

KEYSTONE OAKS SCHOOL DISTRICT
Financial Statements
June 30, 2020

KEYSTONE OAKS SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

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Independent Auditor's Report

major fund, and the aggregate remaining fund information of Keystone Oaks School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 22, 2021, 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

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Independent Auditor's Report

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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
February 22, 2021

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2020

It is management's privilege to present the financial status of Keystone Oaks School District (School District). The discussion and analysis of the School District's financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2020, and a comparison to the financial activities for the prior year. Readers should also review the notes to the basic financial statements to develop a better understanding of the School District's financial performance.

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

Financial Highlights

The School District's general fund received 70% of its funding from local sources, 29% from state sources, and 1% from federal sources. Real estate tax receipts continue to be the primary source of revenue for the general fund. Earned income tax is the second most significant local revenue source funding general operations and it has increased modestly over the past few years.

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

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 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 conservative basis.

Expenditures in the general fund decreased by \$589,405 compared to the 2018-2019 school year, while revenues in the general fund increased by \$296,567 compared to the 2018-2019 school year. The School District completed the 2019-2020 fiscal year with a \$5,577,807 general fund balance. This is a \$426,483 decrease 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 Keystone Oaks School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

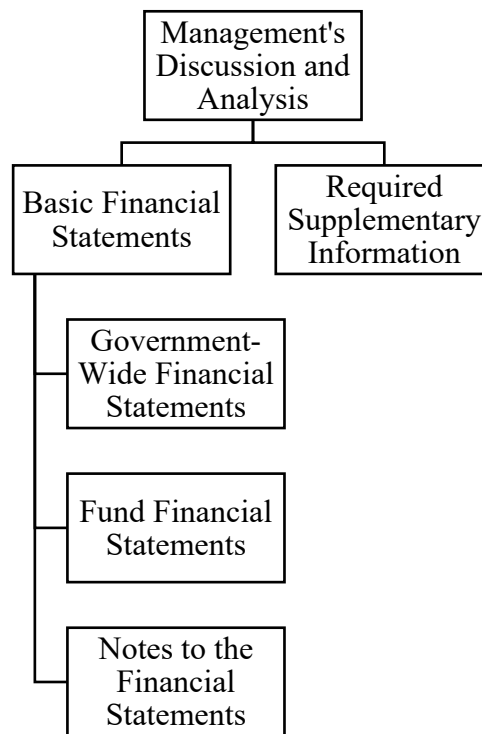
June 30, 2020

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

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

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

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2020

	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 business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in fund net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2020

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

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

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

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

Governmental Activities

All basic services (instruction, administration and community services) are included here. Property, occupation, earned income taxes, and state and federal subsidies finance most of these activities.

Business-Type Activities

The food service operation is a contracted service and costs are covered through fees charged to staff, students, and visitors.

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2020

Other funds reported by the School District include:

Private purpose trust fund

This fund represents the School District's scholarship fund.

Agency fund

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

Financial Analysis of the School District as a Whole

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

	2020			2019		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current assets	\$ 13,112,608	\$ 63,480	\$ 13,176,088	\$ 12,898,783	\$ 1,054,400	\$ 13,953,183
Noncurrent assets	27,899,763	25,057	27,924,820	29,300,547	37,897	29,338,444
Total assets	41,012,371	88,537	41,100,908	42,199,330	1,092,297	43,291,627
Deferred outflows of resources	8,768,147	-	8,768,147	9,318,625	-	9,318,625
Current liabilities	9,936,996	49,082	9,986,078	10,456,339	948,704	11,405,043
Noncurrent liabilities	68,945,996	-	68,945,996	73,747,228	-	73,747,228
Total liabilities	78,882,992	49,082	78,932,074	84,203,567	948,704	85,152,271
Deferred inflows of resources	4,617,654	-	4,617,654	3,844,407	-	3,844,407
Net position						
Net investment in capital assets	15,350,186	25,057	15,375,243	12,205,553	37,897	12,243,450
Restricted	1,097,310	-	1,097,310	19,062	-	19,062
Unrestricted	(50,167,624)	14,398	(50,153,226)	(48,754,634)	105,696	(48,648,938)
Total net position	\$ (33,720,128)	\$ 39,455	\$ (33,680,673)	\$ (36,530,019)	\$ 143,593	\$ (36,386,426)

The School District's total net position was a deficit of \$(33,680,673) at June 30, 2020 and a deficit of \$(36,386,426) at June 30, 2019.

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2020

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.

	Governmental	2020 Business- Type	Totals	Governmental	2019 Business- Type	Totals
	Activities	Activities		Activities	Activities	
Revenues						
Program revenues						
Charges for services	\$ 401,699	\$ 295,175	\$ 696,874	\$ 379,659	\$ 441,106	\$ 820,765
Operating grants & contrib.	6,873,083	596,996	7,470,079	6,726,943	629,771	7,356,714
Capital grants & contrib.	842,968	-	842,968	708,316	-	708,316
General revenues			-			-
Property taxes	25,768,745	-	25,768,745	25,722,892	-	25,722,892
Other taxes	3,764,053	-	3,764,053	3,602,339	-	3,602,339
Grants, subsidies & contrib.	5,894,246	-	5,894,246	5,941,746	-	5,941,746
Investment earnings	254,240	9,488	263,728	325,750	6,722	332,472
Other	134,970	-	134,970	170,905	-	170,905
Total revenues	43,934,004	901,659	44,835,663	43,578,550	1,077,599	44,656,149
Expenses						
Instruction	25,113,340	-	25,113,340	23,760,622	-	23,760,622
Instructional student suppt.	2,734,538	-	2,734,538	2,765,515	-	2,765,515
Admin. & finan'l services	3,763,839	-	3,763,839	4,065,614	-	4,065,614
Operations & maintenance	4,481,690	-	4,481,690	4,932,400	-	4,932,400
Pupil transportation	2,096,411	-	2,096,411	2,379,054	-	2,379,054
Student activities	975,408	-	975,408	1,150,826	-	1,150,826
Community services	35,090	-	35,090	19,326	-	19,326
Interest on L- T debt	271,162	-	271,162	443,587	-	443,587
Unallocated depreciation	1,652,635	-	1,652,635	1,639,608	-	1,639,608
Food service	-	1,005,797	1,005,797	-	1,091,211	1,091,211
Total expenses	41,124,113	1,005,797	42,129,910	41,156,552	1,091,211	42,247,763
Increase(decrease) in net position	2,809,891	(104,138)	2,705,753	2,421,998	(13,612)	2,408,386
Net position - beginning	(36,530,019)	143,593	(36,386,426)	(38,952,017)	157,205	(38,794,812)
Net position - ending	\$ (33,720,128)	\$ 39,455	\$ (33,680,673)	\$ (36,530,019)	\$ 143,593	\$ (36,386,426)

KEYSTONE OAKS SCHOOL DISTRICT**Management's Discussion & Analysis****June 30, 2020**

The School District's largest functions are instruction, instructional support, administration and financial support, operation and maintenance, pupil transportation, student activities, community services and interest on long-term debt. Those amounts are shown in the next table at net cost for governmental activities only.

Functions/Programs	2020		2019	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$ 25,113,340	\$ (19,620,883)	\$ 23,760,622	\$ (18,390,853)
Instructional student support	2,734,538	(2,368,124)	2,765,515	(2,287,516)
Admin. & fin'l suppt. services	3,763,839	(3,415,048)	4,065,614	(3,739,508)
Op. & maint. of plant services	4,481,690	(4,057,507)	4,932,400	(4,674,649)
Pupil transportation	2,096,411	(1,516,837)	2,379,054	(1,886,739)
Student activities	975,408	(817,593)	1,150,826	(969,018)
Community services	35,090	(19,957)	19,326	(18,472)
Interest on long-term debt	271,162	462,221	443,587	264,729
Unallocated depreciation	1,652,635	(1,652,635)	1,639,608	(1,639,608)
Total governmental activities	\$ 41,124,113	\$ (33,006,363)	\$ 41,156,552	\$ (33,341,634)
Less: unrestricted grants, subsidies		5,894,246		5,941,746
Total needs from local taxes and other revenues		\$ (27,112,117)		\$ (27,399,888)

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

Functions/Programs	2020		2019	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food service	\$ 1,005,797	\$ (113,626)	\$ 1,091,211	\$ (20,334)

KEYSTONE OAKS SCHOOL DISTRICT**Management's Discussion & Analysis****June 30, 2020**

School District Funds***General Fund Budget***

	Budgeted Revenues		Actual Revenues		Variance
		2019-2020		2019-2020	
Local	\$	30,227,490	\$	30,535,018	\$ 307,528
State		12,272,835		12,678,100	405,265
Federal		662,330		641,604	(20,726)
		Budgeted Expenditures		Actual Expenditures	Variance
		2019-2020		2019-2020	
Instruction	\$	24,286,080	\$	24,227,964	\$ 58,116
Support services		13,361,712		12,735,071	626,641
Noninstructional		1,160,950		948,445	212,505
Debt service		5,043,705		5,040,827	2,878

Local revenues were over budget due to the School District experiencing a higher collection of delinquent real estate taxes, earned income taxes, and earnings on investments. State revenues were over budget due to the School District receiving a Safe Schools grant not budgeted for, along with having an increase in state retirement revenue, state transportation revenue, and state rental and sinking fund payments. Support services expenditures were under budget mainly due the COVID-19 pandemic decreasing transportation and utility costs. Noninstructional expenditures were under budget mainly due to the COVID-19 pandemic causing a decrease in transportation costs.

KEYSTONE OAKS SCHOOL DISTRICT**Management's Discussion & Analysis****June 30, 2020****Capital Assets and Debt Administration**Capital Assets

	Capital assets, net of accumulated depreciation	
	June 30, 2020	June 30, 2019
Governmental activities		
Land	\$ 1,355,020	\$ 1,355,020
Land improvements	1,984,665	2,326,509
Buildings and improvements	23,479,505	24,748,159
Furniture and equipment	1,080,573	870,859
	<u>\$ 27,899,763</u>	<u>\$ 29,300,547</u>
Business-type activities		
Furniture and equipment	\$ 25,057	\$ 37,897

During the 2019-2020 school year, the School District started replacing six rooftop units at Dormont Elementary which was finished during the 2020-2021 school year, along with upgrading the clock and intercom systems at Dormont Elementary.

Debt Administration

The School District's face amount of outstanding bonds and notes at June 30, 2020 and 2019 is shown in the table below.

	Outstanding Debt	
	June 30, 2020	June 30, 2019
General obligation bonds		
Series of 2013	\$ -	\$ 2,635,000
Series of 2015	3,695,000	4,750,000
Series of 2019A	2,620,000	2,725,000
Series of 2019B	5,750,000	6,405,000
General obligation note	-	96,250
	<u>\$ 12,065,000</u>	<u>\$ 16,611,250</u>

Economic Factors and Next Year's Budgets and Rates

The School District does not expect significant growth given the lack of real estate available for development, but there is currently a development plan in the process of being built in Castle Shannon

KEYSTONE OAKS SCHOOL DISTRICT

Management's Discussion & Analysis

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Borough. This development plan could bring in additional tax revenue, however, the School District is not expecting a significant increase.

Future economic factors that will impact the district are Pennsylvania Public School Employees Retirement System (PSERS) as all Pennsylvania district's employer rates are at very high rates. The employer rates for the last five years were 21.40% in 2014-2015, 25.84% in 2015-2016, 30.03% in 2016-2017, 32.57% in 2017-2018, 33.43% in 2018-2019, and 2019-2020 34.29%; and future annual rates will be 34.51% in 2020-2021, 34.94% in 2021-2022, 35.62% in 2022-2023, 36.12% in 2023-2024, and 36.60% in 2024-2025. These increases will strain all Pennsylvania school districts.

Medical insurance could potentially increase above 5.0% in the coming year but could be much worse if the district was not a member of the Allegheny County Health Insurance Consortium that is setup through Allegheny Intermediate Unit. Allegheny County implemented 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 district. The major items are replacement of roofs at the middle school and high school, replacement of roof top units across the district, VCT tile replacement throughout the district, painting of exterior panels, and deteriorating tennis courts.

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, Director of Finance & Human Resources, Keystone Oaks School District, 1000 Kelton Avenue, Pittsburgh, PA 15216, (412) 571-6000.

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Net Position****June 30, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 9,422,226	\$ 514,252	\$ 9,936,478
Taxes receivable, net	1,345,987	-	1,345,987
Internal balances	575,974	(575,974)	-
Due from other governments	1,621,322	73,707	1,695,029
Other receivables	92,475	23,284	115,759
Inventories	-	28,211	28,211
Prepaid expenses	54,624	-	54,624
Total current assets	13,112,608	63,480	13,176,088
Noncurrent Assets			
Land	1,355,020	-	1,355,020
Site improvements, net	1,984,665	-	1,984,665
Buildings and building improvements, net	23,479,505	-	23,479,505
Furniture and equipment, net	1,080,573	25,057	1,105,630
Total noncurrent assets	27,899,763	25,057	27,924,820
TOTAL ASSETS	41,012,371	88,537	41,100,908
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	145	-	145
Pension related items	7,914,264	-	7,914,264
OPEB related-PSERS	176,967	-	176,967
OPEB related-school plan	676,771	-	676,771
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,768,147	-	8,768,147

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Net Position****June 30, 2020**

	Governmental Activities	Business-type Activities	Total
<i>(Continued)</i>			
LIABILITIES			
Current Liabilities			
Accounts payable	570,235	19,384	589,619
Accrued salaries and benefits	3,532,014	-	3,532,014
Payroll deductions and withholdings	1,103,836	-	1,103,836
Accrued interest	114,360	-	114,360
Unearned revenues	9,303	29,698	39,001
Current portion of long-term debt	4,607,248	-	4,607,248
Total current liabilities	9,936,996	49,082	9,986,078
Noncurrent liabilities			
Bonds payable, net	7,916,194	-	7,916,194
Compensated absences	488,576	-	488,576
Net pension liability	55,858,000	-	55,858,000
Net OPEB liability-PSERS	2,539,000	-	2,539,000
OPEB liability-school plan	2,144,226	-	2,144,226
Total noncurrent liabilities	68,945,996	-	68,945,996
TOTAL LIABILITIES	78,882,992	49,082	78,932,074
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	26,280	-	26,280
Pension related items	2,357,000	-	2,357,000
OPEB related-PSERS	99,000	-	99,000
OPEB liability-school plan	2,135,374	-	2,135,374
TOTAL DEFERRED INFLOWS OF RESOURCES	4,617,654	-	4,617,654
NET POSITION			
Net investment in capital assets	15,350,186	25,057	15,375,243
Restricted for:			
Capital projects	1,097,310	-	1,097,310
Unrestricted	(50,167,624)	14,398	(50,153,226)
TOTAL NET POSITION	\$ (33,720,128)	\$ 39,455	\$ (33,680,673)

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instruction	\$ 25,113,340	\$ 271,380	\$ 5,221,077	\$ -	\$ (19,620,883)	\$ -	\$ (19,620,883)	
Instructional student support	2,734,538	-	366,414	-	(2,368,124)	-	(2,368,124)	
Admin. & financial support services	3,763,839	-	348,791	-	(3,415,048)	-	(3,415,048)	
Oper. of plant & maint. services	4,481,690	47,570	267,028	109,585	(4,057,507)	-	(4,057,507)	
Pupil transportation	2,096,411	-	579,574	-	(1,516,837)	-	(1,516,837)	
Student activities	975,408	82,749	75,066	-	(817,593)	-	(817,593)	
Community services	35,090	-	15,133	-	(19,957)	-	(19,957)	
Interest on long-term debt	271,162	-	-	733,383	462,221	-	462,221	
Unallocated depreciation	1,652,635	-	-	-	(1,652,635)	-	(1,652,635)	
Total governmental activities	41,124,113	401,699	6,873,083	842,968	(33,006,363)	-	(33,006,363)	
Business-type activities:								
Food service	1,005,797	295,175	596,996	-	-	(113,626)	(113,626)	
Total primary government	\$ 42,129,910	\$ 696,874	\$ 7,470,079	\$ 842,968	\$ (33,006,363)	\$ (113,626)	\$ (33,119,989)	
General revenues:								
Taxes:								
Property taxes, levied for general purposes					25,768,745	-	25,768,745	
Earned income tax					3,295,750	-	3,295,750	
Other taxes levied for general purposes					468,303	-	468,303	
Grants, subsidies, & contributions, not restricted					5,894,246	-	5,894,246	
Investment earnings					254,240	9,488	263,728	
Miscellaneous income					134,970	-	134,970	
Total general revenues					35,816,254	9,488	35,825,742	
Change in net position					2,809,891	(104,138)	2,705,753	
Net position-beginning					(36,530,019)	143,593	(36,386,426)	
Net position-ending					\$ (33,720,128)	\$ 39,455	\$ (33,680,673)	

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,134,662	\$ 1,287,564	\$ 9,422,226
Investments	-	-	-
Taxes receivable, net	1,345,987	-	1,345,987
Due from other funds	642,969	-	642,969
Due from other governments	1,621,322	-	1,621,322
Other receivables	92,475	-	92,475
Prepaid items	54,624	-	54,624
TOTAL ASSETS	\$ 11,892,039	\$ 1,287,564	\$ 13,179,603
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 20,769	\$ 66,995	\$ 87,764
Accounts payable	426,208	123,259	549,467
Accrued salaries and benefits	3,532,014	-	3,532,014
Payroll deductions and withholdings	1,103,835	-	1,103,835
Unearned revenues	9,303	-	9,303
Total liabilities	5,092,129	190,254	5,282,383
Deferred inflows of resources			
Unavailable revenues - property taxes	1,222,103	-	1,222,103
Fund balances			
Nonspendable	54,624	-	54,624
Restricted	-	1,097,310	1,097,310
Committed	2,144,226	-	2,144,226
Assigned	595,824	-	595,824
Unassigned	2,783,133	-	2,783,133
Total fund balances	5,577,807	1,097,310	6,675,117
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,892,039	\$ 1,287,564	\$ 13,179,603

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 6,675,117**

Differences in amounts reported for governmental activities in the statement of net position:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$79,323,856, and the accumulated depreciation is \$51,424,093. 27,899,763

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. 1,222,103

Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (26,135)

Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds. 4,176,628

Long-term liabilities, including bonds 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	\$ (12,065,000)	
Unamortized bond premiums	(351,194)	
Accrued interest on the bonds	(114,360)	
Net pension liability	(55,858,000)	
Net OPEB liability-PSERS	(2,539,000)	
OPEB liability-school plan	(2,144,226)	
Compensated absences	(595,824)	(73,667,604)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (33,720,128)**

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Totals
REVENUES			
Local sources	\$ 30,535,018	\$ 7,017	\$ 30,542,035
State sources	12,678,100	-	12,678,100
Federal sources	641,604	-	641,604
TOTAL REVENUES	43,854,722	7,017	43,861,739
EXPENDITURES			
Instruction	24,227,980	-	24,227,980
Support services	12,732,801	303,419	13,036,220
Noninstructional services	948,447	-	948,447
Capital outlay	-	-	-
Debt service	5,038,054	-	5,038,054
Refunds of prior year receipts	2,773	-	2,773
TOTAL EXPENDITURES	42,950,055	303,419	43,253,474
Excess (Deficiency) of revenues over expenditures	904,667	(296,402)	608,265
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,374,650	1,374,650
Insurance recoveries	43,500	-	43,500
Transfers out	(1,374,650)	-	(1,374,650)
TOTAL OTHER FINANCING SOURCES (USES)	(1,331,150)	1,374,650	43,500
Net change in fund balances	(426,483)	1,078,248	651,765
Fund balance - July 1, 2019	6,004,290	19,062	6,023,352
Fund balance - June 30, 2020	\$ 5,577,807	\$ 1,097,310	\$ 6,675,117

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2020

Total net change in fund balances - governmental funds	\$	651,765
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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	\$ (1,795,053)	
Capital outlays	394,269	(1,400,784)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax liabilities in the revenues decreased by this amount this year.	31,544
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,546,250
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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	15,727	
Amortization of premiums on bonds	220,101	
Amortization of deferred gains (loss) on refunding	(17,436)	218,392
		(Continued)

KEYSTONE OAKS SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2020

(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 increased by this amount. (66,055)

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

Pension contributions	5,402,270	
Cost of pension benefits earned	(6,485,276)	
OPEB contributions	637,426	
Cost of OPEB benefits earned	(725,641)	(1,171,221)

Change in Net Position of governmental activities	\$ 2,809,891
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The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Net Position****Proprietary Funds****June 30, 2020**

	Food Service Fund
ASSETS	
Cash and cash equivalents	\$ 514,252
Due from other governments	73,707
Other receivables	23,284
Inventories	28,211
Machinery & equipment, net	25,057
TOTAL ASSETS	\$ 664,511
LIABILITIES AND NET POSITION	
Liabilities	
Due to other funds	\$ 575,974
Accounts payable	19,384
Student accounts	22,447
Unearned revenues	7,251
Total Liabilities	625,056
Net Position	
Invested in capital assets net of related debt	25,057
Unrestricted	14,398
Total Net Position	39,455
TOTAL LIABILITIES AND NET POSITION	\$ 664,511

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Food Service Fund
Operating revenues	
Food service revenue	\$ 295,175
Total operating revenues	295,175
Operating expenses:	
Salaries	374,459
Employee benefits	190,645
Purchased professional and technical service	20,588
Other purchased service	1,253
Supplies	398,299
Depreciation	18,539
Other operating expenditures	2,014
Total operating expenses	1,005,797
Operating loss	(710,622)
Nonoperating revenues	
Earnings on investments	9,488
State sources	89,654
Federal sources	507,342
Total nonoperating revenues	606,484
Change in net position	(104,138)
Net position - July 1, 2019	143,593
Net position - June 30, 2020	\$ 39,455

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Cash Flows****Proprietary Fund Types****For the Year Ended June 30, 2020**

	Food Service Fund
Cash flows from operating activities	
Cash received from users	\$ 308,356
Cash payments to employees for services	(565,104)
Cash payments to suppliers for goods and services	(354,247)
Cash payments for other operating expenses	(2,014)
Net cash provided used in operating activities	(613,009)
Cash flows from noncapital financing activities	
State sources	93,957
Federal sources	449,881
Advances (Repayment) from other funds	(342,603)
Net cash provided by noncapital financing activities	201,235
Cash flows from capital and related financing activities	
Equipment purchases	(5,700)
Net cash provided by (used for) capital and related financing activities	(5,700)
Cash flows from investing activities	
Earnings on investments	9,488
Net cash provided by investing activities	9,488
Net increase in cash and cash equivalents	(407,986)
Cash and cash equivalents, beginning of year	922,238
Cash and cash equivalents, end of year	\$ 514,252

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Cash Flows****Proprietary Fund Types****For the Year Ended June 30, 2020**

	Food Service Fund
<i>(Continued)</i>	
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (710,622)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and net amortization	18,539
Donated commodities	57,870
(Increase) Decrease in accounts receivable	172
(Increase) Decrease in inventories	2,077
Increase (Decrease) in accounts payable	12,514
Increase (Decrease) in unearned revenue	6,441
Total adjustments	97,613
Cash provided by (used for) operating activities	\$ (613,009)
 Schedule of noncash investing, capital, and financing activities	
During the year ended June 30, 2020, the School District	
received USDA donated commodities.	\$ 51,302

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Net Position****Fiduciary Funds****June 30, 2020**

	Private Purpose	
	Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 11,842	\$ 74,528
Due from other funds	-	20,769
<hr/>		
TOTAL ASSETS	11,842	95,297
<hr/>		
LIABILITIES		
Other current liabilities	-	95,297
<hr/>		
NET POSITION		
Held in trust for scholarships	\$ 11,842	\$ -

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT**Statement of Changes in Net Position****Fiduciary Funds****Year Ended June 30, 2020**

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 2,100
Interest	176
TOTAL ADDITIONS	2,276
DEDUCTIONS	
Scholarships Awarded	1,800
Change in net position	476
NET POSITION - JULY 1, 2019	11,366
NET POSITION - JUNE 30, 2020	\$ 11,842

The accompanying notes are an integral part of these financial statements.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

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

The School District is however a participant in a jointly governed organization: Parkway West Career and Technology Center (Center). The Center is not considered part of the reporting entity, as the School District is not financially accountable for the school.

Basis of Presentation

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

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

Government-wide Financial Statements

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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 governmental funds:

General Fund

The general fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal

debt service payments for general long-term debt are recorded in the general fund by the School District.

Capital Projects Fund

The capital projects fund accounts for financial resources that are restricted to expenditure for capital outlays. The capital projects fund is a capital reserve fund, per Municipal Code Section 1431. 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 School District at the end of any fiscal year, and (3) interest earnings of the fund itself. No transfers out of this fund are allowable for any purpose.

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.

The following are the School District's proprietary funds:

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

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

Internal Service Fund

Internal service funds may be used to account for any activity for which a fee is charged to internal users for goods or services. All internal service funds were closed during the fiscal year due to lack of activity in purpose.

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:

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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 own 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.

Agency Funds

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

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.

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.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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. Revenues from grants, entitlements and donations are 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, 2020.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Encumbrances

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

Cash and Cash Equivalents

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

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., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- Level 2 inputs: The categorization of an asset 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.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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, 2020, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Interfund Receivables and Payables

During the course of operations, transactions sometimes occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as *due from other funds* or *due to other funds* on the balance sheet.

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, 2020.

KEYSTONE OAKS SCHOOL DISTRICT

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June 30, 2020

A physical inventory of the food service fund's food and supplies was taken as of June 30, 2020. 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, 2020, 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 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</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

Long-Term Liabilities

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 premium and discount are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discount during the current period. The face amount of debt issued and premiums are reported as other financing sources while 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

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Notes to Financial Statements

June 30, 2020

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.

Equity Classifications

Net Position

Equity in the government-wide financial statements and proprietary fund financial statements are classified as net position and displayed in three components:

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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - 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 net position - all other net position that does not meet the definition of "restricted net position" or "net investment in capital assets".

Fund Balance Classifications

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, 2020, 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.

Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District's established policy, amounts may be assigned by the Business Manager of the School District.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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 cost. All other revenues and expenses are reported as nonoperating.

Estimates

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

Pending Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the School District for the year ended June 30, 2021. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases*, will be effective for the School District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for the School District for the year ended June 30, 2022. GASB Statement No. 89 requires that interest cost 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 90, *Majority Equity Interest*, will be effective for the School District for the year ended June 30, 2021. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the School District for the year ended June 30, 2023. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

Note 2 – Deposits and Investments

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

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 \$5,913,691 was collateralized by the School District's depositories in accordance with Act 72.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

As of June 30, 2020, the School District had the following investments:

	Cost	Fair Value (Level 1)
Pennsylvania Local Government Investment Trust	\$ 3,958,727	\$ 3,958,727
Pennsylvania School District Liquid Asset Fund	162,283	162,283
Pennsylvania Treasurer's Investment Program	181,437	181,437
Total	\$ 4,302,447	\$ 4,302,447

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.

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.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Note 3 – Interfund Balances and Transfers

Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2020, were:

<u>Due from other funds</u>		<u>Due to other funds</u>	
General fund	\$ 555,992	General fund	\$ 20,769
Student activity fund	20,769	Capital projects fund	66,995
		Food service fund	488,997
<hr/>		<hr/>	
Total	\$ 576,761	Total	\$ 576,761

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, 2020, the general fund transferred \$1,374,650 to the capital projects fund for future capital improvements.

Note 4 – Real Estate 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 property as of July 1 of the year following levy. Collection of delinquent property taxes is contracted to a private collection agency. The 2019 tax levy was based on assessed values on July 1, 2019 of \$1,418,518,215. The School District tax rate for the year ended June 30, 2020 was 19.499 mills as levied by the School Board.

Taxes may be paid in full at a 2% discount until August 31st, at face until October 31st, 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 31st and 25% is due by December 31st.

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 \$235,391 and are reported on the balance sheet in the amount of \$1,222,103, along with other taxes receivable of \$123,884.

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020****Note 5 – Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2020, the following amounts are due from other governmental units:

	Governmental		
	Funds	Enterprise Fund	Total
Federal (through State)	\$ 118,953	\$ 73,707	\$ 192,660
Federal (through Local sources)	97,563	-	97,563
State	1,404,806	-	1,404,806
Total	\$ 1,621,322	\$ 73,707	\$ 1,695,029

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets:				
Land	\$ 1,355,020	\$ -	\$ -	\$ 1,355,020
Depreciable assets:				
Land improvements	8,160,581	-	-	8,160,581
Buildings	59,606,103	26,745	-	59,632,848
Equipment	9,807,883	367,524	-	10,175,407
Totals at historical cost	78,929,587	394,269	-	79,323,856
Less accumulated depreciation for:				
Land improvements	5,834,072	341,844	-	6,175,916
Buildings	34,857,944	1,295,399	-	36,153,343
Equipment	8,937,024	157,810	-	9,094,834
Total accumulated depreciation	49,629,040	1,795,053	-	51,424,093
Governmental activities capital assets, net	\$ 29,300,547	\$ (1,400,784)	\$ -	\$ 27,899,763
Business-type activities				
Equipment	\$ 448,514	\$ 5,700	\$ -	\$ 454,214
Less accumulated depreciation	410,617	18,539	-	429,156
Business-type activities capital assets, net	\$ 37,897	\$ (12,839)	\$ -	\$ 25,058

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020**

Depreciation was charged to functions as follows:

Governmental activities	
Instruction	\$ 33,720
Instructional student support	3,500
Admin. & financial support	34,345
Operation & maintenance	44,217
Pupil transportation	6,844
Student activities	19,792
Unallocated - governmental	1,652,635
	\$ 1,795,053
Business-type activities	
Food service	\$ 18,539

Note 7 – General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 16,515,000	\$ -	\$ 4,450,000	\$ 12,065,000	\$ 4,500,000
Bond premiums, net	571,295	-	220,101	351,194	-
Bond payable, net	17,086,295	-	4,670,101	12,416,194	4,500,000
Notes payable	96,250	-	96,250	-	-
Compensated absences	529,769	131,221	65,166	595,824	107,248
Net pension liability	56,368,000	4,892,270	5,402,270	55,858,000	-
Net OPEB liability - PSERS	2,448,000	228,542	137,542	2,539,000	-
OPEB liability - School Plan	1,860,294	783,816	499,884	2,144,226	-
Total long-term liabilities	\$ 78,388,608	\$ 6,035,849	\$ 10,871,213	\$ 73,553,244	\$ 4,607,248

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Note 8 – General Obligation Bonds and Notes

The School District had the following general obligation bonds and notes outstanding at June 30, 2020:

General Obligation Bonds, Series of 2015, issuance amount of \$5,040,000, interest at 2.0% to 3.0%, due March 1, 2021.	\$ 3,695,000
General Obligation Notes, Series A of 2019, issuance amount of \$2,725,000, interest at 3.0% to 4.0%, due February 15, 2022.	2,620,000
General Obligation Bonds, Series B of 2019, issuance amount of \$6,405,000, interest at 4.0%, due April 15, 2023.	5,750,000
Total general obligation bonds	\$ 12,065,000

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

Year Ended June 30,	General Obligation Bonds		
	Principal	Interest	Total
2021	\$ 4,500,000	\$ 419,500	\$ 4,919,500
2022	3,925,000	276,450	4,201,450
2023	3,640,000	145,600	3,785,600
	\$ 12,065,000	\$ 841,550	\$ 12,906,550

The general fund is used to liquidate the liability for long-term debt.

Note 9 – Pension Plan

Summary of Significant Accounting Policies

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*

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

Benefits Provided

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

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

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Contributions

Member Contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2020, was 33.43% 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 \$5,757,264 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$55,858,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.1194%, which was an increase of 0.0020% from its proportion measured as of June 30, 2019.

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020**

For the year ended June 30, 2020, the School District recognized pension expense of \$6,806,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 308,000	\$ 1,851,000
Changes in assumptions	534,000	-
Net difference between projected and actual investment earnings	-	160,000
Changes in proportions	1,315,000	346,000
Contributions subsequent to the measurement date	5,757,264	-
	\$ 7,914,264	\$ 2,357,000

\$5,757,264 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2021	\$ 635,000
2022	(609,000)
2023	(325,000)
2024	99,000
	\$ (200,000)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternate investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	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, 2019.

Discount Rate

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

	Current Discount		
	1 % Decrease	Rate	1% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 69,578,000	\$ 55,858,000	\$ 44,241,000

Pension plan fiduciary net position

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

Note 10 – Other Post-Employment Benefits, PSERS Health Insurance Premium Share

Summary of Significant Accounting Policies

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 (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 Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Employer Contributions

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 \$144,967 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$2,539,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The 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, 2020, the School District's proportion was 0.1194% percent, which was an increase of 0.0020% from its proportion measured as of June 30, 2019.

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020**

For the year ended June 30, 2020, the School District recognized OPEB expense of \$133,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,000	\$ -
Changes in assumptions	84,000	75,000
Net difference between projected and actual investment earnings	4,000	-
Changes in proportions	76,000	24,000
Contributions subsequent to the measurement date	144,967	-
	\$ 322,967	\$ 99,000

\$144,967 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2021	\$ 9,000
2022	9,000
2023	8,000
2024	7,000
2025	32,000
Thereafter	14,000
	\$ 79,000

Actuarial Assumptions

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

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

The actuarial assumptions used in the June 30, 2017 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, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

OPEB-Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
U.S. core fixed income	83.1%	1.0%
Non-U.S. developed fixed	3.7%	0.0%
	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, 2019.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year and 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if 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	\$ 2,539,000	\$ 2,539,000	\$ 2,540,000

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

	1 % Decrease	Current	1% Increase
	1.79%	Discount Rate 2.79%	3.79%
District's proportionate share of the net OPEB liability	\$ 2,893,000	\$ 2,539,000	\$ 2,246,000

OPEB plan fiduciary net position

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

Note 11 – Other Post-Employment Benefits, School Plan

Summary of Significant Accounting Policies

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

Categories of Employee/Retiree

The School District categorizes employees into six classifications as follows: Teachers, Administrators, Secretaries, Custodians, Aides, 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:

Note: There is no retirement incentive currently in place. There have been retirement incentives offered for the 2015-2016 and the 2016-2017 school years, but those incentives did not have any retirement medical provisions. A summary of past incentives with medical provisions is as follows:

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

Eligible Teachers and Administrators are 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.

Teachers and Administrators - who retired during the 2013-2014 school year

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Eligible Teachers and Administrators 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.

Teachers and Administrators - who retired during the 2010-2011 or 2012-2013 school years:

Eligible Teachers and Administrators are provided with retiree medical, dental, and vision coverage up to the age of 65. Teachers and Administrators are required to contribute the difference between the current premium rate and the premium rate that was in effect at the time of retirement.

All other Teachers and Administrators

Eligible Teachers and Administrators who do not retire under a retirement incentive are required to contribute the full premium for medical, dental, and vision coverage.

Custodians, Aides, and Secretaries

Custodians, Aides, and Secretaries who retired during the 2012-2013 fiscal year are provided with retiree medical, dental, and vision coverage up to the age of 65. Retirees in this group are required to contribute the difference between the current premium rate and the premium rate that was in effect at the time of retirement.

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

Cafeteria Workers

Eligible Cafeteria Workers 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.

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 is administered by Highmark.

Benefit Duration

Postretirement medical benefits are provided up to the age of 65 only.

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

Postretirement 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 age 75, coverage ceases.

Postretirement 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 Aides are eligible for postretirement life insurance in the amount of \$25,000. 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.

Participant Census

Census data for actives and retirees was developed from employee and retiree information supplied by the School District. Below is a summary of the census data for the current year. Following the summary are the age distribution tables for active and retired participants.

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020**

Description	Number	Average Age	Average Service
Active participants			
Medical eligible groups	170	42.45	13.45
Life insurance eligible groups	257	44.06	12.35
Inactive Participants			
Medical			
Retirees	12	61.83	N/A
Spouses	6	62.00	N/A
Life insurance	85	68.39	N/A

Actuarial Assumptions

<i>Cost Method:</i>	Entry Age Normal as a Level Percentage of Pay
<i>Mortality:</i>	RPH-2014 Total Dataset Mortality Table projected using Scale MP-2018
<i>Discount Rate:</i>	3.50% - Based on the Bond Buyers 20-Bond Index
<i>Inflation Rate:</i>	3.00%
<i>Investment Return:</i>	Investment return was not utilized in this valuation since there are no assets.
<i>Salary Increases:</i>	2.50%
<i>Healthcare Trend:</i>	Healthcare trend rates are assumed to increase as follows:

Time Period	Medical	Dental	Vision
07/01/2020 - 06/30/2021	6.75%	4.00%	2.50%
07/01/2021 - 06/30/2022	6.50%	4.00%	2.50%
07/01/2022 - 06/30/2023	6.25%	4.00%	2.50%
07/01/2023 - 06/30/2024	6.00%	4.00%	2.50%
07/01/2024 - 06/30/2025	5.75%	4.00%	2.50%
07/01/2025 - 06/30/2026	5.50%	4.00%	2.50%
07/01/2026 - 06/30/2027	5.25%	4.00%	2.50%
07/01/2027 - 06/30/2028	5.00%	4.00%	2.50%
07/01/2028 - 06/30/2029	4.75%	4.00%	2.50%
07/01/2029 - 06/30/2030 & later	4.50%	4.00%	2.50%

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

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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.

Aging Factors: Aging factors used for developing costs are shown below:

Age	Rate	Age	Rate
55	3.61%	60	4.46%
56	4.07%	61	4.74%
57	3.91%	62	4.52%
58	4.30%	63	4.76%
59	4.12%	64	4.00%

The pre-65 per participant costs were spread over the various ages using the pre-65 morbidity rates that were developed from the unisex factors found in Chart 5 of "Health Care Costs—From Birth to Death" sponsored by the Society of Actuaries and prepared by Dale H. Yamamoto (June 2013).

Withdrawal Rates: Rates vary by attained age. Rates for sample ages are shown below:

Age	Rate
25	20.0%
30	15.0%
35	10.0%
40	7.5%
45	5.0%
50	2.5%
55	0.0%

Retirement Rates: Rates of retirement are shown below:

Age	Rate
55-57	5.0%
58-59	10.0%
60-62	30.0%
63-64	15.0%
65	100.0%

Disability: None assumed

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$183,280. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

KEYSTONE OAKS SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2020**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 340,472	\$ 1,159,969
Changes in assumptions	107,659	975,405
Benefit payments subsequent to the measurement date	228,640	-
	<u>\$ 676,771</u>	<u>\$ 2,135,374</u>

The \$228,640 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,	
2021	\$ (122,530)
2022	(122,530)
2023	(122,530)
2024	(122,530)
2025	(122,530)
Thereafter	(1,074,593)
	<u>\$ (1,687,243)</u>

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 or 1-percentage-point higher than the current discount rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 2,302,205	\$ 2,144,226	\$ 1,979,695

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 or 1-percentage-point higher than the current healthcare cost trend rates:

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

	Healthcare Cost Trend		
	1% Decrease	Rate	1% Increase
Total OPEB liability	\$ 2,069,387	\$ 2,144,226	\$ 2,230,931

Note 12 – Fund Balance

Fund balances in the School District's general fund total \$5,577,807; consisting of \$2,144,226 committed for the district's portion of OPEB liabilities, \$595,824 assigned for compensated absences, \$64,624 is nonspendable for prepaid expenditures, and \$2,783,133 is unassigned. In addition, \$1,097,310 is restricted for capital projects in the capital projects fund.

Note 13 – Jointly Governed Organizations

The School District is one of twelve member school districts of the Parkway West Career & Technology Center. The Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of the Center's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of The Center.

The School District's share of annual operating and capital costs for Parkway West Career & Technology Center fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Parkway West Career & Technology Center for the year ended June 30, 2020 was \$443,601 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 14 – Commitments and Contingencies

The Keystone Oaks School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2020 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.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Construction Commitment

The school district had uncompleted construction contracts on June 30, 2020 of approximately \$1,177,809 for building improvements.

Note 15 – 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. Keystone Oaks 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.

Real Estate Tax Appeals

The taxable assessment of two parcels in the geographical boundary of the School District are under appeal with the Allegheny County Board Property Assessment Appeals and Review. If the property owners are successful in their appeals, the assessment reduction would result in a liability for the School District to refund tax revenues. The total requested assessment reductions on the two properties represents \$124,000 of tax. No liability was recorded in the School District's financial statements because the amount, if any, of assessment reductions and likelihood are unknown.

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 upon rates established by the trustees of the Consortium. These rates are established with the objection of satisfying current costs and claims of covered health care services, as well as providing a residual sufficient to satisfy work capital requirements and promote premium stabilization for periods when actual costs of coverage exceed premiums collected from members. In addition, the Consortium maintains a percentage of its fund balance to cover potential future catastrophic losses. The Consortium or the School District does not maintain independent insurance coverage for catastrophic losses.

At June 30, 2020, such residual net assets were \$75,471,061 for the Consortium as a whole, of which a share of the residual net assets of \$967,350 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, 2020 are available by calling the School District business office.

**Required
Supplementary Information**

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources				
Taxes				
Current real estate tax	\$ 25,150,404	\$ 25,150,404	\$ 24,780,120	\$ (370,284)
Public utility realty tax	29,500	29,500	26,969	(2,531)
Local services taxes	62,000	62,000	65,416	3,416
Earned income taxes	3,065,000	3,065,000	3,294,943	229,943
Real estate transfer taxes	350,000	350,000	375,918	25,918
Delinquencies on taxes	900,000	900,000	960,660	60,660
Earnings on investments	195,500	195,500	247,230	51,730
Other local revenues				
Revenue from student activities	20,000	20,000	82,749	62,749
Federal revenues from IU sources	321,086	325,086	340,857	15,771
Rentals	30,000	30,000	47,570	17,570
Contributions & donations from private sources	-	-	8,100	8,100
Tuition from patrons	70,000	70,000	213,016	143,016
Miscellaneous revenue	30,000	30,000	22,305	(7,695)
Refunds of prior year expend.	-	-	69,165	69,165
Total local sources	30,223,490	30,227,490	30,535,018	307,528
State sources				
Basic instructional & oper. subsidies				
Basic instructional subsidy	4,989,656	5,631,287	5,670,037	38,750
Tuition for orphans subsidy	10,500	10,500	58,364	47,864
Special education funds for school-aged pupils	1,481,754	1,481,754	1,510,933	29,179
Subsidies for noneducational programs				
Transportation subsidy	506,310	506,310	569,978	63,668
Rentals & sinking fund payments	689,106	689,106	733,383	44,277
Health services	31,500	31,500	44,633	13,133
State property tax reduction	848,692	848,692	848,692	-
Safe schools	-	-	109,585	109,585
Other state revenues	231,127	231,127	232,546	1,419
Social Security and Medicare	641,631	-	-	-
State retirement revenue	2,842,559	2,842,559	2,899,949	57,390
Total state sources	12,272,835	12,272,835	12,678,100	405,265
Federal sources				
Restricted grants-in-aid from the fed. gov't. through the commonwealth				
Title I	522,065	522,065	518,205	(3,860)

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Title II	79,227	79,227	79,200	(27)
Title III	4,000	-	-	-
Title IV	41,038	41,038	41,038	-
Medical assistance- access	20,000	20,000	-	(20,000)
Medical assistance- admin	-	-	3,161	3,161
Total federal sources	666,330	662,330	641,604	(20,726)
TOTAL REVENUES	43,162,655	43,162,655	43,854,722	692,067
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	43,500	43,500
TOTAL REVENUE AND OTHER FINANCING SOURCES	43,162,655	43,162,655	43,898,222	735,567
EXPENDITURES				
Instruction				
Regular programs				
Personal services				
Salaries	9,992,788	9,992,788	9,838,913	153,875
Employee benefits	6,222,520	6,222,520	5,972,547	249,973
Purchased prof. & tech. services	444,137	444,137	368,213	75,924
Purchased property services	130,100	130,100	129,854	246
Other purchased services	19,330	19,330	8,560	10,770
Supplies	705,049	705,049	741,334	(36,285)
Other objects	24,700	24,700	-	24,700
Total regular programs	17,538,624	17,538,624	17,059,421	479,203
Special programs				
Personal services				
Salaries	2,320,459	2,320,459	2,293,595	26,864
Employee benefits	1,479,192	1,479,192	1,383,093	96,099
Purchased prof. & tech. services	315,000	315,000	656,751	(341,751)
Other purchased services	910,600	910,600	1,344,697	(434,097)
Supplies	33,200	33,200	16,504	16,696
Total special programs	5,058,451	5,058,451	5,694,640	(636,189)
Vocational education programs				
Other purchased services	440,040	440,040	443,601	(3,561)
Total vocational education programs	440,040	440,040	443,601	(3,561)

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Other instructional programs				
Personal services				
Salaries	50,000	50,000	40,813	9,187
Employee benefits	23,965	23,965	17,117	6,848
Purchased prof. & tech. services	-	-		-
Other purchased services	1,175,000	1,175,000	838,589	336,411
Supplies	-	-		-
Total other instructional programs	1,248,965	1,248,965	896,519	352,446
Adult education programs				
Personal services				
Salaries	-	-	108,750	(108,750)
Employee benefits	-	-	23,973	(23,973)
Other purchased services	-	-	93	(93)
Supplies	-	-	967	(967)
Total adult education programs	-	-	133,783	(133,783)
Total instruction	24,286,080	24,286,080	24,227,964	58,116
Support services				
Students				
Personal services				
Salaries	842,207	842,207	919,786	(77,579)
Employee benefits	551,201	551,201	588,495	(37,294)
Other purchased services	5,100	5,100	2,032	3,068
Supplies	32,300	32,300	35,048	(2,748)
Other objects	1,400	1,400	150	1,250
Total students	1,432,208	1,432,208	1,545,511	(113,303)
Instructional staff				
Personal services				
Salaries	373,676	373,676	370,959	2,717
Employee benefits	211,938	211,938	208,247	3,691
Purchased prof. & tech. services	50,000	50,000	8,364	41,636
Other purchased services	2,000	2,000	-	2,000
Supplies	42,050	42,050	30,703	11,347
Other objects	700	700	415	285
Total instructional staff	680,364	680,364	618,688	61,676
Administration				
Personal services				
Salaries	1,232,949	1,232,949	1,226,381	6,568

KEYSTONE OAKS SCHOOL DISTRICT

**Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Employee benefits	757,058	757,058	738,486	18,572
Purchased prof. & tech. services	210,000	210,000	159,351	50,649
Other purchased services	90,575	90,575	175,518	(84,943)
Supplies	21,530	21,530	18,104	3,426
Other objects	29,050	29,050	19,995	9,055
Total administration	2,341,162	2,341,162	2,337,835	3,327
Pupil health				
Personal services				
Salaries	274,746	274,746	272,558	2,188
Employee benefits	172,313	172,313	164,992	7,321
Purchased prof. & tech. services	109,840	109,840	4,656	105,184
Other purchased services	600	600	30	570
Supplies	15,000	15,000	14,246	754
Total pupil health	572,499	572,499	456,482	116,017
Business				
Personal services				
Salaries	149,587	149,587	150,580	(993)
Employee benefits	104,929	104,929	102,313	2,616
Purchased prof. & tech. services	26,250	26,250	25,276	974
Purchased property services	4,000	4,000	-	4,000
Other purchased services	13,250	13,250	5,749	7,501
Supplies	4,000	4,000	2,357	1,643
Property	3,000	3,000	3,602	(602)
Other objects	650	650	-	650
Total business	305,666	305,666	289,877	15,789
Operation & maintenance of plant svcs.				
Personal services				
Salaries	1,396,449	1,396,449	1,315,657	80,792
Employee benefits	1,033,914	1,033,914	965,791	68,123
Purchased prof. & tech. services	304,770	304,770	374,626	(69,856)
Purchased property services	978,000	978,000	883,581	94,419
Other purchased services	255,477	255,477	280,310	(24,833)
Supplies	219,672	219,672	228,744	(9,072)
Property	35,117	35,117	67,034	(31,917)
Total oper. & maint. of plant svcs.	4,223,399	4,223,399	4,115,743	107,656

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Student transportation services				
Personal services				
Salaries	49,625	49,625	46,570	3,055
Employee benefits	27,888	27,888	26,271	1,617
Other purchased services	2,401,300	2,401,300	1,974,562	426,738
Supplies	59,000	59,000	38,893	20,107
Total student transportation svcs.	2,537,813	2,537,813	2,086,296	451,517
Central				
Personal services				
Salaries	343,122	343,122	342,776	346
Employee benefits	214,779	214,779	183,313	31,466
Purchased prof. & tech. services	70,000	70,000	68,492	1,508
Other purchased services	5,000	5,000	1,573	3,427
Supplies	135,000	135,000	161,513	(26,513)
Property	500,000	500,000	491,515	8,485
Other objects	700	700	-	700
Total central	1,268,601	1,268,601	1,249,182	19,419
Other				
Other purchased services	-	-	35,457	(35,457)
Total other	-	-	35,457	(35,457)
Total support services	13,361,712	13,361,712	12,735,071	626,641
Operation of noninstructional services				
Student activities				
Personal services				
Salaries	508,982	508,982	492,816	16,166
Employee benefits	220,344	220,344	153,660	66,684
Purchased prof. & tech. services	29,000	29,000	14,500	14,500
Purchased property services	10,000	10,000	-	10,000
Other purchased services	81,450	81,450	45,325	36,125
Supplies	176,591	176,591	198,527	(21,936)
Property	72,335	72,335	-	72,335
Other objects	36,500	36,500	32,900	3,600
Total student activities	1,135,202	1,135,202	937,728	197,474
Community services				
Personal services				
Salaries	17,500	17,500	9,904	7,596
Employee benefits	7,498	7,498	813	6,685

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Property	750	750	-	750
Total community services	25,748	25,748	10,717	15,031
Total oper. of noninstruct. svcs.	1,160,950	1,160,950	948,445	212,505
Debt service				
Interest	489,554	489,554	489,554.00	-
Refunds of prior years receipts	7,901	7,901	2,773.00	5,128
Redemption of principal	4,546,250	4,546,250	4,546,250.00	-
Fiscal agent fees	-	-	2,250	(2,250)
Total debt service	5,043,705	5,043,705	5,040,827	2,878
TOTAL EXPENDITURES	43,852,447	43,852,447	42,952,307	900,140
OTHER FINANCING USES				
Fund transfers				
Capital projects fund	99,000	99,000	1,374,650	(1,275,650)
TOTAL OTHER FINANCING USES	99,000	99,000	1,374,650	(1,275,650)
TOTAL EXPENDITURES AND OTHER FINANCING USES	43,951,447	43,951,447	44,326,957	(375,510)
Revenues & other financing sources				
Over (under) expends. & other				
Financing uses	(788,792)	(788,792)	(428,735)	360,057
Fund balance - July 1, 2019	2,846,497	2,846,497	6,004,290	3,157,793
Fund balance - June 30, 2020	\$ 2,057,705	\$ 2,057,705	\$ 5,575,555	\$ 3,517,850

See accompanying notes to required supplementary information

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
School District's proportion of the net pension liability	0.1194%	0.1174%	0.1148%	0.1167%	0.1167%	0.1121%	0.1121%
School District's proportionate share of the net pension liability	\$ 55,858,000	\$ 56,368,000	\$ 56,698,000	\$ 57,833,000	\$ 50,549,000	\$ 44,370,000	\$ 43,924,000
School District's covered payroll	\$ 16,571,379	\$ 15,809,203	\$ 15,286,052	\$ 15,118,352	\$ 15,011,475	\$ 14,301,373	\$ 13,765,141
School District's proportionate share of the net pension liability as a percentage of its covered payroll	337.08%	356.55%	370.91%	382.54%	336.74%	310.25%	319.10%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

See notes to required supplementary information.

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate 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.

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of School District Pension Contributions
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contributions	\$ 5,757,264	\$ 5,402,270	\$ 5,017,841	\$ 4,463,527	\$ 3,779,588	\$ 3,077,352
School District contributions recognized by the pension plan	\$ 5,757,264	\$ 5,402,270	\$ 5,017,841	\$ 4,463,527	\$ 3,779,588	\$ 3,077,352
Difference between contractually required employer contribution and contributions recognized by PSERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 17,257,986	\$ 16,571,379	15,809,203	15,286,052	15,118,352	15,011,475
Contributions recognized by the pension plan as a percentage of covered payroll	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

See notes to required supplementary information.

¹This 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.

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017
School District's proportion of the net OPEB liability	0.1194%	0.1174%	0.1148%	0.1167%
School District's proportionate share of the net OPEB liability	\$ 2,539,000	\$ 2,448,000	\$ 2,339,000	\$ 2,514,000
School District's covered payroll	\$ 16,571,379	\$ 15,809,203	\$ 15,286,052	\$ 15,118,352
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.32%	15.48%	15.30%	16.63%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%	5.56%	5.73%	5.47%

See notes to required supplementary information.

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate 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.

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of School District's OPEB Contributions
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018
Contractually required contributions	\$ 144,967	\$ 137,542	\$ 131,216
School District contributions recognized by the OPEB plan	\$ 144,967	\$ 137,542	\$ 131,216
Difference between contractually required employer contribution and contributions recognized by PSERS	\$ -	\$ -	\$ -
School District's covered payroll	\$ 17,257,986	\$ 16,571,379	15,809,203
Contributions recognized by the OPEB plan as a percentage of covered payroll	0.84%	0.83%	0.83%

See notes to required supplementary information.

¹This 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.

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios
School Plan
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability - beginning of year	\$ 1,860,294	\$ 2,271,098	\$ 5,431,723
Service cost	35,062	34,871	169,201
Interest	71,993	81,305	217,269
Changes in benefit terms	198,755	-	-
Differences between expected and actual experience	363,170	-	(1,408,534)
Changes of assumptions	114,836	(28,946)	(1,153,406)
Benefit payments	(499,884)	(498,034)	(985,155)
Net change in total OPEB liability	283,932	(410,804)	(3,160,625)
Total OPEB liability - end of year	\$ 2,144,226	\$ 1,860,294	\$ 2,271,098
Covered-employee payroll	\$ 16,146,901	\$ 13,834,795	\$ 13,497,361
Net OPEB liability as a percentage of covered-employee payroll	13.28%	13.45%	16.83%

See notes to required supplementary information.

¹This 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 budgets 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 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 Plan

Changes of 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, 2016

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

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 3 – OPEB Information: PSERS Plan

Changes of benefit terms

None.

Changes of assumptions

June 30, 2019

The discount rate decreased from 2.98% to 2.79%.

KEYSTONE OAKS SCHOOL DISTRICT

Notes to Required Supplementary Information

June 30, 2020

June 30, 2018

The discount rate decreased from 3.13% to 2.98%.

June 30, 2017

The discount rate increased from 2.71% 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

Changes in benefit terms

June 30, 2020

The Secretaries and Aides life insurance policy amount increased from \$25,000 to \$50,000.

Changes of assumptions

June 30, 2020

Changes were made to the assumed medical and vision trend rates and to the mortality scale.

The discount rate was decreased to 3.50%

June 30, 2019

The discount rates used for fiscal year ending June 30, 2019 was increased to 3.87% from 3.58%.

June 30, 2018

GASBS No. 75 was implemented with the fiscal year ended June 30, 2018. Changes were made to the aging factors, the mortality table, the cost method, the percent married assumption, the medical participation assumption, the retirement rates, and the assumed salary increases.

Single Audit

KEYSTONE OAKS SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor							Accrued or (Deferred)			Accrued or (Deferred)	Pass Through to
Pass Through Grantor	Source	Federal	Pass Through	Grant Period	Program or	Total Received	Revenue	Revenue	Expenditures	Revenue	Sub-
Project Title	Code	CFDA Number	Grantor Number	Beginning/ Ending Date	Award Amount	for the Year	07/01/19	Recognized		06/30/20	recipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania											
Department of Education											
School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	\$ 10,025	\$ 10,025	\$ -	\$ -	\$ -	\$ -
School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	44,509	-	44,509	44,509	-	-
Total CFDA #10.553						54,534	10,025	44,509	44,509	-	-
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	43,739	43,739	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	226,854	-	226,854	226,854	-	-
Passed through the Pennsylvania											
Department of Agriculture											
National School Lunch Program	I	10.555	2-04-02-500	07/01/19-06/30/20	59,585	51,302	(13,819)	57,870	57,870	(7,251)	-
Total CFDA #10.555						321,895	29,920	284,724	284,724	(7,251)	-
Passed through the Pennsylvania											
Department of Education											
Summer Food Service Program	I	10.559	N/A	07/01/18-06/30/19	N/A	20,352	20,352	-	-	-	-
Summer Food Service Program	I	10.559	N/A	07/01/19-06/30/20	N/A	104,402	-	178,109	178,109	73,707	-
Total CFDA #10.559						124,754	20,352	178,109	178,109	73,707	-
Total Child Nutrition Cluster						501,183	60,297	507,342	507,342	66,456	-
U.S. Department of Justice											
Passed through the Pennsylvania											
Commission on Crime and Delinquency											
COVID-19 School Health and Safety	I	21.019	33694	03/01/20-10/30/20	193,221	-	-	-	-	-	-
U.S. Department of Education											
Passed through the Pennsylvania											
Department of Education											
Title I	I	84.010	013-190213	08/21/18-09/30/19	548,316	116,523	116,523	-	-	-	-
Title I	I	84.010	013-200213	07/09/19-09/30/20	518,205	415,722	-	518,205	518,205	102,483	-
Total CFDA #84.010						532,245	116,523	518,205	518,205	102,483	-
Supporting Effective Instruction	I	84.367	020-190213	08/21/18-09/30/19	82,559	(176)	(176)	-	-	-	-
Supporting Effective Instruction	I	84.367	020-200213	07/09/19-09/30/20	79,200	68,647	-	79,200	79,200	10,553	-
Total CFDA #84.367						68,471	(176)	79,200	79,200	10,553	-
Student Support and Academic											
Achievement	I	84.424	144-190213	08/21/18-09/30/19	40,554	23,174	23,174	-	-	-	-
Student Support and Academic											
Achievement	I	84.424	144-200213	07/09/19-09/30/20	41,038	38,302	-	41,038	41,038	2,736	-
Total CFDA #84.424						61,476	23,174	41,038	41,038	2,736	-
COVID-19 ESSER Fund Local	I	84.425	200-200213	03/13/20-09/30/21	424,500	-	-	-	-	-	-
Passed through Allegheny Intermediate Unit											
English Language Acquisition	I	84.365	010-20-0603	07/01/19-06/30/20	4,000	-	-	2,066	2,066	2,066	-

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor		Federal	Pass Through	Grant Period	Program or		Accrued or			Accrued or	Pass
Pass Through Grantor	Source	CFDA	Grantor	Beginning/	Award	Total Received	(Deferred)	Revenue	Expenditures	(Deferred)	Through to
Project Title	Code	Number	Number	Ending Date	Amount	for the Year	Revenue	Recognized		Revenue	Sub-
							07/01/19			06/30/20	recipients
<i>(Continued)</i>											
Special Education Cluster											
Special Education-Preschool	I	84.173	131-19-0-003	07/01/19-06/30/20	3,968	3,968	-	3,968	3,968	-	-
Special Education	I	84.027	062-19-0-003	07/01/18-09/30/19	319,110	115,745	115,745	-	-	-	-
Special Education	I	84.027	062-20-0-003	07/01/19-09/30/20	334,823	237,260	-	334,823	334,823	97,563	-
Total CFDA #84.027						353,005	115,745	334,823	334,823	97,563	-
Total Special Education Cluster						356,973	115,745	338,791	338,791	97,563	-
Total U.S. Department of Education						1,019,165	255,266	979,300	979,300	215,401	-
U.S. Department of Health and Human Services											
Passed through the Pennsylvania											
Department of Human Services											
Medicaid Cluster											
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	2,046	-	3,161	3,161	1,115	-
Total Federal Financial Assistance						\$ 1,522,394	\$ 315,563	\$ 1,489,803	\$ 1,489,803	\$ 282,972	\$ -

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

KEYSTONE OAKS SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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.

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 Pennsylvania Department of Education Subsidy Confirmation

Amount Received Per Schedule	\$1,522,394
Add: State Funding on Confirmation	30,843
Less: Pass Through AIU	(356,973)
Less: Donated Commodities	(51,302)
Less: Title XIX	(2,046)
Rounding	(1)
<u>Per Subsidy Confirmation</u>	<u>\$1,142,915</u>



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

Members of the Board
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, 2020, 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 February 22, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Members of the Board
Keystone Oaks School District
Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters

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

Keystone Oaks School District's Response to Findings

Keystone Oaks School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Keystone Oaks School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "M. Patsy & Associates, LLC". The signature is written in a cursive, flowing style.

Carnegie, Pennsylvania
February 22, 2021



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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Myra, Patsy & Associates, LLC

Carnegie, Pennsylvania
February 22, 2021

KEYSTONE OAKS SCHOOL DISTRICT**Schedule of Findings and Questioned Costs****June 30, 2020**

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

Type of auditor’s report issued	Unmodified, prepared in accordance with generally accepted accounting principles
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Internal control over financial reporting:

Material weakness(es) identified?	Yes
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Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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Noncompliance material to financial statements noted?	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
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Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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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
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Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Title I Improving Basic Programs	84.010
Special Education Cluster (IDEA)	84.027, 84.173
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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

Finding 2020-001: Material Weakness in Internal Controls over Financial Reporting

Criteria

An entity must design, implement and maintain internal controls over financial reporting relevant to ensure the financial statements are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

Condition

Bank reconciliations are not performed on a timely basis.

Cause

The accounting department is understaffed. Over the past year the Accountant was promoted to Director of Finance & Human Resources and their job duties were expanded to include human resources responsibilities. In addition, the Accountant position was not filled and there was turnover in the accounting department creating temporary vacancies in other roles.

Effect

Material adjustments were necessary to correct system entries at year end that were not identified and resolved in a timely manner through the bank reconciliation process.

Recommendation

We recommend the School District increase staffing in the business office so that all functions can be completed accurately and in a timely manner. We recommend the position of Accountant be filled to oversee other staff in the Business Office and to report to the Director of Finance & Human Resources.

Views of responsible officials and planned corrective action

Management agrees with the finding. See attached corrective action plan.

Section 3 – Findings and Questioned Costs for Federal Awards

None.

Section 4 – Summary Schedule of Prior Audit Findings

Finding 2019-001: Material Weakness in Internal Controls over Financial Reporting

Condition & Cause

During the audit process, several restatements were necessary to correct beginning net position for the government-wide financial statements. In addition, prior year reporting excluded specific required supplementary information and the presentation of proprietary fund information was not in accordance with the prescribed format under GASB Statement No. 34.

The School District's prior year financial statements are drafted by their auditor and reviewed before issuance. Time constraints also impeded staff from maintaining the necessary skills and knowledge to prepare financial statements in accordance with GAAP through attendance and participation in continuing education on topics critical to financial reporting for the School District.

Current Status

Corrective action was taken, and the finding is resolved.

Finding 2019-002: Material Weakness in Internal Controls over Financial Reporting

Condition & Cause

The School District's personnel documentation was incomplete.

A centralized process for onboarding auxiliary part-time staff for the Athletic Department, Food Service Department, Operations and Maintenance and a tax collector was not consistently applied and/or enforced.

Current Status

Corrective action was taken, and the finding is resolved.



KEYSTONE OAKS SCHOOL DISTRICT

1000 KELTON AVENUE • PITTSBURGH, PA 15216

PHONE 412.571.6028 • FAX 412.571.6006

JOSEPH A. KUBIAK

DIRECTOR OF FINANCE AND HUMAN RESOURCES

KUBIAK@KOSD.ORG

CORRECTIVE ACTION PLAN

Department of Education:

The Keystone Oaks School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of the independent public accounting firm:

Myers, Patsy & Associates, LLC
150 East Main Street
Suite 201
Carnegie, PA 15106

Audit period: July 1, 2019 through June 30, 2020

The findings for the year ended June 30, 2020 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION B – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Material Weakness in Internal Controls over Financial Reporting

Recommendation: We recommend the School District increase staffing in the business office so that all functions can be completed accurately and in a timely manner. We recommend the position of Accountant be filled to oversee other staff in the Business Office and to report to the Director of Finance & Human Resources.

Management's Response: The District agrees with the auditor's recommendation of increasing staffing in the business office in order to ensure that all functions can be completed accurately and in a timely manner. The District is currently seeking candidates to fill the position of Accountant, which is expected to be filled by July 1, 2021.

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KEYSTONE OAKS IS AN EQUAL OPPORTUNITY SCHOOL DISTRICT

If you have any questions about this report or need additional financial information, please contact Joseph Kubiak, Director of Finance and Human Resources at:

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Pittsburgh, PA 15216
(412) 571-6028