

**KEYSTONE OAKS SCHOOL
DISTRICT
Financial Statements
June 30, 2021**

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 the Keystone Oaks School District, as of and for the year ended June 30, 2021, 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

major fund, and the aggregate remaining fund information of the Keystone Oaks School District, as of June 30, 2021, 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 the 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 March 29, 2022, on our consideration of the Keystone Oaks School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Keystone Oaks School District's internal control over financial reporting or on compliance.

Keystone Oaks School District
Independent Auditor's Report

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Keystone Oaks School District's internal control over financial reporting and compliance.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
March 29, 2022

KEYSTONE OAKS SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

It is management's privilege to present the financial status of the 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, 2021, 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 are required to be presented in the MD&A.

Financial Highlights

The School District's general fund received 68.7% of its funding from local sources, 27.5% from state sources, and 4.8% 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 a conservative basis.

Expenditures in the general fund increased by \$549,190 compared to the 2019-2020 school year, while revenues in the general fund increased by \$1,576,514. The School District completed the 2020-2021 fiscal year with a \$7,542,844 general fund balance. This is a \$1,965,037 increase over the previous year's ending balance.

Using the Annual Financial Report

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

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

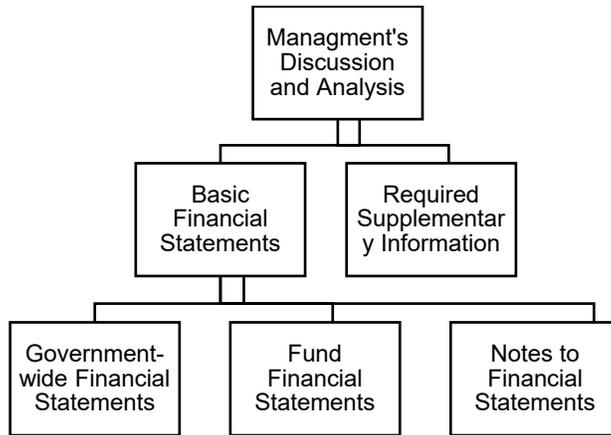
The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental fund statements tell how general School District services were financed in the short term as well as what remains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

KEYSTONE OAKS SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

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.

	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 service	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses, and changes in fund net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position

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Management's Discussion & Analysis
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Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
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Government-Wide Financial Statements

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

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

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

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

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

Governmental Activities

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

Business-Type Activities

The food service operational costs are funded by fees charged to staff, students, and visitors; and operating grants and subsidies from federal and state sources.

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.

Other funds reported by the School District include:

KEYSTONE OAKS SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

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.

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-57 of this report.

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.

	2021			2020		
	Governmental Activities	Business- type Activities	Totals	Governmental Activities	Business- type Activities	Totals
Current assets	\$ 15,048,749	\$ 120,386	\$ 15,169,135	\$ 13,112,608	\$ 63,480	\$ 13,176,088
Noncurrent assets	28,320,392	20,251	28,340,643	27,899,763	25,057	27,924,820
Total assets	<u>43,369,141</u>	<u>140,637</u>	<u>43,509,778</u>	<u>41,012,371</u>	<u>88,537</u>	<u>41,100,908</u>
Deferred outflows	<u>11,492,892</u>	-	<u>11,492,892</u>	<u>8,768,147</u>	-	<u>8,768,147</u>
Current liabilities	10,400,368	61,681	10,462,049	9,936,996	49,082	9,986,078
Noncurrent liabilities	<u>69,594,887</u>	-	<u>69,594,887</u>	<u>68,945,996</u>	-	<u>68,945,996</u>
Total liabilities	<u>79,995,255</u>	<u>61,681</u>	<u>80,056,936</u>	<u>78,882,992</u>	<u>49,082</u>	<u>78,932,074</u>
Deferred inflows	<u>3,687,334</u>	-	<u>3,687,334</u>	<u>4,617,654</u>	-	<u>4,617,654</u>
Net position (deficit)						
Net invest. in cap. assets	20,442,098	20,251	20,462,349	15,350,186	25,057	15,375,243
Restricted	85,728	-	85,728	1,097,310	-	1,097,310
Unrestricted	<u>(49,348,382)</u>	<u>58,705</u>	<u>(49,289,677)</u>	<u>(50,167,624)</u>	<u>14,398</u>	<u>(50,153,226)</u>
Total Net Position (Deficit)	<u>\$ (28,820,556)</u>	<u>\$ 78,956</u>	<u>\$ (28,741,600)</u>	<u>\$ (33,720,128)</u>	<u>\$ 39,455</u>	<u>\$ (33,680,673)</u>

The School District's total net deficit was \$(28,741,600) at June 30, 2021 and a deficit of \$(33,680,673) at June 30, 2020.

KEYSTONE OAKS SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

	2021			2020		
	Governmental Activities	Business- type Activities	Totals	Governmental Activities	Business- type Activities	Totals
Revenues						
Program revenues						
Charges for services	\$ 443,892	\$ 4,739	\$ 448,631	\$ 401,699	\$ 295,175	\$ 696,874
Operating grants & contrib.	8,247,565	620,623	8,868,188	6,873,083	596,996	7,470,079
Capital grants & contrib.	772,915	-	772,915	842,968	-	842,968
General revenues						
Property taxes	25,908,746	-	25,908,746	25,768,745	-	25,768,745
Other taxes	3,887,483	-	3,887,483	3,764,053	-	3,764,053
Grants, subsidies & contrib.	5,894,873	-	5,894,873	5,894,246	-	5,894,246
Other	282,757	675	283,432	389,210	9,488	398,698
Total revenues	45,438,231	626,037	46,064,268	43,934,004	901,659	44,835,663
Expenses						
Instruction	25,169,441	-	25,169,441	25,113,340	-	25,113,340
Instructional support	2,723,851	-	2,723,851	2,734,538	-	2,734,538
Administration & financial	4,025,760	-	4,025,760	3,763,839	-	3,763,839
Operations & maintenance	4,125,007	-	4,125,007	4,481,690	-	4,481,690
Pupil transportation	1,790,475	-	1,790,475	2,096,411	-	2,096,411
Student activities	934,822	-	934,822	975,408	-	975,408
Community services	15,388	-	15,388	35,090	-	35,090
Interest on debt	200,414	-	200,414	271,162	-	271,162
Unallocated depreciation	1,648,799	-	1,648,799	1,652,635	-	1,652,635
Food service	-	586,536	586,536	-	1,005,797	1,005,797
Total expenses	40,633,957	586,536	41,220,493	41,124,113	1,005,797	42,129,910
Increase (decrease) in net position	4,804,274	39,501	4,843,775	2,809,891	(104,138)	2,705,753
Net position (deficit) - beginning*	(33,624,830)	39,455	(33,585,375)	(36,530,019)	143,593	(36,386,426)
Net position (deficit) - ending	<u>\$(28,820,556)</u>	<u>\$ 78,956</u>	<u>\$(28,741,600)</u>	<u>\$(33,720,128)</u>	<u>\$ 39,455</u>	<u>\$(33,680,673)</u>

* Restated for change in accounting principle effective July 1, 2020

While in total, the School District's increase in net position is positive, results are very different for the governmental activities and the business-type activities. Readers should review the following analysis pertaining to those portions to fully understand the School District's financial reports.

Governmental Activities

The School District's largest functions are instruction, instructional support, administration, and financial support, operations 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.

Operating grants and contributions increased by \$1.4 million or 20%, which is primarily attributed to federal funding under the CARES Act and CRRSAA for Elementary and Secondary Schools Education Relief (ESSER).

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

KEYSTONE OAKS SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

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.

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions/Programs				
Instruction	\$ 25,169,441	\$ 19,620,883	\$ 25,113,340	\$ 19,620,883
Instructional support	2,723,851	2,368,124	2,734,538	2,368,124
Administrative & financial	4,025,760	3,415,048	3,763,839	3,415,048
Operations & maintenance	4,125,007	2,613,301	4,481,690	4,057,507
Pupil transportation	1,790,475	1,516,837	2,096,411	1,516,837
Student activities	934,822	817,593	975,408	817,593
Community services	15,388	19,957	35,090	19,957
Interest on long-term debt	200,414	(462,221)	271,162	(462,221)
Unallocated depreciation	1,648,799	1,652,635	1,652,635	1,652,635
Total governmental activities	<u>\$ 40,633,957</u>	31,562,157	<u>\$ 41,124,113</u>	33,006,363
Less: unrestricted grants, subsidies		<u>(5,894,873)</u>		<u>(5,894,246)</u>
Total needs from local taxes and other revenues		<u>\$ 25,667,284</u>		<u>\$ 27,112,117</u>

Business-type Activities

During the school year instruction was periodically held remote or under a hybrid model for safety in response to the COVID-19 health pandemic. The School District continued to provide breakfast and lunch under the National School Breakfast and National School Lunch Program through the Seamless Summer Option. This impacted the operations of the food service program and resulted in a decrease in revenues and expenses for the 2020-2021 year. Charges for services for business-type activities decreased by \$290,436 or -98%. Expenses for food service operations decreased by \$420,000 or -42%.

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

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions/Programs				
Food service	<u>\$ 586,536</u>	<u>\$ (38,826)</u>	<u>\$ 1,005,797</u>	<u>\$ 113,626</u>

School District Funds

General Fund Budget

	Budget Revenues 2020-2021	Actual Revenues 2020-2021	Variance
Local	\$ 29,055,241	\$ 30,758,348	\$ 1,703,107
State	12,349,006	12,502,316	153,310
Federal	946,330	2,170,572	1,224,242

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	Budget Expenditures 2020-2021	Actual Expenditures 2020-2021	Variance
Instruction	\$ 24,367,346	\$ 24,450,163	\$ (82,817)
Support services	12,792,837	13,216,025	(423,188)
Noninstructional	1,098,531	864,648	233,883
Debt service	4,922,000	4,968,409	(46,409)

Local revenues were over budget due to the School District experiencing a higher collection of delinquent real estate taxes, earned income taxes, and real estate transfer taxes. 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 tuition for orphans and sinking fund payments. Federal revenues were over budget due to the School District receiving ESSER funds not budgeted for. Instruction expenditures were slightly over budget due to charter school costs being higher than anticipated. Support services expenditures were over budget mainly due to encumbering costs for HVAC projects at Myrtle Avenue Elementary, which were included in the ESSER program budget but not the general fund budget. Noninstructional expenditures were under budget mainly due to a decrease in overall costs for student activities.

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of accumulated depreciation

	June 30, 2021	June 30, 2020
Governmental activities		
Land	\$ 1,355,020	\$ 1,355,020
Construction in progress	746,479	-
Site improvements	1,643,764	1,984,665
Buildings and improvements	23,578,009	23,479,505
Furniture and equipment	997,120	1,080,573
	<u>\$ 28,320,392</u>	<u>\$ 27,899,763</u>
Business-type activities		
Furniture and equipment	<u>\$ 20,251</u>	<u>\$ 25,057</u>

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. The School District also began an HVAC project at Myrtle Avenue Elementary, which was completed during the 2021-2022 school year.

Debt Administration

The School District's face amount of outstanding bonds at June 30, 2021 and 2020 is shown in the following table.

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Management's Discussion & Analysis
June 30, 2021

Outstanding Debt

	June 30, 2021	June 30, 2020
General obligation bonds		
Series of 2015	\$ -	\$ 3,695,000
Series of 2019A	2,615,000	2,620,000
Series of 2019B	4,950,000	5,750,000
	\$ 7,565,000	\$ 12,065,000

The General Obligation Bonds, Series of 2015, matured and were paid in full on March 1, 2021. The general obligation bonds, Series A of 2019 will mature on February 15, 2022. Additional information on the School District's debt is available in the notes to the financial statements.

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 within its geographical boundaries.

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

Last 5 School Years	Employer Contribution Rate	Next 5 School Years	Employer Contribution Rate
2015-2016	30.03%	2021-2022	34.94%
2016-2017	32.57%	2022-2023	35.26%
2017-2018	33.43%	2023-2024	35.69%
2019-2020	34.29%	2024-2025	36.02%
2020-2021	34.51%	2025-2026	36.48%

Medical insurance increases in the coming years could be above 5.0% but could be much worse if the district was not a member of the Allegheny County Health Insurance Consortium that is set up through the Allegheny Intermediate Unit. Allegheny County implemented a reassessment of all properties in the calendar year beginning January 1, 2013. The Pennsylvania state law Act 1 of 2006 sets a cap on the amount a school district can raise property taxes without first getting voter approval.

The School District has adopted a Capital Reserve Plan for the next five (5) years on many needed improvements with facilities and grounds throughout the district. The major items are replacement of roofs at the middle school and high school, replacement of rooftop units across the district, VCT tile replacement throughout the district, painting of exterior panels, and deteriorating tennis courts.

The adopted budget for the fiscal year 2021-2022 includes total revenues sources of \$43,686,319 and appropriated expenditures of \$44,097,671. The real estate tax levy for the 2021 tax year is 20.0839 mills and represents \$25,778,563 or 59% of total budgeted revenues, which is an increase of approximately \$1.2 million. The 2021-2022 budget includes \$190,017 in revenues recognized under ESSER programs.

Contacting the School District Financial Management

Keystone Oaks School District's financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to demonstrate the Board's accountability for the money it received. If you have any questions about this report or wish to request additional financial information, please contact Joseph Kubiak, 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 (Deficit)

June 30, 2021

	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 10,615,514	\$ 259,426	\$ 10,874,940
Taxes receivable, net	1,331,999	-	1,331,999
Internal balances	398,077	(398,077)	-
Due from other governments	2,439,372	204,390	2,643,762
Other receivables	232,258	17,410	249,668
Inventories	-	37,237	37,237
Prepaid expenses	31,529	-	31,529
Total current assets	15,048,749	120,386	15,169,135
Noncurrent Assets			
Land	1,355,020	-	1,355,020
Construction in progress	746,479	-	746,479
Site improvements, net	1,643,764	-	1,643,764
Buildings and building improvements, net	23,578,009	-	23,578,009
Furniture and equipment, net	997,120	20,251	1,017,371
Total noncurrent assets	28,320,392	20,251	28,340,643
Total assets	43,369,141	140,637	43,509,778
Deferred outflows of resources			
Pension related items	10,260,842	-	10,260,842
OPEB related-PSERS	389,198	-	389,198
OPEB related-school plan	842,852	-	842,852
Total deferred outflows of resources	11,492,892	-	11,492,892
Liabilities			
Current Liabilities			
Accounts payable	1,267,755	19,552	1,287,307
Current portion of long-term debt	4,036,360	-	4,036,360
Accrued interest	70,669	-	70,669
Payroll accruals and withholdings	4,931,901	-	4,931,901
Unearned revenues	-	42,129	42,129
Other current liabilities	93,683	-	93,683
Total current liabilities	10,400,368	61,681	10,462,049

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2021

	Governmental Activities	Business-type Activities	Totals
<i>(Continued)</i>			
Noncurrent liabilities			
Bonds payable, net	3,832,569	-	3,832,569
Compensated absences	507,309	-	507,309
Net pension liability	60,318,000	-	60,318,000
Net OPEB liability-PSERS	2,645,000	-	2,645,000
OPEB liability-school plan	<u>2,292,009</u>	-	<u>2,292,009</u>
Total noncurrent liabilities	<u>69,594,887</u>	-	<u>69,594,887</u>
Total liabilities	<u>79,995,255</u>	<u>61,681</u>	<u>80,056,936</u>
Deferred inflows of resources			
Deferred gain on refunding	9,365	-	9,365
Pension related items	1,619,000	-	1,619,000
OPEB related-PSERS	76,000	-	76,000
OPEB liability-school plan	<u>1,982,969</u>	-	<u>1,982,969</u>
Total deferred inflows of resources	<u>3,687,334</u>	-	<u>3,687,334</u>
Net position (deficit)			
Net investment in capital assets	20,442,098	20,251	20,462,349
Restricted for:			
Capital projects	85,728	-	85,728
Unrestricted	<u>(49,348,382)</u>	<u>58,705</u>	<u>(49,289,677)</u>
Total net position (deficit)	<u>\$ (28,820,556)</u>	<u>\$ 78,956</u>	<u>\$ (28,741,600)</u>

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

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

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	\$ 25,169,441	\$ 322,609	\$ 5,570,405	\$ -	\$ (19,276,427)	\$ -	\$ (19,276,427)
Instructional student support	2,723,851	-	376,850	-	(2,347,001)	-	(2,347,001)
Administrative and financial	4,025,760	-	345,707	-	(3,680,053)	-	(3,680,053)
Operations and maintenance	4,125,007	30,601	1,446,105	35,000	(2,613,301)	-	(2,613,301)
Pupil transportation	1,790,475	-	394,491	-	(1,395,984)	-	(1,395,984)
Student activities	934,822	90,682	63,915	-	(780,225)	-	(780,225)
Community services	15,388	-	50,092	-	34,704	-	34,704
Interest on long-term debt	200,414	-	-	737,915	537,501	-	537,501
Unallocated depreciation	1,648,799	-	-	-	(1,648,799)	-	(1,648,799)
Total governmental activities	<u>40,633,957</u>	<u>443,892</u>	<u>8,247,565</u>	<u>772,915</u>	<u>(31,169,585)</u>	<u>-</u>	<u>(31,169,585)</u>
Business-type activities							
Food service	<u>586,536</u>	<u>4,739</u>	<u>620,623</u>	<u>-</u>	<u>-</u>	<u>38,826</u>	<u>38,826</u>
Total primary government	<u>\$ 41,220,493</u>	<u>\$ 448,631</u>	<u>\$ 8,868,188</u>	<u>\$ 772,915</u>	<u>(31,169,585)</u>	<u>38,826</u>	<u>(31,130,759)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					25,908,746	-	25,908,746
Earned income tax					3,292,592	-	3,292,592
Other taxes levied for general purposes					594,891	-	594,891
Grants, subsidies, & contributions, not restricted					5,894,873	-	5,894,873
Investment earnings					211,213	675	211,888
Miscellaneous income					71,544	-	71,544
Total general revenues					<u>35,973,859</u>	<u>675</u>	<u>35,974,534</u>
Change in net position					4,804,274	39,501	4,843,775
Net position (deficit) - beginning, restated					<u>(33,624,830)</u>	<u>39,455</u>	<u>(33,585,375)</u>
Net position (deficit) - ending					<u>\$ (28,820,556)</u>	<u>\$ 78,956</u>	<u>\$ (28,741,600)</u>

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

KEYSTONE OAKS SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2021**

	General Fund	Capital Projects Fund	Nonmajor Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,494,233	\$ 45,468	\$ 75,813	\$ 10,615,514
Taxes receivable, net	1,331,999	-	-	1,331,999
Due from other funds	398,077	-	9,915	407,992
Due from other governments	2,439,372	-	-	2,439,372
Other receivables	232,258	-	-	232,258
Prepaid items	31,529	-	-	31,529
Total assets	\$ 14,927,468	\$ 45,468	\$ 85,728	\$ 15,058,664
Liabilities, deferred outflows of resources, and fund balance				
Liabilities				
Due to other funds	\$ 9,915	\$ -	\$ -	\$ 9,915
Accounts payable	1,267,756	-	-	1,267,756
Payroll accruals and withholdings	4,931,901	-	-	4,931,901
Other current liabilities	93,683	-	-	93,683
Total liabilities	6,303,255	-	-	6,303,255
Deferred inflows of resources				
Unavailable property taxes	1,081,369	-	-	1,081,369
Fund balance				
Nonspendable	31,529	-	-	31,529
Restricted	-	45,468	85,728	131,196
Committed	2,292,009	-	-	2,292,009
Assigned	618,669	-	-	618,669
Unassigned	4,600,637	-	-	4,600,637
Total fund balance	7,542,844	45,468	85,728	7,674,040
Total liabilities, deferred outflows of resources, and fund balance	\$ 14,927,468	\$ 45,468	\$ 85,728	\$ 15,058,664

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 (Deficit)
June 30, 2021

Total fund balance - governmental funds		\$ 7,674,040
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 the governmental funds. The cost of capital assets is \$81,584,121 and accumulated depreciation is \$53,263,729.		28,320,392
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.		1,081,369
Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.		(9,364)
Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds.		7,814,923
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	\$ (7,565,000)	
Unamortized bond premiums	(192,569)	
Accrued interest on the bonds	(70,669)	
Net pension liability	(60,318,000)	
Net OPEB liability-PSERS	(2,645,000)	
OPEB liability-school plan	(2,292,009)	
Compensated absences	(618,669)	<u>(73,701,916)</u>
Total net deficit - governmental activities		<u>\$ (28,820,556)</u>

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

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local sources	\$ 30,758,348	\$ 2,126	\$ 23,016	\$ 30,783,490
State sources	12,502,316	-	-	12,502,316
Federal sources	<u>2,170,572</u>	<u>-</u>	<u>-</u>	<u>2,170,572</u>
Total revenues	<u>45,431,236</u>	<u>2,126</u>	<u>23,016</u>	<u>45,456,378</u>
Expenditures				
Instruction	24,450,163	-	-	24,450,163
Support services	13,216,025	1,190,922	-	14,406,947
Noninstructional services	864,648	-	32,586	897,234
Debt service	4,921,000	-	-	4,921,000
Refunds of prior year receipts	<u>47,409</u>	<u>-</u>	<u>-</u>	<u>47,409</u>
Total expenditures	<u>43,499,245</u>	<u>1,190,922</u>	<u>32,586</u>	<u>44,722,753</u>
Excess (Deficiency) of revenues over expenditures	<u>1,931,991</u>	<u>(1,188,796)</u>	<u>(9,570)</u>	<u>733,625</u>
Other financing sources (uses)				
Transfers in	-	136,954	-	136,954
Sale of capital assets	170,000	-	-	170,000
Transfers out	<u>(136,954)</u>	<u>-</u>	<u>-</u>	<u>(136,954)</u>
Total other financing sources (uses)	<u>33,046</u>	<u>136,954</u>	<u>-</u>	<u>170,000</u>
Net changes in fund balance	1,965,037	(1,051,842)	(9,570)	903,625
Fund balance - July 1, 2020, restated	<u>5,577,807</u>	<u>1,097,310</u>	<u>95,298</u>	<u>6,770,415</u>
Fund balance - June 30, 2021	<u>\$ 7,542,844</u>	<u>\$ 45,468</u>	<u>\$ 85,728</u>	<u>\$ 7,674,040</u>

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, 2021

Total net change in fund balances - governmental funds \$ 903,625

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.

Depreciation expense	\$(1,839,636)	
Capital outlays	<u>2,260,265</u>	420,629

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

Change in deferred amounts for property taxes		(140,735)
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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.

4,500,000

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	43,691	
Amortization of premiums on bonds	158,625	
Amortization of deferred (gain) loss on refunding	<u>16,770</u>	219,086

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. During this year, the liability for compensated absences increased by this amount.

(22,845)

(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, 2021

(Continued)

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	5,565,842	
Cost of pension benefits earned	(6,941,263)	
OPEB contributions	334,090	
Cost of OPEB benefits earned	<u>(34,155)</u>	<u>(1,075,486)</u>

Change in net position of governmental activities		<u>\$ 4,804,274</u>
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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, 2021

	Food Service Fund
Assets	
Cash and cash equivalents	\$ 259,426
Due from other governments	204,390
Other receivables	17,410
Inventories	37,237
Machinery & equipment, net	20,251
Total Assets	\$ 538,714
Liabilities and net position	
Liabilities	
Due to other funds	\$ 398,077
Accounts payable	19,552
Student accounts	22,414
Unearned revenues	19,715
Total Liabilities	459,758
Net Position	
Invested in capital assets	20,251
Unrestricted	58,705
Total Net Position	78,956
Total liabilities and net position	\$ 538,714

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, 2021

	Food Service Fund
Operating revenues	
Food service revenue	\$ 4,739
Operating expenses	
Salaries	251,445
Employee benefits	137,641
Purchased professional and technical service	4,743
Other purchased service	31
Supplies	177,747
Depreciation	8,264
Other operating expenditures	6,665
Total operating expenses	586,536
Operating loss	(581,797)
Nonoperating revenues	
Earnings on investments	675
State sources	49,023
Federal sources	571,600
Total nonoperating revenues	621,298
Change in net position	39,501
Net position - July 1, 2020	39,455
Net position - June 30, 2021	\$ 78,956

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

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Food Service Fund</u>
Cash flows from operating activities	
Cash received from users	\$ 10,580
Cash payments to employees for services	(389,087)
Cash payments to suppliers for goods and services	(156,599)
Cash payments for other operating expenses	<u>(6,665)</u>
Net cash used in operating activities	<u>(541,771)</u>
 Cash flows from noncapital financing activities	
State sources	49,023
Federal sources	418,602
Repayment to other funds	<u>(177,897)</u>
Net cash provided by noncapital financing activities	<u>289,728</u>
 Cash flows from capital and related financing activities	
Equipment purchases	<u>(3,458)</u>
 Cash flows from investing activities	
Earnings on investments	<u>675</u>
 Net decrease in cash and cash equivalents	(254,826)
 Cash and cash equivalents - July 1, 2020	<u>514,252</u>
 Cash and cash equivalents - June 30, 2021	<u>\$ 259,426</u>

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Food Service Fund
<i>(Continued)</i>	
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (581,797)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	8,264
Donated commodities	22,315
(Increase) Decrease in accounts receivable	5,874
(Increase) Decrease in inventories	3,438
Increase (Decrease) in accounts payable	168
Increase (Decrease) in unearned revenue	<u>(33)</u>
Total adjustments	<u>40,026</u>
Net cash used in operating activities	<u>\$ (541,771)</u>
Schedule of noncash investing, capital, and financing activities	
During the year ended June 30, 2021, the School District received USDA donated commodities.	<u>\$ 34,779</u>

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

KEYSTONE OAKS SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2021

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 18,388</u>
Net position	
Held in trust for scholarships	<u>\$ 18,388</u>

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, 2021

	Private Purpose Trust Fund
Additions	
Gifts and contributions	\$ 7,500
Interest	46
Total additions	7,546
Deductions	
Scholarships awarded	1,000
Change in net position	6,546
Net position - July 1, 2020	11,842
Net position - June 30, 2021	\$ 18,388

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

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 Center.

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 local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements 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.

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

KEYSTONE OAKS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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 and nonmajor governmental funds:

General Fund

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

Capital 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, 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.

Nonmajor Fund

Student Activity Fund

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds, of which the School District reports the following:

Private Purpose Trust Fund

Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's 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.

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.

KEYSTONE OAKS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Governmental Fund Financial Statements

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

Revenues – Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. 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, 2021.

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, 2021, 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,

KEYSTONE OAKS SCHOOL DISTRICT
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June 30, 2021

or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

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

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Taxes Receivable

Taxes receivable consist of delinquent real estate and other taxes due at June 30, 2021, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Interfund Receivables and Payables

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

Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund. The inventories in the general fund are equally offset by a fund balance reserve, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The general fund did not have a material inventory balance as of June 30, 2021.

A physical inventory of the food service fund's food and supplies was taken as of June 30, 2021. 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, 2021, are reported as unearned revenue.

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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 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, 2021, 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 Director of Finance and Human Resources of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund.

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

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

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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.

Use of Estimates

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

Newly Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the year ended June 30, 2021:

GASB Statement No. 84, *Fiduciary Activities*, improves 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. As a result of this implementation, the student activity fund is now reported as a special revenue fund in the governmental fund financial statements. Opening equity balances were restated as follows:

	Total Governmental Fund Balance	Governmental Activities - Net Position (Deficit)
Ending balance at June 30, 2020, as previously stated	\$ 6,675,117	\$ (33,720,128)
Implementation of GASB 84	95,298	95,298
Beginning balance at July 1, 2020	\$ 6,770,415	\$ (33,624,830)

GASB Statement No. 90, *Majority Equity Interests*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves 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. Implementation of this standard had no material effect on the financial statements.

Pending Pronouncements

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

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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.

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. 91, *Conduit Debt Obligations*, will be effective for the School District for the year ended June 30, 2023. The requirements of GASB Statement No. 91 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.

GASB has issued other statements that will become effective in future years, including Statement Nos. 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (Subscription-Based Information Technology Arrangements), and 97 (Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

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 \$4,994,191 was collateralized by the School District's depositories in accordance with Act 72.

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As of June 30, 2021, the School District had the following investments:

	Cost	Fair Value (Level 1)
Pennsylvania Local Government Investment Trust	\$ 5,615,450	\$ 5,615,450
Pennsylvania School District Liquid Asset Fund	162,298	162,298
Pennsylvania Treasurer's Investment Program	181,722	181,722
Total	\$ 5,959,470	\$ 5,959,470

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

PLGIT's regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD. PLGIT's Standard & Poor's rating is AAAM.

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

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

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Notes to Financial Statements
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Note 3 – Interfund Balances and Transfers

Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2021, were:

	<u>Due from other funds</u>		<u>Due to other funds</u>	
General fund	\$ 398,077		General fund	\$ 9,915
Nonmajor fund	9,915		Food service fund	398,077
Total	<u>\$ 407,992</u>		Total	<u>\$ 407,992</u>

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, 2021, the general fund transferred \$136,954 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 2020 tax levy was based on assessed values on July 1, 2020 of \$1,398,818,597. The School District tax rate for the year ended June 30, 2021 was 19.499 mills.

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 \$238,807 and are reported on the balance sheet in the amount of \$1,259,645, along with other taxes receivable of \$72,354.

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Notes to Financial Statements
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Note 5 – Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2021, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Total
Federal (through State)	\$ 911,584	\$ 204,390	\$ 1,115,974
Federal (through Local sources)	123,030	-	123,030
State	<u>1,404,758</u>	-	<u>1,404,758</u>
Total	<u>\$ 2,439,372</u>	<u>\$ 204,390</u>	<u>\$ 2,643,762</u>

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,355,020	\$ -	\$ -	\$ 1,355,020
Construction in progress	<u>-</u>	<u>746,479</u>	<u>-</u>	<u>746,479</u>
Total capital assets not being depreciated	<u>1,355,020</u>	<u>746,479</u>	<u>-</u>	<u>2,101,499</u>
Capital assets being depreciated				
Site improvements	8,160,581	-	-	8,160,581
Buildings	59,632,848	1,440,705	-	61,073,553
Furniture and equipment	<u>10,175,407</u>	<u>73,081</u>	<u>-</u>	<u>10,248,488</u>
Total capital assets being depreciated	<u>77,968,836</u>	<u>1,513,786</u>	<u>-</u>	<u>79,482,622</u>
Total capital assets	<u>79,323,856</u>	<u>2,260,265</u>	<u>-</u>	<u>81,584,121</u>
Less accumulated depreciation for				
Site improvements	6,175,916	340,901	-	6,516,817
Buildings	36,153,343	1,342,201	-	37,495,544
Furniture and equipment	<u>9,094,834</u>	<u>156,534</u>	<u>-</u>	<u>9,251,368</u>
Total accumulated depreciation	<u>51,424,093</u>	<u>1,839,636</u>	<u>-</u>	<u>53,263,729</u>
Total capital assets being depreciated, net	<u>26,544,743</u>	<u>(325,850)</u>	<u>-</u>	<u>26,218,893</u>
Governmental activities capital assets, net	<u>\$ 27,899,763</u>	<u>\$ 420,629</u>	<u>\$ -</u>	<u>\$ 28,320,392</u>
Business-type activities				
Equipment	\$ 454,214	\$ 3,457	\$ -	\$ 457,671
Less accumulated depreciation	<u>429,156</u>	<u>8,264</u>	<u>-</u>	<u>437,420</u>
Business-type activities capital assets, net	<u>\$ 25,058</u>	<u>\$ (4,807)</u>	<u>\$ -</u>	<u>\$ 20,251</u>

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Notes to Financial Statements
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Depreciation was charged to functions as follows:

Governmental activities	
Instruction	\$ 7,320
Admin. & financial support	64,519
Operation & maintenance	92,400
Pupil transportation	6,845
Student activities	19,753
Unallocated	<u>1,648,799</u>
	<u>\$ 1,839,636</u>
Business-type activities	
Food service	<u>\$ 8,264</u>

Note 7 – General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 12,065,000	\$ -	\$ 4,500,000	\$ 7,565,000	\$ 3,925,000
Bond premiums, net	<u>351,194</u>	<u>-</u>	<u>158,625</u>	<u>192,569</u>	<u>-</u>
Bonds payable, net	12,416,194	-	4,658,625	7,757,569	3,925,000
Compensated absences	595,824	136,764	113,919	618,669	111,360
Net pension liability	55,858,000	10,217,264	5,757,264	60,318,000	-
Net OPEB liability - PSERS	2,539,000	250,967	144,967	2,645,000	-
OPEB liability - School Plan	<u>2,144,226</u>	<u>376,423</u>	<u>228,640</u>	<u>2,292,009</u>	<u>-</u>
Total long-term liabilities	<u>\$ 73,553,244</u>	<u>\$ 10,981,418</u>	<u>\$ 10,903,415</u>	<u>\$ 73,631,247</u>	<u>\$ 4,036,360</u>

Note 8 – General Obligation Bonds and Notes

The School District had the following general obligation bonds and notes outstanding at June 30, 2021:

General Obligation Bonds, Series A of 2019, issuance amount of \$2,725,000, interest at 3.0% to 4.0%, due February 15, 2022.	\$ 2,615,000
General Obligation Bonds, Series B of 2019, issuance amount of \$6,405,000, interest at 4.0%, due April 15, 2023.	<u>4,950,000</u>
Total general obligation bonds	<u>\$ 7,565,000</u>

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June 30, 2021

The amounts necessary to amortize outstanding bonds for the next two years are:

Year Ended June 30,	Principal	Interest	Totals
2022	\$ 3,925,000	\$ 276,450	\$ 4,201,450
2023	3,640,000	145,600	3,785,600
	<u>\$ 7,565,000</u>	<u>\$ 422,050</u>	<u>\$ 7,987,050</u>

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

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not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

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

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

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

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2021, was 34.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$5,565,842 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$60,318,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.1225%, which was an increase of 0.0031% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$6,911,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 158,000	\$ 1,446,000
Net difference between projected and actual investment earnings	2,651,000	-
Changes in proportion	1,886,000	173,000
Contributions subsequent to the measurement date	5,565,842	-
	\$ 10,260,842	\$ 1,619,000

\$5,565,842 reported as deferred outflows of resources related to pensions resulting from the School 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,	Amount
2022	\$ 421,000
2023	714,000
2024	1,155,000
2025	786,000
	\$ 3,076,000

Actuarial Assumptions

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

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

<u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	<u>-14.0%</u>	-0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 74,626,000	\$ 60,318,000	\$ 48,197,000

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.

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Act 5 Defined Contribution Plan

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 (Act 5) was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit applicable to all school employees who become new members of PSERS on July 1, 2019, and thereafter. The three new plan design options under Act 5 include two hybrid benefits consisting of defined benefit and defined contribution components, and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members.

The two new hybrid membership classes created by Act 5 are Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H). The separate defined contribution membership class created by Act 5 is Membership Class DC (Class DC).

For Act 5 members, all new members automatically become Class T-G members. New members, however, have a one-time opportunity to elect Class T-H or Class DC within 90 days of receiving written notification from PSERS. Failure to elect Class T-H or Class DC at the time of original eligibility will make the member ineligible for Class T-H or Class DC forever. Member contribution rates are summarized in the table below:

Membership Class	Active Members	DB Contribution Rate*	DC Contribution Rate	Total Contribution Rate
T-G	29	5.50%	2.75%	8.25%
T-H	1	4.50%	3.00%	7.50%
DC	0	N/A	7.50%	7.50%

* Base rate with shared risk provision

The actuarially calculated employer contribution rate for Act 5 members was 0.18% of covered payroll for the year ended June 30, 2021. This is an average employer contribution rate, as the actual rate varies by employer-based on Class T-G, Class T-H, and Class DC only memberships. Covered payroll for Act 5 members was \$660,949 and School District contributions to the plan were \$29,897 for the year ended June 30, 2021.

Hybrid Defined Benefit/Defined Contribution Plan

To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Regular retirement benefits are 1.25% and 1.00% of the member's final average salary for any 5 years of service (as defined in the Code), multiplied by the number of years of credited service, for Class T-G and Class T-H members, respectively. For both Class T-G and Class T-H members, the right to a defined benefit is vested after 10 years.

Participants are eligible for disability retirement benefits after the 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. Members over the normal retirement age may apply for disability benefits.

For Class T-G and Class T-H members, death benefits are payable upon the death of an active member who has reached age 67 with at least three years of credited service or who has at least ten years of

credited service. Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Act 5 also enhanced the shared risk program for T-E and T-F members and added T-G and T-H members to the program. The “shared risk” provision could cause the Class T-G contribution rate to fluctuate between 5.5% and 8.5% and the Class T-H contribution rate to fluctuate between 4.5% and 7.5% in future years.

Defined Contribution Plan

PSERS DC Plan is a defined contribution plan for which the benefit payments to members and contribution provisions by employers are specified in the Code.

Under the PSERS DC Plan, the retirement benefit is based on the amount of contributions in the account and any investment performance, less expenses. DC member contributions and employer contributions, and any investment earnings are available for members to withdraw when a member terminates employment or retires. DC account balances can grow based on investment earnings; however, DC account balances are not guaranteed against loss in declining investment markets.

Death benefits are payable upon the death of an active member. Members who have at least three eligibility points in the DC plan receive participant and employer contributions with any investment gains, while participants with less than three eligibility points in the DC plan receive member contributions and any investment gains. There is no disability benefit with the PSERS DC Plan. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a participant in a school year (July 1 – June 30). Only one eligibility point may be credited in a school year.

Members are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. Members who have at least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible for employer contributions.

Class DC participants with 24 ½ or more eligibility points who have terminated school service, who are Medicare eligible, and who received all or a part of their distributions; and Class DC participants with 15 or more eligibility points who terminate school service on or after attaining age 67 and receive all or a part of their distributions are entitled to receive premium assistance benefits.

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

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 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, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 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 \$136,198 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$2,645,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the School District's proportion was 0.1224%, which was an increase of 0.0030% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$152,000. At June 30, 2021, 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	\$ 24,000	\$ -
Changes in assumptions	108,000	58,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	116,000	18,000
Contributions subsequent to the measurement date	136,198	-
	\$ 389,198	\$ 76,000

\$136,198 reported as deferred outflows of resources related to OPEB resulting from the 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,	Amount
2022	\$ 26,000
2023	26,000
2024	25,000
2025	50,000
2026	32,000
Thereafter	18,000
	\$ 177,000

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020 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.

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

The 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- 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.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	-1.0%
U.S. core fixed income	46.5%	-0.1%
Non-U.S. developed fixed	3.2%	-0.1%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year and 688 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, 2020, 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	\$ 2,644,000	\$ 2,645,000	\$ 2,645,000

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

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	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
School District's proportionate share of the net OPEB liability	\$ 3,015,000	\$ 2,645,000	\$ 2,338,000

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

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 are 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.

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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 \$50,000. 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.

	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

Cost Method:	Entry Age Normal as a Level Percentage of Pay
Mortality:	Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2019
Discount Rate:	2.21% - Based on the Bond Buyers 20-Bond Index
Inflation Rate:	3.00%
Salary Increases:	2.50%
Healthcare Trend:	Medical at 6.75% for the year ending June 30, 2021 and decreasing annually by 0.25% to 4.50%. Dental at 4.00% Vision at 2.50%.
Percent Married:	Actual spousal information was utilized for current retirees. For the active population, it was assumed that 25% of employees will have a covered spouse at retirement. Females are assumed to be three years younger than males.
Participation:	It is assumed that 25% of eligible employees will participate in the retiree medical program. It is assumed that 100% of eligible employees will participate in the retiree life insurance program.

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

For the year ended June 30, 2021, the School District recognized OPEB expense of \$27,189. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 317,774	\$ 1,077,114
Changes in assumptions	327,186	905,855
Benefit payments subsequent to the measurement date	197,892	-
	\$ 842,852	\$ 1,982,969

The \$197,892 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2022	\$ (107,416)
2023	(107,416)
2024	(107,416)
2025	(107,416)
2026	(107,416)
Thereafter	(800,929)
	\$ (1,338,009)

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 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability	\$ 2,465,261	\$ 2,292,009	\$ 2,107,371

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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 2,201,638	\$ 2,292,009	\$ 2,397,007

KEYSTONE OAKS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Note 12 – Fund Balance

Fund Balance Category	Purpose	General Fund	Capital Projects Fund	Student Activity Fund	Total
Nonspendable	Prepaid Expenditures	\$ 31,529	\$ -	\$ -	\$ 31,529
Restricted	Capital Projects	-	45,468	-	45,468
	Student Clubs	-	-	85,728	85,728
Committed	OPEB Liabilities	2,292,009	-	-	2,292,009
Assigned	Compensated Absences	618,669	-	-	618,669
Unassigned	N/A	4,600,637	-	-	4,600,637
Totals		<u>\$ 7,542,844</u>	<u>\$ 45,468</u>	<u>\$ 85,728</u>	<u>\$ 7,674,040</u>

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, 2021 was \$470,207 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, 2021 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.

Construction Commitment

The school district had uncompleted construction contracts on June 30, 2021 of approximately \$492,105 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. The School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Real Estate Tax Appeals

The taxable assessment of four 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 four properties represents \$344,000 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, 2021, such residual net assets were \$63,689,030 for the Consortium as a whole, of which a share of the residual net assets of \$785,051 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, 2021 are available by calling the School District business office.

**Required
Supplementary Information**

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Taxes				
Current real estate tax	\$ 24,579,420	\$ 24,579,420	\$ 24,949,337	\$ 369,917
Public utility realty tax	27,000	27,000	28,735	1,735
Local services taxes	58,500	58,500	59,526	1,026
Earned income taxes	2,641,223	2,641,223	3,290,503	649,280
Real estate transfer taxes	226,800	226,800	506,630	279,830
Delinquencies on taxes	797,387	797,387	1,149,642	352,255
Earnings on investments	57,325	57,325	38,957	(18,368)
Other local revenues				
Revenue from student activities	54,000	54,000	67,797	13,797
Federal revenues from IU sources	321,086	321,086	361,516	40,430
Rentals	40,000	40,000	30,601	(9,399)
Contributions & donations from private sources	-	-	16,511	16,511
Tuition from patrons	200,000	200,000	187,049	(12,951)
Miscellaneous revenue	32,500	32,500	9,455	(23,045)
Refunds of prior year expenditures	20,000	20,000	62,089	42,089
Total local sources	<u>29,055,241</u>	<u>29,055,241</u>	<u>30,758,348</u>	<u>1,703,107</u>
State sources				
Basic instructional subsidy	5,674,689	5,674,689	5,712,221	37,532
Tuition for orphans subsidy	20,000	20,000	135,560	115,560
Special education	1,506,483	1,506,483	1,510,906	4,423
Transportation subsidy	505,683	505,683	384,851	(120,832)
Rentals & sinking fund payments	677,970	677,970	737,915	59,945
Health services	36,500	36,500	49,144	12,644
State property tax reduction	849,325	849,325	849,325	-
Safe schools	-	-	35,000	35,000
Other state revenues	231,127	231,127	264,708	33,581
State retirement revenue	2,847,229	2,847,229	2,822,686	(24,543)
Total state sources	<u>12,349,006</u>	<u>12,349,006</u>	<u>12,502,316</u>	<u>153,310</u>
Federal sources				
IDEA	-	-	7,253	7,253
Title I	522,065	522,065	445,374	(76,691)
Title II	79,227	79,227	58,440	(20,787)
Title III	4,000	4,000	-	(4,000)
Title IV	41,038	41,038	39,197	(1,841)
ESSER I	275,000	275,000	479,022	204,022
ESSER II	-	-	936,559	936,559

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other CARES Act	-	-	193,221	193,221
Medical assistance- admin	25,000	25,000	11,506	(13,494)
Total federal sources	<u>946,330</u>	<u>946,330</u>	<u>2,170,572</u>	<u>1,224,242</u>
Total revenues	<u>42,350,577</u>	<u>42,350,577</u>	<u>45,431,236</u>	<u>3,080,659</u>
Other financing sources				
Proceeds from sale of capital assets	-	-	170,000	170,000
Total revenues and other financing sources	<u>42,350,577</u>	<u>42,350,577</u>	<u>45,601,236</u>	<u>3,250,659</u>
Expenditures				
Instruction				
Regular programs				
Salaries	9,951,000	9,951,000	9,795,327	155,673
Employee benefits	6,111,564	6,111,564	6,117,888	(6,324)
Purchased prof. & tech. services	515,176	515,176	249,755	265,421
Purchased property services	136,000	136,000	129,884	6,116
Other purchased services	13,349	13,349	1,407	11,942
Supplies	618,760	618,760	938,525	(319,765)
Property	-	-	30,380	(30,380)
Total regular programs	<u>17,345,849</u>	<u>17,345,849</u>	<u>17,263,166</u>	<u>82,683</u>
Special programs				
Salaries	2,280,364	2,280,364	2,172,774	107,590
Employee benefits	1,479,628	1,479,628	1,350,635	128,993
Purchased prof. & tech. services	540,000	540,000	548,237	(8,237)
Other purchased services	752,100	752,100	741,547	10,553
Supplies	20,922	20,922	19,157	1,765
Total special programs	<u>5,073,014</u>	<u>5,073,014</u>	<u>4,832,350</u>	<u>240,664</u>
Vocational education programs				
Other purchased services	470,303	470,303	470,207	96
Other instructional programs				
Salaries	55,000	55,000	68,837	(13,837)
Employee benefits	23,619	23,619	29,022	(5,403)
Other purchased services	1,225,000	1,225,000	1,605,665	(380,665)
Total other instructional programs	<u>1,303,619</u>	<u>1,303,619</u>	<u>1,703,524</u>	<u>(399,905)</u>

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic school programs				
Supplies	-	-	28,887	(28,887)
Adult education programs				
Salaries	135,000	135,000	123,050	11,950
Employee benefits	37,561	37,561	28,489	9,072
Other purchased services	500	500	-	500
Supplies	1,500	1,500	490	1,010
Total adult education programs	<u>174,561</u>	<u>174,561</u>	<u>152,029</u>	<u>22,532</u>
Total instruction	<u>24,367,346</u>	<u>24,367,346</u>	<u>24,450,163</u>	<u>(82,817)</u>
Support services				
Students				
Salaries	803,582	803,582	930,673	(127,091)
Employee benefits	513,862	513,862	547,769	(33,907)
Other purchased services	4,250	4,250	693	3,557
Supplies	29,800	29,800	50,641	(20,841)
Other objects	1,400	1,400	-	1,400
Total students	<u>1,352,894</u>	<u>1,352,894</u>	<u>1,529,776</u>	<u>(176,882)</u>
Instructional staff				
Salaries	385,998	385,998	366,462	19,536
Employee benefits	218,925	218,925	184,895	34,030
Purchased prof. & tech. services	20,000	20,000	9,368	10,632
Other purchased services	600	600	30	570
Supplies	38,550	38,550	25,553	12,997
Other objects	700	700	848	(148)
Total instructional staff	<u>664,773</u>	<u>664,773</u>	<u>587,156</u>	<u>77,617</u>
Administration				
Salaries	1,092,569	1,092,569	1,159,317	(66,748)
Employee benefits	662,121	662,121	684,409	(22,288)
Purchased prof. & tech. services	207,500	207,500	277,311	(69,811)
Other purchased services	60,600	60,600	95,097	(34,497)
Supplies	16,800	16,800	16,278	522
Other objects	29,280	29,280	32,630	(3,350)
Total administration	<u>2,068,870</u>	<u>2,068,870</u>	<u>2,265,042</u>	<u>(196,172)</u>
Pupil health				
Salaries	345,967	345,967	283,453	62,514

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Employee benefits	203,495	203,495	181,123	22,372
Purchased prof. & tech. services	3,500	3,500	-	3,500
Other purchased services	350	350	83	267
Supplies	15,000	15,000	23,823	(8,823)
Total pupil health	568,312	568,312	488,482	79,830
Business				
Salaries	204,853	204,853	145,815	59,038
Employee benefits	149,812	149,812	103,047	46,765
Purchased prof. & tech. services	26,100	26,100	6,039	20,061
Purchased property services	4,000	4,000	-	4,000
Other purchased services	11,500	11,500	13,610	(2,110)
Supplies	4,000	4,000	2,365	1,635
Property	3,000	3,000	3,000	-
Other objects	700	700	513	187
Total business	403,965	403,965	274,389	129,576
Operation & maintenance				
of plant services				
Salaries	1,319,266	1,319,266	1,259,575	59,691
Employee benefits	940,514	940,514	899,801	40,713
Purchased prof. & tech. services	450,820	450,820	427,624	23,196
Purchased property services	969,200	969,200	1,765,427	(796,227)
Other purchased services	261,269	261,269	234,127	27,142
Supplies	213,250	213,250	364,726	(151,476)
Property	22,400	22,400	60	22,340
Total operation & maintenance	4,176,719	4,176,719	4,951,340	(774,621)
of plant services				
Student transportation services				
Salaries	49,525	49,525	45,540	3,985
Employee benefits	28,508	28,508	26,212	2,296
Other purchased services	2,351,600	2,351,600	1,679,465	672,135
Supplies	60,000	60,000	28,985	31,015
Total student transportation svcs.	2,489,633	2,489,633	1,780,202	709,431
Central				
Salaries	357,414	357,414	346,482	10,932
Employee benefits	195,190	195,190	197,498	(2,308)
Purchased prof. & tech. services	70,000	70,000	74,906	(4,906)
Other purchased services	5,000	5,000	677	4,323

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	164,367	164,367	188,866	(24,499)
Property	275,000	275,000	492,447	(217,447)
Other objects	700	700	465	235
Total central	<u>1,067,671</u>	<u>1,067,671</u>	<u>1,301,341</u>	<u>(233,670)</u>
Other				
Other purchased services	-	-	38,297	(38,297)
Total support services	<u>12,792,837</u>	<u>12,792,837</u>	<u>13,216,025</u>	<u>(423,188)</u>
Operation of non-instructional services				
Student activities				
Salaries	504,397	504,397	434,986	69,411
Employee benefits	220,090	220,090	128,717	91,373
Purchased prof. & tech. services	30,000	30,000	37,465	(7,465)
Purchased property services	15,000	15,000	22,399	(7,399)
Other purchased services	85,850	85,850	40,130	45,720
Supplies	153,300	153,300	98,488	54,812
Property	28,450	28,450	92,863	(64,413)
Other objects	35,640	35,640	9,600	26,040
Total student activities	<u>1,072,727</u>	<u>1,072,727</u>	<u>864,648</u>	<u>208,079</u>
Community services				
Salaries	17,500	17,500	-	17,500
Employee benefits	7,554	7,554	-	7,554
Property	750	750	-	750
Total community services	<u>25,804</u>	<u>25,804</u>	<u>-</u>	<u>25,804</u>
Total operation of non-instructional services	<u>1,098,531</u>	<u>1,098,531</u>	<u>864,648</u>	<u>233,883</u>
Debt service				
Interest	419,500	419,500	419,500	-
Refunds of prior years receipts	-	-	47,409	(47,409)
Redemption of principal	4,500,000	4,500,000	4,500,000	-
Fiscal agent fees	2,500	2,500	1,500	1,000
Total debt service	<u>4,922,000</u>	<u>4,922,000</u>	<u>4,968,409</u>	<u>(46,409)</u>
Total expenditures	<u>43,180,714</u>	<u>43,180,714</u>	<u>43,499,245</u>	<u>(318,531)</u>

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing uses				
Fund transfers				
Capital projects fund	-	-	136,954	(136,954)
Total expenditures and other financing sources	<u>43,180,714</u>	<u>43,180,714</u>	<u>43,636,199</u>	<u>(455,485)</u>
Revenues & other financing sources over (under) expenditures & other financing uses	(830,137)	(830,137)	1,965,037	2,795,174
Fund balance - July 1, 2020	<u>5,949,568</u>	<u>5,949,568</u>	<u>5,577,807</u>	<u>(371,761)</u>
Fund balance - June 30, 2021	<u>\$ 5,119,431</u>	<u>\$ 5,119,431</u>	<u>\$ 7,542,844</u>	<u>\$ 2,423,413</u>

See accompanying notes to required supplementary information

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

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

See notes to required supplementary information.

Notes:

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

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

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of School District's Pension Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years ¹

Year ending June 30 ²	(A) Contractually required contributions	(B) School District contributions recognized by the pension plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the pension plan as a percentage of covered payroll
2021	\$ 5,565,842	\$ 5,565,842	\$ -	\$ 16,609,496	33.51%
2020	\$ 5,720,793	\$ 5,720,793	\$ -	\$ 17,180,506	33.36%
2019	\$ 5,347,000	\$ 5,347,000	\$ -	\$ 16,462,452	32.64%
2018	\$ 4,982,000	\$ 4,982,000	\$ -	\$ 15,809,203	31.74%
2017	\$ 4,463,527	\$ 4,463,527	\$ -	\$ 15,286,052	29.20%
2016	\$ 3,779,588	\$ 3,779,588	\$ -	\$ 15,118,352	25.00%
2015	\$ 3,077,352	\$ 3,077,352	\$ -	\$ 15,011,475	20.50%

See notes to required supplementary information.

Notes:

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

2. Trend information for the year ended June 30, 2021 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

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

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

See notes to required supplementary information.

Notes:

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

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

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of School District's OPEB Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years ¹

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

See notes to required supplementary information.

Notes:

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

2. Trend information for the year ended June 30, 2021 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

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

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

See notes to required supplementary information.

Notes:

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

Note 1 – Budgetary Information

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

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

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

Note 2 – Pension Information: PSERS

Changes in benefit terms

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

Changes of assumptions

June 30, 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.
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Note 3 – OPEB Information: PSERS Premium Assistance Plan

Changes in benefit terms

None.

Changes of assumptions

June 30, 2020	The discount rate decreased from 2.79% to 2.66%.
June 30, 2019	The discount rate decreased from 2.98% to 2.79%.
June 30, 2018	The discount rate decreased from 3.13% to 2.98%.

KEYSTONE OAKS SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2021

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 amounts increased from \$25,000 to \$50,000.
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Changes of assumptions

June 30, 2021	The discount rate was decreased to 2.21%. The mortality table was updated to Pri.H-2012 and the mortality improvement scale was updated to MP-2019.
June 30, 2020	Changes were made to the assumed medical and vision trend rates and the mortality scale. The discount rate was decreased to 3.50%.
June 30, 2019	The discount rates used for the 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 ending 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, 2021

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/21	Pass Through to Sub- recipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	2-04-02-500	07/01/20-06/30/21	\$ 33,437	\$ 33,437	\$ (7,251)	\$ 20,974	\$ 20,974	\$ (19,714)	\$ -
National School Lunch Program	I	10.555	6-04-02-500	07/01/20-06/30/21	1,341	<u>1,341</u>	<u>-</u>	<u>1,341</u>	<u>1,341</u>	<u>-</u>	<u>-</u>
Total AL # 10.555						<u>34,778</u>	<u>(7,251)</u>	<u>22,315</u>	<u>22,315</u>	<u>(19,714)</u>	<u>-</u>
Passed through the Pennsylvania Department of Education											
COVID-19 Summer Food	I	10.559	264	07/01/19-06/30/20	N/A	73,707	73,707	-	-	-	-
COVID-19 Summer Food	I	10.559	264	07/01/20-06/30/21	N/A	93,372	-	93,372	93,372	-	-
Summer Food	I	10.559	264	07/01/20-06/30/21	N/A	<u>251,523</u>	<u>-</u>	<u>455,913</u>	<u>455,913</u>	<u>204,390</u>	<u>-</u>
Total AL # 10.559						<u>418,602</u>	<u>73,707</u>	<u>549,285</u>	<u>549,285</u>	<u>204,390</u>	<u>-</u>
Total Child Nutrition Cluster						<u>453,380</u>	<u>66,456</u>	<u>571,600</u>	<u>571,600</u>	<u>184,676</u>	<u>-</u>
U.S. Department of Treasury											
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 School Safety	I	21.019	33694	03/01/20-10/30/20	193,221	<u>193,221</u>	<u>-</u>	<u>193,221</u>	<u>193,221</u>	<u>-</u>	<u>-</u>
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I Grants	I	84.010	013-210213	08/03/20-09/30/21	445,374	384,145	-	445,374	445,374	61,229	-
Title I Grants	I	84.010	013-200213	07/09/19-09/30/20	518,205	<u>102,483</u>	<u>102,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total AL # 84.010						<u>486,628</u>	<u>102,483</u>	<u>445,374</u>	<u>445,374</u>	<u>61,229</u>	<u>-</u>
Supporting Effective Instruction	I	84.367	020-210213	08/03/20-09/30/21	58,440	58,104	-	58,440	58,440	336	-
Supporting Effective Instruction	I	84.367	020-200213	07/09/19-09/30/20	79,200	<u>10,553</u>	<u>10,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total AL # 84.367						<u>68,657</u>	<u>10,553</u>	<u>58,440</u>	<u>58,440</u>	<u>336</u>	<u>-</u>
Student Support and Academic Enrichment Program	I	84.424	144-210213	08/03/20-09/30/21	39,197	27,998	-	39,197	39,197	11,199	-
Student Support and Academic Enrichment Program	I	84.424	144-200213	07/09/19-09/30/20	41,038	<u>2,736</u>	<u>2,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total AL # 84.424						<u>30,734</u>	<u>2,736</u>	<u>39,197</u>	<u>39,197</u>	<u>11,199</u>	<u>-</u>

(Continued)

KEYSTONE OAKS SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/21	Pass Through to Sub- recipients
<i>(Continued)</i>											
COVID-19 ESSER	I	84.425D	200-200213	03/13/20-09/30/21	424,500	424,500	-	422,632	422,632	(1,868)	-
COVID-19 ESSER II	I	84.425D	200-210213	03/13/20-09/30/23	1,654,145	153,874	-	936,559	936,559	782,685	-
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 ESSER School Health	I	84.425D	34935	03/13/20-09/30/22	58,472	4,774	-	56,390	56,390	51,616	-
Total AL # 84.425						<u>583,148</u>	<u>-</u>	<u>1,415,581</u>	<u>1,415,581</u>	<u>832,433</u>	<u>-</u>
Passed through Allegheny Intermediate Unit											
English Language Acquisition	I	84.365	010-20-0603	07/01/20-09/30/21	2,067	2,066	2,066	-	-	-	-
Special Education Cluster											
Special Education-Preschool	I	84.173	131-20-0-003	07/01/20-06/30/21	1,428	1,428	-	1,428	1,428	-	-
Special Education-IDEA	I	84.027	062-21-0-003	07/01/20-09/30/21	360,088	237,058	-	360,088	360,088	123,030	-
Special Education-IDEA	I	84.027	062-20-0-003	07/01/19-09/30/20	334,823	97,563	97,563	-	-	-	-
Passed through the Pennsylvania Department of Education											
COVID-19 SECIM	I	84.027	252-200213	07/01/20-09/30/22	21,758	7,253	-	7,253	7,253	-	-
Total AL # 84.027						<u>341,874</u>	<u>97,563</u>	<u>367,341</u>	<u>367,341</u>	<u>123,030</u>	<u>-</u>
Total Special Education Cluster						<u>343,302</u>	<u>97,563</u>	<u>368,769</u>	<u>368,769</u>	<u>123,030</u>	<u>-</u>
Total U.S. Department of Education						<u>1,514,535</u>	<u>215,401</u>	<u>2,327,361</u>	<u>2,327,361</u>	<u>1,028,227</u>	<u>-</u>
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	07/01/20-06/30/21	N/A	6,234	1,115	11,506	11,506	6,387	-
Total Federal Financial Assistance						<u>\$ 2,167,370</u>	<u>\$ 282,972</u>	<u>\$ 3,103,688</u>	<u>\$ 3,103,688</u>	<u>\$ 1,219,290</u>	<u>\$ -</u>

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, 2021

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Noncash Assistance

The School District receives donated commodities passed through the Pennsylvania Department of Agriculture under the Child Nutrition Cluster. Amounts are reported under the accrual basis of accounting and expenditures are recognized when consumed. Inventories for donated commodities are deferred. Total noncash assistance on the accrual basis for the year ending June 30, 2021 was \$22,315.

Note 2 – De Minimis Cost Rate

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

Note 3 – Source Code

The source code “I” indicates funds received indirectly.

Note 4 – Reconciliation with PDE Subsidy Confirmation

The following summary reconciles amounts reported as received on the Schedule to the Pennsylvania Department of Education’s Confirmation of Subsidy Payments:

Amount received per Schedule	\$2,167,370
Add: State funding on confirmation	25,278
Less: Passed through funding from other sources	
Pennsylvania Executive Offices	(197,995)
Pennsylvania Department of Agriculture	(34,778)
Pennsylvania Department of Human Services	(6,234)
Intermediate Units	<u>(338,115)</u>
Amount received per PDE Audit Confirmation of Subsidy Payments, federal subsidy section	<u>\$1,615,526</u>

2020-001 Material Weakness in Internal Controls over Financial Reporting

Condition

Bank reconciliations were not performed on a timely basis due to understaffing of the accounting department.

Recommendation

The School District needs to increase staffing in the accounting department to ensure that all functions can be completed accurately and in a timely manner.

Current Status

Resolved.

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, 2021, and the related notes to the financial statements, which collectively comprise Keystone Oaks School District's basic financial statements, and have issued our report thereon dated March 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keystone Oaks School District's internal control over financial reporting (internal control) 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keystone Oaks School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

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

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 the Finding

Government Auditing Standards requires the auditor to perform limited procedures on Keystone Oaks School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Keystone Oaks School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
March 29, 2022

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, 2021. Keystone Oaks School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Keystone Oaks School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

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

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.

Mgus, Patsy & Associates, LLC

Carnegie, Pennsylvania
March 29, 2022

Section 1 – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Education Stabilization Fund	84.425
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

Material Weakness in Internal Controls over Financial Reporting

Finding 2021-001

Criteria

Annually, through either the business office or auditors of the School District, an audit and settlement of the books and records of each tax collector should be made.

Condition

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

Cause

Deposits from tax collectors were misclassified in the general ledger between taxing jurisdictions. In addition, the Borough of Dormont Tax Collector's report for August 2020 omitted the collections and deposits made for the last day of the month. Auditing the tax collector was significantly delayed due to the passing of the collector and turnover in the assumption of duties.

Effect

The audit of the tax collector was delayed.

Recommendation

We recommend the School District monitor the reconciliation of tax collections to the general ledger on a monthly basis and reconcile the final settlement made in January each year to the original tax duplicate within 30 days of submission by each tax collector.

Views of Responsible Official and Planned Corrective Action:

The School District agrees with the finding. See the School District's Corrective Action Plan included in this report package.

Section 3 – Findings and Questioned Costs for Federal Awards

None.



KEYSTONE OAKS SCHOOL DISTRICT

1000 KELTON AVENUE · PITTSBURGH, PA 15216
PHONE 412.571.6000 · FAX 412.571.6006

MR. 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, 2021.

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, 2020 through June 30, 2021

The findings for the year ended June 30, 2021 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION B – FINANCIAL STATEMENT FINDINGS

Finding 2021-001: Material Weakness in Internal Controls over Financial Reporting

Recommendation: We recommend the School District monitor the reconciliation of tax collections to the general ledger on a monthly basis and reconcile the final settlement made in January each year to the original tax duplicate within 30 days of submission by each tax collector.

Management’s Response:

Corrective Action	Deadline for Completion
The School District will monitor the reconciliation of tax collections to the general ledger on a monthly and yearly basis. If there are any discrepancies, the School District will address them with the tax collector to make sure the reports are reconciled.	July 1, 2022

Corrective Action	Deadline for Completion
The School District will reconcile the final settlement made by each tax collector within 30 days of submission, beginning with the 2022 tax duplicate.	January 15, 2023
The School District will reconcile the monthly collections and annual reconciliation of tax collectors for the 2021-2022 tax year.	June 30, 2022

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

1000 Kelton Avenue
Pittsburgh, PA 15216
(412) 571-6028