LEA activities	73,750	73,750	124,035	50,285
Revenues from intermediate sources	361,516	361,516	441,172	79,656
Rentals	40,800	40,800	63,013	22,213
Contributions and donations	200,000	200,000	4,400	(195,600)
Other revenues	52,100	52,100	350,798	298,698
<b>Total local sources</b>	<u>31,108,214</u>	<u>31,108,214</u>	<u>32,458,935</u>	<u>1,350,721</u>
<b>State sources</b>				
Basic education - formula	5,095,947	5,095,947	5,143,758	47,811
Basic education - Social Security	682,734	682,734	645,865	(36,869)
Tuition for orphans	40,000	40,000	74,004	34,004
Special education	1,524,628	1,524,628	1,573,839	49,211
Pupil transportation	384,870	384,870	357,174	(27,696)
Health services	40,250	40,250	35,948	(4,302)
State property tax reduction allocation	848,227	848,227	848,227	-
Ready to learn block grant	231,127	231,127	231,127	-
State share of retirement contributions	3,038,580	3,038,580	3,005,877	(32,703)
<b>Total state sources</b>	<u>11,886,363</u>	<u>11,886,363</u>	<u>11,915,819</u>	<u>29,456</u>
<b>Federal Sources</b>				
COVID-19 SECIM	-	-	14,505	14,505
Title I	384,202	384,202	390,299	6,097
Title II	55,153	55,153	57,150	1,997
Title III	4,000	4,000	-	(4,000)
Title IV	33,370	33,370	31,252	(2,118)
ESSER I	-	-	1,868	1,868
ESSER II	190,017	190,017	447,504	257,487
ARP ESSER III	-	-	148,011	148,011
Other CARES Act, CRSSA Act and ARP	-	-	1,511	1,511
ARP ESSER III 7% set aside	-	-	48,929	48,929
School-based Access	25,000	25,000	-	(25,000)
School-based Access admin. claims	-	-	5,552	5,552
<b>Total federal sources</b>	<u>691,742</u>	<u>691,742</u>	<u>1,146,581</u>	<u>454,839</u>
<b>Total revenues</b>	<u>43,686,319</u>	<u>43,686,319</u>	<u>45,521,335</u>	<u>1,835,016</u>

*(Continued)*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	(Continued) Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs	17,917,595	17,917,595	17,722,960	194,635
Special programs	5,148,611	5,148,611	5,116,095	32,516
Vocational education programs	510,250	510,250	504,602	5,648
Other instructional programs	1,721,600	1,721,600	1,496,669	224,931
Adult education programs	172,351	172,351	180,618	(8,267)
Total instruction	<u>25,470,407</u>	<u>25,470,407</u>	<u>25,020,944</u>	<u>449,463</u>
Support services				
Students	1,716,143	1,716,143	1,588,282	127,861
Instructional staff	601,849	601,849	561,418	40,431
Administration	2,094,740	2,094,740	2,396,175	(301,435)
Pupil health	505,418	505,418	415,044	90,374
Business	437,207	437,207	337,654	99,553
Operation & maintenance of plant services	4,261,169	4,261,169	4,217,985	43,184
Student transportation services	2,483,295	2,483,295	2,073,829	409,466
Central	1,132,242	1,132,242	1,261,227	(128,985)
Other	-	-	37,161	(37,161)
Total support services	<u>13,232,063</u>	<u>13,232,063</u>	<u>12,888,775</u>	<u>343,288</u>
Noninstructional services				
Student activities	1,130,975	1,130,975	972,571	158,404
Community services	25,026	25,026	4,048	20,978
Total noninstructional services	<u>1,156,001</u>	<u>1,156,001</u>	<u>976,619</u>	<u>179,382</u>
Debt service	<u>4,206,200</u>	<u>4,206,200</u>	<u>4,427,105</u>	<u>(220,905)</u>
Total expenditures	<u>44,064,671</u>	<u>44,064,671</u>	<u>43,313,443</u>	<u>751,228</u>
Excess of revenues over expenditures	<u>(378,352)</u>	<u>(378,352)</u>	<u>2,207,892</u>	<u>2,586,244</u>
Other financing sources (uses)				
Sale of capital assets	-	-	6,105	6,105
Fund transfers	<u>(33,000)</u>	<u>(33,000)</u>	<u>(769,922)</u>	<u>(736,922)</u>
Total other financing sources (uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(763,817)</u>	<u>(730,817)</u>
Net change in fund balance	(411,352)	(411,352)	1,444,075	1,855,427
Fund balance - July 1, 2021	<u>5,156,239</u>	<u>5,156,239</u>	<u>7,542,844</u>	<u>2,386,605</u>
Fund balance - June 30, 2022	<u>\$ 4,744,887</u>	<u>\$ 4,744,887</u>	<u>\$ 8,986,919</u>	<u>\$ 4,242,032</u>

See accompanying notes to required supplementary information

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Public School Employees' Retirement System**  
**Last 10 Fiscal Years<sup>1</sup>**

Year ending June 30 <sup>2</sup>	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability
2022	0.1162%	\$ 47,708,000	\$ 16,460,468	289.83%	63.67%
2021	0.1225%	\$ 60,318,000	\$ 17,180,506	351.08%	54.32%
2020	0.1194%	\$ 55,858,000	\$ 16,462,452	339.31%	55.66%
2019	0.1174%	\$ 56,368,000	\$ 15,809,203	356.55%	54.00%
2018	0.1148%	\$ 56,698,000	\$ 15,286,052	370.91%	51.84%
2017	0.1167%	\$ 57,833,000	\$ 15,118,352	382.54%	50.14%
2016	0.1167%	\$ 50,549,000	\$ 15,011,475	336.74%	54.36%
2015	0.1121%	\$ 44,370,000	\$ 14,301,373	310.25%	57.24%
2014	0.1121%	\$ 43,924,000	\$ 13,765,141	319.10%	54.49%

*See notes to required supplementary information.*

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of the School District's Pension Contributions**  
**Public School Employees' Retirement System**  
**Last 10 Fiscal Years <sup>1</sup>**

Year ending June 30 <sup>2</sup>	(A) Contractually required contributions	(B) School District contributions recognized by the pension plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the pension plan as a percentage of covered payroll
2022	\$ 6,004,035	\$ 6,004,035	\$ -	\$ 17,664,121	33.99%
2021	\$ 5,565,842	\$ 5,565,842	\$ -	\$ 16,609,496	33.51%
2020	\$ 5,720,793	\$ 5,720,793	\$ -	\$ 17,180,506	33.30%
2019	\$ 5,347,000	\$ 5,347,000	\$ -	\$ 16,462,452	32.48%
2018	\$ 4,982,000	\$ 4,982,000	\$ -	\$ 15,809,203	31.51%
2017	\$ 4,463,527	\$ 4,463,527	\$ -	\$ 15,286,052	29.20%
2016	\$ 3,779,588	\$ 3,779,588	\$ -	\$ 15,118,352	25.00%
2015	\$ 3,779,588	\$ 3,779,588	\$ -	\$ 15,011,475	25.18%

*See notes to required supplementary information.*

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

2. Trend information for the year ended June 30, 2022 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Public School Employees' Retirement System**  
**Last 10 Fiscal Years<sup>1</sup>**

Year ending June 30 <sup>2</sup>	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	School District's covered payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability
2022	0.1161%	\$ 2,752,000	\$ 16,460,468	16.72%	5.30%
2021	0.1224%	\$ 2,645,000	\$ 17,180,506	15.40%	5.69%
2020	0.1194%	\$ 2,539,000	\$ 16,462,452	15.42%	5.56%
2019	0.1174%	\$ 2,448,000	\$ 15,809,203	15.48%	5.56%
2018	0.1148%	\$ 2,339,000	\$ 15,286,052	15.30%	5.73%
2017	0.1167%	\$ 2,514,000	\$ 15,118,352	16.63%	5.73%

*See notes to required supplementary information.*

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of the School District's OPEB Contributions**  
**Public School Employees' Retirement System**  
**Last 10 Fiscal Years <sup>1</sup>**

Year ending June 30 <sup>2</sup>	(A) Contractually required contributions	(B) School District contributions recognized by the OPEB plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the OPEB plan as a percentage of covered payroll
2022	\$ 141,313	\$ 141,313	\$ -	\$ 17,664,121	0.80%
2021	\$ 136,198	\$ 136,198	\$ -	\$ 16,609,496	0.82%
2020	\$ 144,316	\$ 144,316	\$ -	\$ 17,180,506	0.84%
2019	\$ 136,638	\$ 136,638	\$ -	\$ 16,462,452	0.83%
2018	\$ 131,216	\$ 131,216	\$ -	\$ 15,809,203	0.83%

*See notes to required supplementary information.*

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.
2. Trend information for the year ended June 30, 2022 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**  
**School Plan**  
**Last 10 Fiscal Years<sup>1</sup>**

	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 2,292,009	\$ 2,144,226	\$ 1,860,294	\$ 2,271,098	\$ 5,431,723
Service cost	69,451	59,557	35,062	34,871	169,201
Interest	50,653	75,048	71,993	81,305	217,269
Changes of benefit terms	(106,617)	-	198,755	-	-
Differences between expected and actual experience	222,459	-	363,170	-	(1,408,534)
Changes of assumptions	(1,574)	241,818	114,836	(28,946)	(1,153,406)
Benefit payments	(197,892)	(228,640)	(499,884)	(498,034)	(985,155)
Net change in total OPEB liability	<u>36,480</u>	<u>147,783</u>	<u>283,932</u>	<u>(410,804)</u>	<u>(3,160,625)</u>
Total OPEB liability - end of year	<u>\$ 2,328,489</u>	<u>\$ 2,292,009</u>	<u>\$ 2,144,226</u>	<u>\$ 1,860,294</u>	<u>\$ 2,271,098</u>
Covered-employee payroll	<u>\$ 16,758,409</u>	<u>\$ 16,550,574</u>	<u>\$ 16,146,901</u>	<u>\$ 13,834,795</u>	<u>\$ 13,497,361</u>
Net OPEB liability as a percentage of covered payroll	<u>13.89%</u>	<u>13.85%</u>	<u>13.28%</u>	<u>13.45%</u>	<u>16.83%</u>

*See notes to required supplementary information.*

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

**Note 1 – Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

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

The School District's expenditures may not legally exceed the budget amounts by amounts in total for the fund unless funds are received in excess of the budgeted state allocation levels. Accordingly, the legal level of budgetary control is at the object level within each subfunction and fund.

**Note 2 – Pension Information: PSERS**

**Changes in Benefit Terms**

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

**Changes of Assumptions**

- |               |  |
|---------------|--|
| June 30, 2021 | <p>The investment rate of return was adjusted from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%.</p> <p>Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).</p> <p>Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.</p>  |
| June 30, 2016 | <p>The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020, to 7.00% as of June 30, 2021.</p> <p>The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.</p> <p>Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).</p> <p>Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience, and projected using a modified version of the MP-2015 Mortality Improvement Scale.</p> |

**Note 3 – OPEB Information: PSERS Premium Assistance Plan**

**Changes in Benefit Terms**

None.

**Changes of Assumptions**

June 30, 2021	The discount rate decreased to 2.18%  Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).  Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
June 30, 2020	The discount rate decreased to 2.66%.
June 30, 2019	The discount rate decreased to 2.79%.
June 30, 2018	The discount rate decreased to 2.98%.
June 30, 2017	The discount rate increased to 3.13%.
June 30, 2016	Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).  Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience, and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Note 4 – OPEB Information: School Plan**

**Plan Assets**

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75 to pay benefits. GASBS No. 75 was implemented beginning with the fiscal year ended June 30, 2018.

**Changes in Benefit Terms**

June 30, 2022	The Secretaries and Paraprofessionals are eligible for retiree medical coverage if they pay 100% of the premium and their life insurance policy ends at age 75. Also, there was a one-time incentive offered to Teachers and Administrators.
June 30, 2020	Administrators and teachers must also reach the highest step of the salary schedule to receive subsidized coverage and either has attained age 55, or 30 years of PSERS service.

**Changes of Assumptions**

June 30, 2022	The discount rate was decreased to 2.16% Changes were made to the mortality improvement scale and the assumed medical, dental, and vision trend rates.
June 30, 2021	The discount rate was decreased to 2.21%
June 30, 2020	The discount rate was decreased to 3.50%
June 30, 2019	The discount rate was increased to 3.87%
June 30, 2018	The discount rate was 3.58%

## **Single Audit**

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/22	Pass Through to Sub- recipients
<b>U.S. Department of Agriculture</b>											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Education											
School Breakfast Program	I	10.553	365	07/01/21-06/30/22	N/A	\$ 136,212	\$ -	\$ 197,232	\$ 197,232	\$ 61,020	\$ -
National School Lunch Program	I	10.555	362	07/01/21-06/30/22	N/A	684,211	-	900,752	900,752	216,541	-
National School Lunch Program	I	10.555	356	07/01/21-06/30/22	N/A	39,834	-	39,834	39,834	-	-
National School Lunch Program	I	10.555	357	07/01/21-06/30/22	N/A	4,339	-	4,339	4,339	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	2-04-02-500	07/01/21-06/30/22	N/A	74,871	(19,714)	79,308	79,308	(15,277)	-
Total AL # 10.555						803,255	(19,714)	1,024,233	1,024,233	201,264	-
Passed through the Pennsylvania Department of Education											
Summer Food	I	10.559	264	07/01/21-06/30/22	N/A	261,081	204,390	56,691	56,691	-	-
Total Child Nutrition Cluster						1,200,548	184,676	1,278,156	1,278,156	262,284	-
P-EBT Local Admin Funds	I	10.649	358	07/01/21-06/30/22	N/A	614	-	614	614	-	-
Total Department of Agriculture						1,201,162	184,676	1,278,770	1,278,770	262,284	-
<b>U.S. Department of Education</b>											
Passed through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-210213	08/03/20-09/30/21	445,374	61,229	61,229	-	-	-	-
Title I - Improving Basic Programs	I	84.010	013-220213	07/15/21-09/30/22	390,299	332,975	-	390,299	390,299	57,324	-
Total AL # 84.010						394,204	61,229	390,299	390,299	57,324	-
Title II Improving Teacher Quality	I	84.367	020-210213	08/03/20-09/30/21	58,440	336	336	-	-	-	-
Title II Improving Teacher Quality	I	84.367	020-220213	07/15/21-09/30/22	57,150	55,153	-	57,150	57,150	1,997	-
Total AL # 84.367						55,489	336	57,150	57,150	1,997	-
Title IV	I	84.424	144-210213	08/03/20-09/30/21	39,197	11,199	11,199	-	-	-	-
Title IV	I	84.424	144-220213	07/15/21-09/30/22	33,390	24,471	-	31,252	31,252	6,781	-
Total AL # 84.424						35,670	11,199	31,252	31,252	6,781	-
Education Stabilization Fund	I	84.425D	200-200213	03/13/20-09/30/21	424,500	-	(1,868)	1,868	1,868	-	-
Education Stabilization Fund	I	84.425D	200-210213	03/13/20-09/30/23	1,639,569	1,184,425	782,685	447,504	447,504	45,764	-
Education Stabilization Fund	I	84.425U	223-210213	03/13/20-09/30/24	3,316,373	241,191	-	148,011	148,011	(93,180)	-
Education Stabilization Fund	I	84.425U	225-210213	03/13/20-09/30/24	257,756	42,178	-	48,929	48,929	6,751	-

(Continued)

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

<i>(Continued)</i>											
Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/21	Pass Through to Sub- recipients
Passed through the Pennsylvania Commission on Crime & Delinquency COVID-19-ESSER PCCD Total AL # 84.425	I	84.425D	34935	03/13/20-09/30/22	58,472	<u>51,616</u>	<u>51,616</u>	<u>1,511</u>	<u>1,511</u>	<u>1,511</u>	<u>-</u>
						<u>1,519,410</u>	<u>832,433</u>	<u>647,823</u>	<u>647,823</u>	<u>(39,154)</u>	<u>-</u>
Special Education Cluster Passed through the Pennsylvania Department of Education COVID-19 SECIM	I	84.027	252-200213	07/01/20-09/30/22	21,758	<u>14,505</u>	<u>-</u>	<u>14,505</u>	<u>14,505</u>	<u>-</u>	<u>-</u>
Passed through Allegheny Intermediate Unit IDEA Section B	I	84.027	062-21-0-003	07/01/20-09/30/21	360,088	<u>123,030</u>	<u>123,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IDEA Section B	I	84.027	062-22-0-003	07/01/21-09/30/22	351,125	<u>224,844</u>	<u>-</u>	<u>351,125</u>	<u>351,125</u>	<u>126,281</u>	<u>-</u>
IDEA Section B ARP Award	I	84.027	062-22-0-003	07/01/21-09/30/22	88,712	<u>-</u>	<u>-</u>	<u>88,712</u>	<u>88,712</u>	<u>88,712</u>	<u>-</u>
Total AL # 84.027						<u>362,379</u>	<u>123,030</u>	<u>454,342</u>	<u>454,342</u>	<u>214,993</u>	<u>-</u>
IDEA Section 619	I	84.173	131-21-0-003	07/01/21-06/30/22	1,335	<u>1,335</u>	<u>-</u>	<u>1,335</u>	<u>1,335</u>	<u>-</u>	<u>-</u>
Total Special Education Cluster						<u>363,714</u>	<u>123,030</u>	<u>455,677</u>	<u>455,677</u>	<u>214,993</u>	<u>-</u>
Total U.S. Department of Education						<u>2,368,487</u>	<u>1,028,227</u>	<u>1,582,201</u>	<u>1,582,201</u>	<u>241,941</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b> Medicaid Cluster Passed through the Pennsylvania Department of Human Services Medical Assistance Program	I	93.778	N/A	07/01/21-06/30/22	N/A	<u>11,939</u>	<u>6,387</u>	<u>5,552</u>	<u>5,552</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance						<u>\$ 3,581,588</u>	<u>\$ 1,219,290</u>	<u>\$ 2,866,523</u>	<u>\$ 2,866,523</u>	<u>\$ 504,225</u>	<u>\$ -</u>

*See accompanying notes to the Schedule of Expenditures of Federal Awards.*

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

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**Note 1 – Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 2 – De Minimis Cost Rate**

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

**Note 3 – Source Code**

The source code “I” indicates funds received indirectly.

**Note 4 – Reconciliation with PDE Audit Confirmation of Subsidy Payments**

Amount Received Per Schedule	\$ 3,581,588
Add: State Funding on Confirmation	25,966
Less: Passed through PCCD	(51,616)
Less: Passed through IUs	(349,209)
Less: Donated Commodities	(74,871)
Less: Medical Assistance	(11,939)
Rounding	<u>2</u>
Per Subsidy Confirmation	<u><u>\$ 3,119,921</u></u>

**Finding 2021-001**

*Material Weakness in Internal Controls over Financial Reporting*

Summary of Finding

The collections and receipts from each of the School District's taxing jurisdictions did not reconcile with the final settlement prepared by the tax collectors.

Current Status

Resolved, corrective action taken.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
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, each major fund, and the aggregate remaining fund information of Keystone Oaks School District, as of and for the year ended June 30, 2022, 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 March 27, 2023.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Keystone Oaks School District  
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*

**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.

*M.igus, Patsy & Associates, LLC*

Carnegie, Pennsylvania  
March 27, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

Members of the Board  
Keystone Oaks School District  
Pittsburgh, Pennsylvania

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

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

We have audited Keystone Oaks School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Keystone Oaks School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Keystone Oaks School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Keystone Oaks School District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Keystone Oaks School District's compliance based on our audit.

Keystone Oaks School District  
Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Keystone Oaks School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Keystone Oaks School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Keystone Oaks School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Keystone Oaks School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our

Keystone Oaks School District  
Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance

audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Myers, Patsy & Associates, LLC*

Carnegie, Pennsylvania  
March 27, 2023

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

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

**Financial Statements**

Type of auditor’s report issued	Unmodified, prepared in accordance with generally accepted accounting principles
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Major Programs:	
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**KEYSTONE OAKS SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

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

None.

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

None.