

**Peters Township School District
Financial Statements
June 30, 2019**

**Peters Township School District
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Independent Auditor's Report

Members of the Board
Peters Township School District
McMurray, 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 Peters Township School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Peters Township 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 Peters Township School District, as of June 30, 2019, 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, post-employment benefit information and pension information as shown 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 Peters Township School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020 on our consideration of Peters Township 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 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 Peters Township School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Peters Township School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2020

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

The discussion and analysis of Peters Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Comparative information has been obtained from audited financial reports.

Financial Highlights

During the 2018/2019 fiscal year, Peters Township School District experienced an increase in student population of 8 students. The District embarked on a facility study that included a demographic component. These projections show a leveling of enrollment in 2019/2020 around 3,800 students.

During the 2018/2019 fiscal year, Capital Projects Fund expenditures include \$27,904,617 related to the construction of the New High School. The District also purchased three new seventy-two passenger school buses and a new dump truck for use by the transportation and maintenance departments for \$244,216.

Expenditures in the General Fund increased by \$2,067,307 compared to the 2017/2018 school year. This increase is attributed to an increase in salary, benefits and debt service. Employee salary costs increased by \$646,752 or 2.17%, while benefit costs increased by \$723,882. The benefit increase was driven by the increased employer retirement contribution. With the additional debt service attributed to the construction of the New High School, debt service increased by \$716,557 in 2018/2019.

Peters Township School District revenues increased by \$1,972,359 compared to the 2018/2019 school year. Interest earnings increased by \$364,292 from the 2017/2018 collections. Local assessed value grew generating additional local property taxes, but less than the historic average of the past fifteen years. Local real estate tax collections increased by \$1,328,633 as a direct result of a 0.31 mill tax increase.

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 Government Auditing Standards and the Uniform Grant Guidance. 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 Peters Township 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.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

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

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

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

Figure A – 1
Required Components of
Peters Township School District's
Financial Report

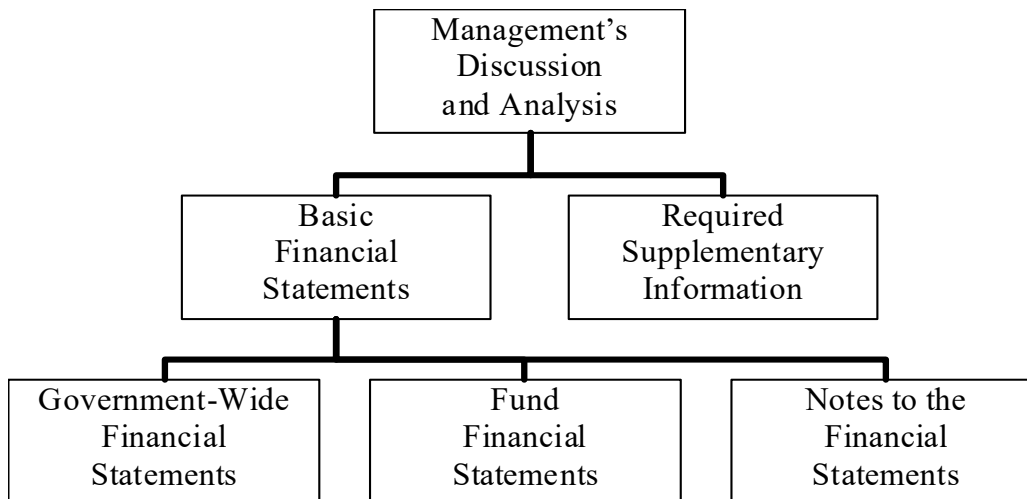


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

Figure A – 2
Major Features of Peters Township School District's
Government-Wide and Fund Financial Statements

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

**Peters Township School District
Management's Discussion and Analysis
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Overview of Financial Statements

Government-Wide Statements

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

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

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

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

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

- Governmental activities - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

- Business type activities - The School District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation. The food service operation has not, nor is projected to require financial support from the general fund.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3 of the annual financial report, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

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 an accounting method called modified accrual accounting, which 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 operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

Proprietary funds - These funds are used to account for the School District activities that are similar to business operation in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. 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, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for certain student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and changes in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(85,057,342) at June 30, 2019 and a deficit \$(84,038,083) at June 30, 2018.

Table A - 1
Years Ended June 30, 2019 and 2018
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 94,698,552	\$ 337,621	\$ 95,036,173	\$ 112,911,376	\$ 301,452	\$ 113,212,828
Capital Assets	<u>79,854,600</u>	<u>52,953</u>	<u>79,907,553</u>	<u>54,869,814</u>	<u>47,131</u>	<u>54,916,945</u>
Total Assets	<u>174,553,152</u>	<u>390,574</u>	<u>174,943,726</u>	<u>167,781,190</u>	<u>348,583</u>	<u>168,129,773</u>
Deferred Outflows of Resources	<u>16,458,350</u>	<u>181,432</u>	<u>16,639,782</u>	<u>20,761,821</u>	<u>233,945</u>	<u>20,995,766</u>
Current and Other Liabilities	17,001,714	102,818	17,104,532	10,255,477	90,178	10,345,655
Noncurrent Liabilities						
Due Within One Year	1,690,000	-	1,690,000	1,420,000	-	1,420,000
Due in More Than One Year	<u>253,429,003</u>	<u>1,297,674</u>	<u>254,726,677</u>	<u>257,542,524</u>	<u>1,344,547</u>	<u>258,887,071</u>
Total Liabilities	<u>272,120,717</u>	<u>1,400,492</u>	<u>273,521,209</u>	<u>269,218,001</u>	<u>1,434,725</u>	<u>270,652,726</u>

**Peters Township School District
Management's Discussion and Analysis
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Table A - 1
Years Ended June 30, 2019 and 2018
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	<u>3,072,238</u>	<u>47,403</u>	<u>3,119,641</u>	<u>2,485,189</u>	<u>25,707</u>	<u>2,510,896</u>
Net Position						
Net Investment in Capital Assets	12,598,286	52,953	12,651,239	9,156,155	47,131	9,203,286
Restricted	1,142,253	-	1,142,253	91,412,664	-	91,412,664
Unrestricted	<u>(97,921,992)</u>	<u>(928,842)</u>	<u>(98,850,834)</u>	<u>(183,728,998)</u>	<u>(925,035)</u>	<u>(184,654,033)</u>
Total Net Position	<u>\$ (84,181,453)</u>	<u>\$ (875,889)</u>	<u>\$ (85,057,342)</u>	<u>\$ (83,160,179)</u>	<u>\$ (877,904)</u>	<u>\$ (84,038,083)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases, debt service, or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The largest general revenues are the local taxes (property and earned income) assessed to community taxpayers.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

Table A - 2
Years Ended June 30, 2019 and 2018
Change in Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 924,120	\$ 924,120	\$ -	\$ 901,215	\$ 901,215
Operating Grants and Contribs.	10,363,910	311,370	10,675,280	9,903,115	288,820	10,191,935
Capital Grants and Contribs.	386,941	-	386,941	245,727	-	245,727
General Revenues						
Property Taxes	41,347,653	-	41,347,653	39,568,081	-	39,568,081
Other Taxes	7,217,288	-	7,217,288	7,991,325	-	7,991,325
Grants, Subsidies and Contribs.						
Unrestricted	6,287,274	-	6,287,274	6,255,488	-	6,255,488
Investment Earnings	2,338,578	8,758	2,347,336	980,125	4,064	984,189
Miscellaneous Income	130,947	-	130,947	160,588	-	160,588
Total Revenues and Transfers	68,072,591	1,244,248	69,316,839	65,104,449	1,194,099	66,298,548
Expenses						
Instruction	43,524,997	-	43,524,997	44,091,077	-	44,091,077
Instructional Student Support	4,949,099	-	4,949,099	4,908,543	-	4,908,543
Admin. and Fin. Support Svcs.	5,779,870	-	5,779,870	6,245,708	-	6,245,708
Operation and Maintenance						
of Plant Services	5,566,461	-	5,566,461	5,525,287	-	5,525,287
Pupil Transportation	3,184,322	-	3,184,322	3,407,494	-	3,407,494
Student Activities	1,993,036	-	1,993,036	1,902,034	-	1,902,034
Community Services	4,455	-	4,455	3,441	-	3,441
Interest on Long-Term Debt	4,091,625	-	4,091,625	3,789,465	-	3,789,465
Food Service	-	1,242,233	1,242,233	-	1,166,382	1,166,382
Total Expenses	69,093,865	1,242,233	70,336,098	69,873,049	1,166,382	71,039,431
Increase (Decrease) in Net Position	(1,021,274)	2,015	(1,019,259)	(4,768,600)	27,717	(4,740,883)
Beginning Net Position						
(Restated - See Note 2)	(83,160,179)	(877,904)	(84,038,083)	(78,391,579)	(905,621)	(79,297,200)
Ending Net Position	\$ (84,181,453)	\$ (875,889)	\$ (85,057,342)	\$ (83,160,179)	\$ (877,904)	\$ (84,038,083)

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A - 3
Years Ended June 30, 2019 and 2018
Governmental Activities

	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 43,524,997	\$ 36,292,546	\$ 44,091,077	\$ 37,178,472
Instructional Student Support	4,949,099	4,247,487	4,908,543	4,371,021
Admin. and Fin. Support Svcs.	5,779,870	5,272,403	6,245,708	5,743,976
Operation and Maintenance of Plant Services	5,566,461	5,176,017	5,525,287	5,145,264
Pupil Transportation	3,184,322	2,224,257	3,407,494	2,425,057
Student Activities	1,993,036	1,455,976	1,902,034	1,347,919
Community Services	4,455	4,455	3,441	3,441
Interest on Long-Term Debt	<u>4,091,625</u>	<u>3,669,873</u>	<u>3,789,465</u>	<u>3,509,057</u>
Total Governmental Activities	<u>\$ 69,093,865</u>	58,343,014	<u>\$ 69,873,049</u>	59,724,207
Less:				
Unrestricted Grants, Subsidies		<u>(6,287,274)</u>		<u>(6,255,488)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 52,055,740</u>		<u>\$ 53,468,719</u>

**Peters Township School District
Management's Discussion and Analysis
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Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A - 4
Years Ended June 30, 2019 and 2018
Business-Type Activities

Functions/Programs	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	\$1,242,233	\$ 6,743	\$1,166,382	\$ (23,653)
Add/Less:				
Investment Earnings		(8,758)		(4,064)
Total Business-Type Activities		\$ (2,015)		\$ (27,717)

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2019, the School District's General Fund reported a fund balance of \$10,963,746, which is an increase of \$29,545 from the previous year's balance. Overall expenditures were more than budgeted amounts by \$453,775 while revenues exceeded budget by \$483,320.

General Fund Budget

During the fiscal year, the administration recommends that the Board of School Directors authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose. Subsequent to June 30, 2019, year-end budget transfers, not prohibited by state law, were approved. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the supplementary information section of the financial statements.

The School District received \$98,098 more than the budgeted amount for real estate taxes and \$159,042 more in real estate transfer taxes than the budgeted amount. The School District was able to take advantage of rising interest rates with investment earnings more than the budgeted amount by \$501,795. The net result of local revenues compared to the budgeted amount was an increase over budget by \$791,284.

**Peters Township School District
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The School District received \$209,793 less than budgeted for State Social Security and Retirement reimbursement due to lower than anticipated salary expenditures. They also received \$136,291 less than budgeted for Transportation Reimbursement. Overall the School District received \$260,162 less in state revenue than the budgeted amounts but an increase from 2017/2018 of \$641,910.

The budgetary reserve account includes amounts funded by the assigned fund balances for future retirement and capital project expenditure increases. These amounts are normally only appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to the fund balance, or if one-time revenues are realized during the fiscal year. The School District's current 13.50 mill real estate tax reflects the recalculation of the 2016/2017 tax rate due to a county-wide reassessment of real estate property values with a 2.4% increase. Without a significant improvement in the local economy or increases in state funding, tax increases will be needed in future budgets.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the School District's governmental funds had \$79,854,600 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment and construction in progress. The amount represents a net increase (including additions, deletions, and depreciation) of \$24,984,786 from June 30, 2018 as outlined in Table A-5.

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

	2019	2018
Land and Land Improvements	\$6,742,568	\$6,742,568
Buildings and Building Improvements	38,952,695	41,870,932
Furniture and Equipment	2,764,288	2,904,180
Construction in Progress	31,395,049	3,352,134

Debt Administration

As of July 1, 2018, the School District had total outstanding bond and note principal of \$124,935,000. The School District retired debt of \$1,270,000 during the year resulting in a total outstanding bond principal balance as of June 30, 2019, of \$123,665,000 as outlined in Table A-6.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

Table A - 6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/19	As of 06/30/18
Series of 2006	\$ 360,000	\$ 360,000
Series of B 2010	495,000	550,000
Series of 2012	18,080,000	18,090,000
Series of 2013A	2,975,000	2,980,000
Series of 2013B	-	820,000
Series of 2014	9,685,000	9,880,000
Series of 2017 Bonds	42,935,000	43,050,000
Series of 2017 Notes	5,100,000	5,170,000
Series of 2018A	1,810,000	1,810,000
Series of 2018B	1,990,000	1,990,000
Series of 2018C	40,235,000	40,235,000

Other obligations include capital leases and accrued vacation pay and sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

Bond Rating

The School District's general obligation bond rating is a stand-alone unsecured Moodys Aa2. Security for the bonds is provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program and an insurance policy provided by Financial Security Assurance, Inc. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

Economic Factors and Next Year's Budget and Rates

At the time these financial statements were prepared and audited, the School District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment - The School District expects a slight decrease in enrollment in the future. Enrollment has decreased by more than 411 students over the past ten (10) years, from 4,474 in June 2008 to 4,063 in June 2019. Student population decline in specific grade levels will impact staffing, current building utilization, future building needs and programming and may require building alterations or additions. Enrollment will continue to be monitored to identify future needs. Enrollment declines in the elementary program could result in staff reductions and savings in the future. The School District had a demographics study done in 2016/2017 to help guide the decisions regarding future facility needs. The "most likely scenario" showed continued decline to an eventual leveling of School District enrollment around 3,800 students.
- Staffing - The School District projects reduction in both professional and support staff to adjust for enrollment changes while maintaining a quality educational program. The School District's teachers' contract expires in June 2024, custodial/maintenance contract that will expire in August 2025 and the clerical/paraprofessional/bus driver contract will expire in June 2024.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2019**

- Facilities - The School District has approved the construction of a new high school building scheduled to open in January 2021.
- Special Education - Cost increases in special education programs have started to slow down. In 2018/2019, a 1.0% increase during the 2018/2019 fiscal year is well below previous years averaging from 6% to 10%. In 2018/2019, special education costs represented 10.8% of the annual School District expenditures. This represents a substantial increase in expenditures from the 7.73% of the School District budget in the 2007/2008 fiscal year. Related special education cost increases, including transportation, are a direct result of a growing special education population.
- Act 1 Real Estate Tax - Act 1 limits the School District's ability to increase real estate taxes above a state imposed index. This restricts the School District's ability to replace revenues lost from state funding cuts.

The School District will have to seriously consider increasing the millage rate to balance future budgets.

The School District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education are expected to decline. The Commonwealth of Pennsylvania provided only 23.6% of total revenue sources to fund costs supporting the School District's educational programs during fiscal 2019. Local sources of revenue, primarily property taxes, now support 75.9% of the costs for educational programs and services in Peters Township School District. The federal government provided 0.5% of the funds to support general operations.

Securities and Exchange Commission Continued Disclosure

In accordance with the Securities and Exchange Commission Rule 15c2-12, the School District must annually disclose certain financial information and operating data.

Tax Anticipation Borrowing

The School District has not recently issued tax and revenue anticipation notes.

Contacting the School District Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Peters Township School District, 631 East McMurray Road, McMurray, PA 15317.

Peters Township School District
Net Position
June 30, 2019

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 89,127,650	\$ 327,575	\$ 89,455,225
Taxes Receivable, Net	1,427,089	-	1,427,089
Due From Other Governments	2,579,364	3,617	2,582,981
Other Receivables	95,877	-	95,877
Inventories	-	6,429	6,429
Prepaid Items	1,468,572	-	1,468,572
Capital Assets not Being Depreciated			
Land	6,742,568	-	6,742,568
Construction in Progress	31,395,049	-	31,395,049
Capital Assets, Net of Accumulated Depreciation			
Building & Building Improvements	38,952,695	-	38,952,695
Furniture & Equipment	2,764,288	52,953	2,817,241
TOTAL ASSETS	174,553,152	390,574	174,943,726
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	476,181	-	476,181
Amounts Related to OPEB - District	569,136	-	569,136
Amounts Related to OPEB - PSERS	424,953	4,992	429,945
Amounts Related to Pension	14,988,080	176,440	15,164,520
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,458,350	181,432	16,639,782
LIABILITIES			
Internal Balances	8,157	(8,157)	-
Accounts Payable	10,069,894	45,528	10,115,422
Accrued Salaries and Benefits	5,113,774	-	5,113,774
Payroll Deductions and Withholdings	7,303	-	7,303
Unearned Revenues	-	6,429	6,429
Accrued Interest	1,699,413	-	1,699,413
Other Current Liabilities	103,173	59,018	162,191
Noncurrent Liabilities:			
Due Within One Year	1,690,000	-	1,690,000
Due in More Than One Year:			
Notes Payable	26,100,000	-	26,100,000
Termination Payments	406,405	-	406,405
Compensated Absences	2,558,645	30,783	2,589,428
Bonds Payable	106,035,259	-	106,035,259
Other Post-Employment Benefits - District	8,336,518	-	8,336,518
Other Post-Employment Benefits - PSERS	4,511,423	52,577	4,564,000
Net Pension Liability	103,868,686	1,214,314	105,083,000
TOTAL LIABILITIES	270,508,650	1,400,492	271,909,142
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	628,850	-	628,850
Amounts Related to OPEB - PSERS	237,095	2,763	239,858
Amounts Related to Pension	3,818,360	44,640	3,863,000
TOTAL DEFERRED INFLOWS OF RESOURCES	4,684,305	47,403	4,731,708
NET POSITION			
Net Investment in Capital Assets	12,598,286	52,953	12,651,239
Restricted for:			
Debt Service	1,142,253	-	1,142,253
Unrestricted	(97,921,992)	(928,842)	(98,850,834)
TOTAL NET POSITION	\$ (84,181,453)	\$ (875,889)	\$ (85,057,342)

See Accompanying Notes

**Peters Township School District
Statement of Activities
Year Ended June 30, 2019**

Exhibit 2

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	\$ 43,524,997	\$ -	\$ 7,232,451	\$ -	\$ (36,292,546)	\$ -	\$ (36,292,546)
Instructional Student Support	4,949,099	-	701,612	-	(4,247,487)	-	(4,247,487)
Administrative and Financial Support Services	5,779,870	-	507,467	-	(5,272,403)	-	(5,272,403)
Operation and Maintenance of Plant Services	5,566,461	-	390,444	-	(5,176,017)	-	(5,176,017)
Pupil Transportation	3,184,322	-	960,065	-	(2,224,257)	-	(2,224,257)
Student Activities	1,993,036	-	537,060	-	(1,455,976)	-	(1,455,976)
Community Services	4,455	-	-	-	(4,455)	-	(4,455)
Interest on Long-Term Debt	4,091,625	-	34,811	386,941	(3,669,873)	-	(3,669,873)
Total Governmental Activities	69,093,865	-	10,363,910	386,941	(58,343,014)	-	(58,343,014)
Business-type activities:							
Food Service	1,242,233	924,120	311,370	-	-	(6,743)	(6,743)
Total Primary Government	\$ 70,336,098	\$ 924,120	\$ 10,675,280	\$ 386,941	(58,343,014)	(6,743)	(58,349,757)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					41,347,653	-	41,347,653
Earned Income Taxes					6,114,101	-	6,114,101
Real Estate Transfer Taxes					1,009,042	-	1,009,042
Other Taxes Levied for General Purposes, Net					94,145	-	94,145
Grants, Subsidies and Contributions not Restricted					6,287,274	-	6,287,274
Investment Earnings					2,338,578	8,758	2,347,336
Miscellaneous Income					130,947	-	130,947
Total General Revenues					57,321,740	8,758	57,330,498
Change in Net Position					(1,021,274)	2,015	(1,019,259)
Net Position - July 1, 2018 (Restated - See Note 2)					(83,160,179)	(877,904)	(84,038,083)
Net Position - June 30, 2019					\$ (84,181,453)	\$ (875,889)	\$ (85,057,342)

See Accompanying Notes

**Peters Township School District
Balance Sheet
Governmental Funds
June 30, 2019**

Exhibit 3

	General Fund	Capital Projects Fund	Non Major Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 16,928,288	\$ 71,057,109	\$ 1,142,253	\$ 89,127,650
Taxes Receivable, Net	1,427,089	-	-	1,427,089
Due from Other Funds	1,508	1,400,000	-	1,401,508
Due from Other Governments	2,579,364	-	-	2,579,364
Other Receivables	94,369	-	-	94,369
Prepaid Items	541,511	927,061	-	1,468,572
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 21,572,129</u>	<u>\$ 73,384,170</u>	<u>\$ 1,142,253</u>	<u>\$ 96,098,552</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 1,408,157	\$ -	\$ -	\$ 1,408,157
Accounts Payable	3,555,548	6,514,346	-	10,069,894
Accrued Salaries and Benefits	5,113,774	-	-	5,113,774
Payroll Deductions and Withholdings	7,303	-	-	7,303
Other Current Liabilities	103,173	-	-	103,173
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>10,187,955</u>	<u>6,514,346</u>	<u>-</u>	<u>16,702,301</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	420,428	-	-	420,428
Fund Balances				
Nonspendable	541,511	927,061	-	1,468,572
Restricted	-	65,942,763	1,142,253	67,085,016
Assigned	8,500,000	-	-	8,500,000
Unassigned	1,922,235	-	-	1,922,235
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>10,963,746</u>	<u>66,869,824</u>	<u>1,142,253</u>	<u>78,975,823</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 21,572,129</u>	<u>\$ 73,384,170</u>	<u>\$ 1,142,253</u>	<u>\$ 96,098,552</u>

See Accompanying Notes

**Peters Township School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Exhibit 4

Total Fund Balances - Governmental Funds \$ 78,975,823

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$163,553,780 and the accumulated depreciation is \$83,699,180 79,854,600

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as assets in governmental funds. 420,428

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (10,010,259)

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 476,181

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	\$ (96,685,000)	
Accrued Interest on the Bonds	(1,699,413)	
Termination Payments	(456,405)	
Notes Payable	(26,980,000)	
Compensated Absences	<u>(2,658,645)</u>	(128,479,463)

Some liabilities including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - District	(8,336,518)	
OPEB Liability - PSERS	(4,511,423)	
Net Pension Liability	<u>(103,868,686)</u>	(116,716,627)

**Peters Township School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2019**

Exhibit 4

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	14,988,080	
Deferred Inflows of Resources Related to Pensions	(3,818,360)	
Deferred Outflows of Resources Related to OPEB - District	569,136	
Deferred Inflows of Resources Related to OPEB - District	(628,850)	
Deferred Outflows of Resources Related to OPEB - PSERS	424,953	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(237,095)</u>	<u>11,297,864</u>
 Total Net Position - Governmental Activities		 <u>\$ (84,181,453)</u>

See Accompanying Notes

**Peters Township School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019**

Exhibit 5

	General Fund	Capital Projects Fund	Non Major Fund	Total Governmental Funds
Revenues				
Local Sources	\$ 50,337,778	\$ 1,713,907	\$ 20,560	\$ 52,072,245
State Sources	15,644,457	-	-	15,644,457
Federal Sources	350,799	-	-	350,799
Total Revenues	<u>66,333,034</u>	<u>1,713,907</u>	<u>20,560</u>	<u>68,067,501</u>
Expenditures				
Instruction	38,805,542	-	-	38,805,542
Support Services	18,493,764	244,216	-	18,737,980
Noninstructional Services	1,682,443	-	-	1,682,443
Capital Outlay	-	28,042,915	-	28,042,915
Debt Service (Principal & Interest)	-	-	5,889,530	5,889,530
Refunds of Prior Year's Receipts	32,683	-	-	32,683
Total Expenditures	<u>59,014,432</u>	<u>28,287,131</u>	<u>5,889,530</u>	<u>93,191,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,318,602</u>	<u>(26,573,224)</u>	<u>(5,868,970)</u>	<u>(25,123,592)</u>
Other Financing Sources (Uses)				
Transfers In	-	1,400,000	5,889,524	7,289,524
Sale/Compensation for Fixed Assets	467	-	-	467
Transfers Out	(7,289,524)	-	-	(7,289,524)
Total Other Financing Sources (Uses)	<u>(7,289,057)</u>	<u>1,400,000</u>	<u>5,889,524</u>	<u>467</u>
Net Change in Fund Balances	29,545	(25,173,224)	20,554	(25,123,125)
Fund Balances - July 1, 2018	<u>10,934,201</u>	<u>92,043,048</u>	<u>1,121,699</u>	<u>104,098,948</u>
Fund Balances - June 30, 2019	<u>\$ 10,963,746</u>	<u>\$ 66,869,824</u>	<u>\$ 1,142,253</u>	<u>\$ 78,975,823</u>

See Accompanying Notes

**Peters Township School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
June 30, 2019**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ (25,123,125)

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

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

Depreciation Expense	\$ (3,326,475)	
Capital Outlays	<u>28,311,261</u>	24,984,786

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year.

21,643

Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

1,270,000

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(145,220)	
Termination Payments	(43,830)	
Other Post-Employment Benefits - District	(546,679)	
Other Post-Employment Benefits - PSERS	<u>32,010</u>	(703,719)

**Peters Township School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
June 30, 2019**

Exhibit 6

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	142,421
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Bond issuance cost, discount, and premium are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount, Premium and Deferred Loss on Refunding	401,147
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Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

District Pension Contributions to PSERS	9,585,991	
Cost of Benefits Earned	<u>(11,600,418)</u>	<u>(2,014,427)</u>

Change in Net Position of Governmental Activities	<u>\$ (1,021,274)</u>
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See Accompanying Notes

**Peters Township School District
Statement of Net Position
Proprietary Funds
June 30, 2019**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 327,575
Due From Other Funds	8,157
Due From Other Governments	3,617
Inventories	<u>6,429</u>
Total Current Assets	<u>345,778</u>
Noncurrent Assets	
Machinery and Equipment, Net	<u>52,953</u>
TOTAL ASSETS	<u>398,731</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to OPEB	4,992
Amounts Related to Pensions	<u>176,440</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>181,432</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	45,528
Unearned Revenues	6,429
Other Current Liabilities	<u>59,018</u>
Total Current Liabilities	<u>110,975</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	30,783
OPEB Liability	52,577
Net Pension Liability	<u>1,214,314</u>
Total Noncurrent Liabilities	<u>1,297,674</u>
TOTAL LIABILITIES	<u>1,408,649</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to OPEB	2,763
Amounts Related to Pensions	<u>44,640</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>47,403</u>
NET POSITION	
Invested in Capital Assets	52,953
Unrestricted	<u>(928,842)</u>
TOTAL NET POSITION	<u>\$ (875,889)</u>

See Accompanying Notes

Peters Township School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2019

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	<u>\$ 924,120</u>
Operating Expenses	
Salaries	373,095
Employee Benefits	174,198
Other Purchased Services	612,484
Supplies	72,343
Depreciation	<u>10,113</u>
Total Operating Expenses	<u>1,242,233</u>
Operating Income (Loss)	<u>(318,113)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	8,758
State Sources	95,273
Federal Sources	<u>216,097</u>
Total Nonoperating Revenues (Expenses)	<u>320,128</u>
Change in Net Position	2,015
Net Position - July 1, 2018	<u>(877,904)</u>
Net Position - June 30, 2019	<u><u>\$ (875,889)</u></u>

See Accompanying Notes

**Peters Township School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 929,371
Cash Payments to Employees for Services	(586,126)
Cash Payments to Suppliers for Goods and Services	<u>(597,986)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(254,741)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	98,244
Federal Sources	<u>165,722</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>263,966</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(15,935)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>8,758</u>
Net Increase (Decrease) in Cash and Cash Flows	2,048
Cash and Cash Equivalents - July 1, 2018	<u>325,527</u>
Cash and Cash Equivalents - June 30, 2019	<u>\$ 327,575</u>

**Peters Township School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019**

Exhibit 9

		Food Service Fund
Operating Income (Loss)	\$	(318,113)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization		10,113
Change in Pension and OPEB Liabilities		25,831
Donated Commodities		71,228
(Increase) Decrease in Inventories		67
Increase (Decrease) in Accounts Payable		15,613
Increase (Decrease) in Accrued Salaries Benefits		1,505
Increase (Decrease) in Advances from Other Funds		(66,169)
Increase (Decrease) in Deferred Revenue		(67)
Increase (Decrease) in Other Current Liabilities		<u>5,251</u>
 Total Adjustments		 <u>63,372</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u>(254,741)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2019, the School District received \$71,161 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**Peters Township School District
Statement of Net Position
Fiduciary Funds
June 30, 2019**

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 26,975	\$ 291,640
LIABILITIES		
Due to Other Funds	-	1,508
Other Current Liabilities	-	290,132
TOTAL LIABILITIES	-	291,640
NET POSITION		
Restricted for Scholarships	\$ 26,975	\$ -

See Accompanying Notes

**Peters Township School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2019**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Interest	<u>\$ 16</u>
Deductions	<u> -</u>
Change in Net Position	16
Net Position - July 1, 2018	<u> 26,959</u>
Net Position - June 30, 2019	<u><u> \$ 26,975</u></u>

See Accompanying Notes

Peters Township School District
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Peters Township School District, located in Washington County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of Peters Township. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Peters Township School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

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The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction and finance other capital improvements in the School District.

The School District also reports as nonmajor governmental funds the following:

The *debt service fund* accounts for bond proceeds received and for bond payments made.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund types:

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships. The Esther Baird Scholarship Fund is considered a private purpose trust fund.

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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D. Joint Venture

The School District is one of nine member school districts of the Western Area Career and Technology Center (“Western”). Western provides vocational-technical training and education to participating students of the member districts. Western is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Western’s operations are 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 Western. The School District’s share of annual operating and capital costs for Western fluctuates, based on the percentage of enrollment of each member district in the school. The School District’s financial obligation to Western for the year ended June 30, 2019 was \$309,968, which was paid in the year ended June 30, 2019 to Western and reported in the School District’s general fund. The School District has no equity interest in Western as of June 30, 2019. Complete financial statements for Western can be obtained from the administrative offices at R.D. #1, Box 178A, Canonsburg, PA 15317.

In addition, the School District is one of six member school districts participating in the Washington County Alternative School (“Washington”). Washington provides a complete education to at-risk students of the member districts. Washington 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 Washington’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 Washington. The School District’s share of annual operating and capital costs for Washington fluctuates, based on the number of reserved enrollment slots of each member district in the school. The School District’s financial obligation to Washington for the year ended June 30, 2019 was approximately \$50,000 which has been reported in the School District’s general fund. The School District has no equity interest in Washington as of June 30, 2019. Complete financial statements for Washington can be obtained from the administrative offices at 524 East Beau Street; Washington, Pennsylvania 15301.

E. Cash and Cash Equivalents

The School District’s policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

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G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2019.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market 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, if considered material. There was no material inventory balance as of June 30, 2019.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2019 are reported as unearned revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

**Peters Township School District
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Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Land Improvements	40
Furniture	20
Vehicles	10-15
Equipment	10
Computers/Software	5-7

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has four items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other ones in the government-wide statement of net position are related to the participation in the cost-sharing defined benefit pension plan and defined OPEB plans.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has three items reported in the government-wide statement of net position relating to the cost-sharing defined benefit pension plan and defined OPEB plans. The School District also has an item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category.

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Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond 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 is reported as other financing sources while discount on debt issuances are reported as other financing uses.

N. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation 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 vacation 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.

O. Defining 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.

P. Equity Classifications

Government-Wide Statements

Equity is 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" or "net investment in capital assets".

Peters Township School District
Notes to Financial Statements
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Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The nonspendable fund balances of \$541,511 in the General Fund and \$927,061 in the Capital Projects Fund are for prepaid expenses.

The purpose of the restricted fund balance of \$65,942,763 in the Capital Projects Fund is for future capital projects from unspent bond proceeds.

The purpose of the restricted fund balance of \$1,142,253 in the Debt Service Fund is for the retirement of debt.

The assigned fund balance of \$8,500,000 in the General Fund is broken down as \$4,500,000 assigned for future debt service obligations and \$4,000,000 for future retirement obligations.

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Note 2 - Restatement of Beginning Net Position

Peters Township School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2018 and applied the statement by restating the beginning net position. Beginning net position of the governmental activities in the government-wide statement was restated as of July 1, 2018. The School District also restated both the governmental activities and business-type activities net position as of July 1, 2018 to properly report the net pension liabilities, deferred outflows and deferred inflows per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The results of the restatements are summarized below.

	Governmental Activities	Business- Type Activities
Net Position, July 1, 2018 (Previously Reported)	\$ (78,804,604)	\$ (827,153)
Adjustment to properly state the liability of employers for defined benefit other post-employment benefit plans, measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB Plan's fiduciary net position.	(4,355,575)	(50,751)
Restated Net Position, July 1, 2018	\$ (83,160,179)	\$ (877,904)

Note 3 - 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.

It is the policy of the School District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the School District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. 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. As of June 30, 2019, \$89,715,046 of the School District's bank balance of \$90,242,021 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$89,715,046</u>

Peters Township School District
Notes to Financial Statements
June 30, 2019

Investments

Interest Rate Risk - In accordance with its investment policy, the School District limits its exposure by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed. The policy requires the School District to remain sufficiently liquid to meet all the operating requirements that are reasonably anticipated.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District's investment policy limits its investment choices to those as limited by law.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2018/2019 was 13.5 mills (\$13.5 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied is as follows:

Tax Levy Date	August 1, 2018
2% Discount Period	Through September 30, 2018
Face Payment Period	October 1 - November 30, 2018
10% Penalty Period	Beginning December 1, 2018
Lien Filing Date	January 15, 2019

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 deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$420,428 net of estimated uncollectible amounts of \$46,640, along with other taxes receivable of \$1,006,661.

Note 5 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2019, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 35,161	\$ 3,144	\$ 38,305
State	<u>2,544,203</u>	<u>473</u>	<u>2,544,676</u>
	<u>\$ 2,579,364</u>	<u>\$ 3,617</u>	<u>\$2,582,981</u>

Peters Township School District
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Note 6 - Capital Assets

For the year ended June 30, 2019, capital asset activity was as follows:

	Balance 07/01/18	Additions	Transfers	Balance 06/30/19
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 6,742,568	\$ -	\$ -	\$ 6,742,568
Construction in Progress	<u>3,352,134</u>	<u>28,042,915</u>	<u>-</u>	<u>31,395,049</u>
Total Capital Assets not Being Depreciated	<u>10,094,702</u>	<u>28,042,915</u>	<u>-</u>	<u>38,137,617</u>
Capital Assets Being Depreciated				
Buildings and Building Improv.	115,197,677	-	-	115,197,677
Furniture and Equipment	<u>9,950,140</u>	<u>268,346</u>	<u>-</u>	<u>10,218,486</u>
Total Capital Assets Being Depreciated	<u>125,147,817</u>	<u>268,346</u>	<u>-</u>	<u>125,416,163</u>
Less Accumulated Depreciation				
Buildings and Building Improv.	73,326,745	2,918,237	-	76,244,982
Furniture and Equipment	<u>7,045,960</u>	<u>408,238</u>	<u>-</u>	<u>7,454,198</u>
Total Accumulated Depreciation	<u>80,372,705</u>	<u>3,326,475</u>	<u>-</u>	<u>83,699,180</u>
Total Capital Assets Being Depreciated, Net	<u>44,775,112</u>	<u>(3,058,129)</u>	<u>-</u>	<u>41,716,983</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,869,814</u>	<u>\$ 24,984,786</u>	<u>\$ -</u>	<u>\$ 79,854,600</u>
Business-Type Activities				
Furniture and Equipment	\$ 222,605	\$ 15,935	\$ -	\$ 238,540
Less Accumulated Depreciation and Equipment	<u>175,474</u>	<u>10,113</u>	<u>-</u>	<u>185,587</u>
Business-Type Activities Capital Assets, Net	<u>\$ 47,131</u>	<u>\$ 5,822</u>	<u>\$ -</u>	<u>\$ 52,953</u>

Peters Township School District
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 2,756,650
Instructional Student Support	2,661
Administration and Financial Support Services	50,230
Operation and Maintenance of Plant Services	94,472
Student Activities Services	183,621
Pupil Transportation	<u>238,841</u>
 Total Depreciation Expense	 <u>\$ 3,326,475</u>
 Business-Type Activities - Food Service	 <u>\$ 10,113</u>

Note 7 - Interfund Balances

At June 30, 2019, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,508	\$ 1,408,157
Capital Projects Fund	1,400,000	-
Proprietary Fund		
Food Service	8,157	-
Agency Fund	<u>-</u>	<u>1,508</u>
	<u>\$ 1,409,665</u>	<u>\$ 1,409,665</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.

Peters Township School District
Notes to Financial Statements
June 30, 2019

Note 8 - Interfund Transfers

For the year ended June 30, 2019, interfund transfers consisted of the following:

<u>Transfers To</u>	<u>Transfer From</u>
	General Fund
Capital Projects Fund	\$ 1,400,000
Debt Service Fund	5,889,524
	\$ 7,289,524

The transfer of \$1,400,000 from the general fund to the capital projects fund was for construction of the new high school.

The transfer of \$5,889,524 from the general fund to the debt service fund was to pay for the principal and interest on general obligation bonds and notes.

Note 9 - Long-Term Debt

The following are changes in the long-term liabilities for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 97,875,000	\$ -	\$ 1,190,000	\$ 96,685,000	\$ 660,000
Plus: Bond Premium	10,734,312	-	654,270	10,080,042	-
Less: Bond Discount	(84,502)	-	(14,719)	(69,783)	-
Total Bonds Payable	108,524,810	-	1,829,551	106,695,259	660,000
Notes Payable					
General Obligation Notes	27,060,000	-	80,000	26,980,000	880,000
Other Long-Term Liabilities	412,575	43,830	-	456,405	50,000
Compensated Absences	2,513,425	145,220	-	2,658,645	100,000
Total Notes Payable	29,986,000	189,050	80,000	29,718,645	1,030,000
Governmental Activities					
Long-Term Liabilities	\$ 138,510,810	\$ 189,050	\$ 1,909,551	\$ 136,790,309	\$ 1,690,000

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General Obligation Bonds

Series of 2006 - Due in semi-annual installments through September 15, 2020; interest at 3.50% to 4.00%	\$ 360,000
State Public School Building Authority QSCB Series B of 2010, due in annual installments of \$41,893; interest at 6.495%; BAB Credit of 86%	495,000
Series of 2013A - Due in semi-annual installments through September 15, 2028; interest at 2.00% to 3.00%	2,975,000
Series of 2014 - Due in semi-annual installments through September 1, 2028; interest at 2.00% to 2.875%	9,685,000
Series of 2017 - Due in semi-annual installments through September 1, 2035; interest at 3.00% to 5.00%	42,935,000
Series of 2018C - Due in semi-annual installments through September 1, 2040; interest at 3.00% to 5.00%	40,235,000
	\$ 96,685,000

General Obligation Notes

Series of 2012 - Due in semi-annual installments through September 1, 2026; interest at 1.210% to 3.310%	\$ 18,080,000
Series of 2017 - Due in semi-annual installments through September 1, 2025; interest at 3.00% to 5.00%	5,100,000
Series of 2018A - Due in semi-annual installments through September 1, 2028; interest at 3.028% to 3.796%	1,810,000
Series of 2018B - Due in semi-annual installments through September 1, 2030; interest at 3.00% to 5.00%	1,990,000
	\$ 26,980,000

The debt service source for the above debt is the general fund.

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The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2019, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds			General Obligation Notes		Totals
	Principal	Interest	Build America Bonds Credit	Principal	Interest	
2020	\$ 660,000	\$ 4,181,464	\$ (37,191)	\$ 880,000	\$ 911,010	\$ 6,595,283
2021	625,000	4,161,281	(37,191)	3,090,000	820,845	8,659,935
2022	885,000	4,137,281	(37,191)	3,460,000	699,110	9,144,200
2023	745,000	4,113,222	(37,191)	3,755,000	600,081	9,176,112
2024	920,000	4,090,081	(37,191)	3,715,000	488,215	9,176,105
2025-2029	13,620,000	19,654,244	(130,169)	11,415,000	868,928	45,428,003
2030-2034	27,710,000	15,028,994	-	665,000	33,625	43,437,619
2035-2039	35,010,000	8,346,925	-	-	-	43,356,925
2040-2041	16,510,000	835,750	-	-	-	17,345,750
	<u>\$96,685,000</u>	<u>\$64,549,242</u>	<u>\$ (316,124)</u>	<u>\$26,980,000</u>	<u>\$ 4,421,814</u>	<u>\$ 192,319,932</u>

Note 10 - Operating Leases

The School District is committed under various leases for photocopiers. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2019, were \$142,407. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2020	\$ 142,407
2021	<u>71,204</u>
	<u>\$ 213,611</u>

Peters Township School District
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Note 11 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

PSERS is a governmental cost-sharing multi-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.

2. Benefits Provided

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

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

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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.

3. 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 7.5% (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, 2019 was 32.60 % 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 \$9,699,276 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$105,083,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.2189%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2019, the School District recognized pension expense of \$11,739,938. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 846,000	\$ 1,627,000
Net difference between projected and actual investment earnings	515,000	-
Change in assumptions	1,958,000	-
Changes in proportions	2,017,000	2,236,000
Difference between employer contributions and proportionate share of total contributions	129,244	-
Contributions subsequent to the measurement date	<u>9,699,276</u>	<u>-</u>
	<u>\$ 15,164,520</u>	<u>\$ 3,863,000</u>

\$9,699,276 reported as deferred outflows of resources related to pensions resulting from 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, 2020. 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,	
2020	\$2,428,867
2021	693,509
2022	(1,116,725)
2023	<u>(403,407)</u>
	<u>\$ 1,602,244</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018 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%.

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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.
- 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, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

The pension plan's policy in regard to 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 of the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
	<u><u>100%</u></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, 2018.

2. 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.

**Peters Township School District
Notes to Financial Statements
June 30, 2019**

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.

3. Sensitivity of 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:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 130,258	\$ 105,083	\$ 83,797

4. Pension Plan Fiduciary Net Position

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

Note 12 - Contingent Liabilities

Peters Township School District participates in a number of federally assisted grant programs, principal of which is the IDEA and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2019 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 which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 13 - Other Post-Employment Benefit Plan

A. Plan Description

Peters Township School District administers a single-employer defined benefit healthcare plan (“the Supplemental Health Plan”). The plan provides benefits for teachers and administrators/supervisors. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

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The eligibility and the benefits for each group are as follows:

1) Teacher and Act 93 Administrators Eligibility Requirements

Upon retirement, a teacher or an administrator who has reached the criteria for an unreduced pension benefit under PSERS (age 62, age 60 and 30 years of service, or 35 years of service) and has 10 years of service with the School District shall be eligible to receive health benefits for themselves and their spouses until age 65. The School District will pay for this coverage up to the following amounts based on the year of retirement and the retiring teacher or administrator would be responsible to reimburse the School District \$100 per month for the PSERS benefit or the contract co-pay amount, whichever is greater:

2015-2016	\$48,000
2016-2017	48,000
2017-2018	50,000
2018-2019	50,000
2019-2020	52,000
2020-2021	52,000

2) Clerical, Cafeteria, and SEIU Local No. 3 Eligibility Requirements

Personnel from the above-mentioned groups retiring prior to being Medicare eligible shall have the right to remain the medical insurance group, at no cost to the School District, until such time as they become eligible for Medicare benefits.

B. Total OPEB Liability

The School District's total OPEB liability of \$8,336,518 was measured as of July 1, 2018 and was determined by an actuarial valuation as of that date.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary Increases	3.00%
Discount Rate	3.50%
Healthcare Cost Trend Rates	3.00% for 2018/2019, 6.00% for 2019/2020, decreasing 0.50% per year to ultimate rate of 5.00%

The discount rate was based on the Bond Buyers AA Index.

Mortality rates were based on the RP-2000 Combined Healthy with Scale BB.

The actuarial assumptions used in the July 1, 2018 valuation were selected using input from the School District based upon actual experience.

Peters Township School District
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D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 7,570,657
Changes for the year:	
Service Cost	374,899
Interest	305,111
Differences (Expected vs. Actual)	616,564
Changes of assumptions or other inputs	(407,620)
Benefit Payments	<u>(123,093)</u>
Net Changes	<u>765,861</u>
Balance at June 30, 2019	<u>\$ 8,336,518</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.87% to 3.50%

F. Sensitivity of the Total 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:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 9,278,647	\$ 8,336,518	\$ 7,477,908

G. Sensitivity of the Total 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 current medical inflation rates that are 1-percentage point lower or 1-percentage point higher than the current medical inflation rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 7,116,894	\$ 8,336,518	\$ 9,792,526

Peters Township School District
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H. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, 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
Change in assumptions	\$ -	\$ 376,265
Differences between expected and actual experience	<u>569,136</u>	<u>252,585</u>
	<u>\$ 569,136</u>	<u>\$ 628,850</u>

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,	
2020	\$ (10,238)
2021	(10,238)
2022	(10,238)
2023	(10,238)
2024	(10,238)
Thereafter	<u>(8,524)</u>
	<u>\$ (59,714)</u>

Note 14 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

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B. General Information about the Health Insurance Premium Assistance Program

1. 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

2. 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

3. 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.

4. 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$246,945 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$4,564,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the School District's proportion was 0.2189%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$214,532. At June 30, 2019, 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	\$ 28,000	\$ -
Net difference between projected and actual investment earnings	8,000	-
Changes in assumptions	72,000	173,000
Changes in proportions	75,000	62,000
Difference between employer contributions and proportionate share of total contributions	-	4,858
Contributions subsequent to the measurement date	<u>246,945</u>	<u>-</u>
	<u>\$ 429,945</u>	<u>\$ 239,858</u>

Peters Township School District
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June 30, 2019

\$246,945 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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,	
2020	\$ (12,468)
2021	(12,468)
2022	(12,468)
2023	(12,455)
2024	(13,000)
Thereafter	<u>6,001</u>
	<u>\$ (56,858)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.

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- 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.04%
	<u>100%</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, 2018.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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 calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current	1.00% Increase
System net OPEB Liability	\$ 4,563	\$ 4,564	\$ 4,565

4. Sensitivity of 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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or 1 percentage point higher (3.98%) than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.98%	2.98%	3.98%
School District's proportionate share of the net OPEB liability	\$ 5,190	\$ 4,564	\$ 4,044

5. 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.

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Note 15 - Risk Management

On June 22, 1992, Peters Township School District joined with other local education institutions within Fayette, Greene and Washington Counties to form the Intermediate Unit 1 Health Insurance Consortium Trust (Consortium). The Consortium is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The Consortium bills participating districts at the “maximum” rate for health insurance coverage. The Consortium then remits Blue Cross premiums to Blue Cross/Blue Shield at the lower “deposit” rate. The rate differential permits the Consortium to collect revenue in excess of expenditures, with such excess revenues being temporarily invested. The temporary investments are then available to pay for any retroactive Blue Cross/Blue Shield billing adjustments or to offset possible future rate increases.

The agreement permits participants to withdraw from the Consortium under terms as specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium fund balance or deficit as determined on the date of withdrawal. At June 30, 2018, the total Consortium net position was (\$8,223,582). The School District’s share of the net position was (\$487,643). This information is the most recent available.

The School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Note 16 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2019, was \$6,164,803.

This includes \$5,035,922 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees’ Retirement System (PSERS) for pension and \$1,128,881 to the federal government for social security and Medicare taxes for the year ended June 30, 2019. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 17 - Termination Benefits

The School District has available certain early retirement enhancements to qualified employees. Regular full-time tenured professional employees may be eligible to receive these benefits provided that during the fiscal year of the employee’s retirement, they had attained the age of 51 years and have completed 10 years of continuous full-time employment with the School District. The retiring employee shall receive compensation for every year of service in the School District at a rate based upon the year of retirement. For the 2018/2019 school year, the rate was \$500. As of June 30, 2019, forty-five (45) employees were eligible to receive these benefits for a total liability of \$456,405.

Note 18 - Construction Commitment

As of June 30, 2019, the School District had construction commitments of approximately \$56,649,743 for the construction of the new high school, which is anticipated to be completed January 2021.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 40,516,793	\$ 40,516,793	\$ 40,614,891	\$ 98,098
Interim Real Estate Taxes	200,000	200,000	173,935	(26,065)
Public Utility Realty Taxes	48,500	48,500	46,163	(2,337)
Local Services Taxes	45,000	45,000	47,982	2,982
Earned Income Taxes	6,164,885	6,164,885	6,063,019	(101,866)
Real Estate Transfer Taxes	850,000	850,000	1,009,042	159,042
Delinquencies on Taxes	600,000	600,000	605,286	5,286
Earnings on Investments	102,316	102,316	604,111	501,795
Other Local Revenues				
Revenue from Student Activities	276,000	276,000	338,518	62,518
Other School District Activity Income	5,000	5,000	11,928	6,928
Federal Revenues from IU	532,000	532,000	516,573	(15,427)
Contributions & Donations from Private Sources	10,000	10,000	-	(10,000)
Rentals	45,000	45,000	42,492	(2,508)
Tuition from other LEAS	99,000	99,000	164,280	65,280
Transportation Fees	10,000	10,000	11,570	1,570
Refund of Prior Years Expenditures	30,000	30,000	57,039	27,039
Miscellaneous Revenue	12,000	12,000	30,949	18,949
	<u>49,546,494</u>	<u>49,546,494</u>	<u>50,337,778</u>	<u>791,284</u>
Total Revenues from Local Sources				
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	5,489,228	5,489,228	5,553,247	64,019
Tuition	2,000	2,000	-	(2,000)
Migratory Children	100	100	160	60
Subsidies for Spec. Educ. Programs				
Acct 30 PRRI Subsidy	-	-	1,686	1,686
Special Education of Excep. Pupils	1,611,070	1,611,070	1,613,601	2,531

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	950,000	950,000	813,709	(136,291)
Rentals & Sinking Fund Payments	395,110	395,110	386,941	(8,169)
Ready to Learn Block Grant	335,813	335,813	335,813	-
Health Services	86,052	86,052	73,840	(12,212)
State Property Tax Reduction	733,867	733,867	733,867	-
Social Security Payments	1,171,233	1,171,233	1,114,692	(56,541)
State Retirement Revenue	5,130,146	5,130,146	4,976,894	(153,252)
Other State Revenue	-	-	40,007	40,007
	<u>15,904,619</u>	<u>15,904,619</u>	<u>15,644,457</u>	<u>(260,162)</u>
Total Revenues from State Sources				
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	175,000	175,000	127,834	(47,166)
Title II	53,068	53,068	59,234	6,166
Title IV	-	-	11,868	11,868
ARRA Build America Bonds	20,000	20,000	34,811	14,811
School Based Access	150,000	150,000	114,079	(35,921)
Title XIX	-	-	2,973	2,973
	<u>398,068</u>	<u>398,068</u>	<u>350,799</u>	<u>(47,269)</u>
Total Revenues from Federal Sources				
Total Revenues	<u>65,849,181</u>	<u>65,849,181</u>	<u>66,333,034</u>	<u>483,853</u>
Other Financing Sources				
Sale of Capital Assets	<u>1,000</u>	<u>1,000</u>	<u>467</u>	<u>(533)</u>
Total Revenues and Other Financing Sources	<u>65,850,181</u>	<u>65,850,181</u>	<u>66,333,501</u>	<u>483,320</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	18,393,083	18,401,272	18,415,665	(14,393)
Employee Benefits	11,536,450	11,536,450	11,522,944	13,506
Purchased Prof. and Tech. Services	51,550	51,350	22,786	28,564
Purchased Property Services	196,439	195,772	194,861	911
Other Purchased Services	422,533	422,533	568,887	(146,354)
Supplies	346,418	334,725	313,111	21,614
Property	169,433	170,495	164,712	5,783
Other Objects	20,950	20,950	19,366	1,584
	<u>31,136,856</u>	<u>31,133,547</u>	<u>31,222,332</u>	<u>(88,785)</u>
Total Regular Programs				
Special Programs				
Personal Services				
Salaries	3,222,977	3,222,977	3,158,425	64,552
Employee Benefits	1,894,735	1,894,735	1,759,311	135,424
Purchased Prof. and Tech. Services	1,608,914	1,608,914	1,513,548	95,366
Purchased Property Services	21,725	21,725	16,746	4,979
Other Purchased Services	701,650	701,650	685,711	15,939
Supplies	28,521	28,571	21,842	6,729
Property	6,000	6,000	3,179	2,821
Other Objects	1,500	1,500	1,906	(406)
	<u>7,486,022</u>	<u>7,486,072</u>	<u>7,160,668</u>	<u>325,404</u>
Total Special Programs				
Vocational Education Programs				
Other Purchased Services	234,450	234,450	356,608	(122,158)
Other Instructional Programs				
Personal Services				
Salaries	68,711	68,711	29,907	38,804
Employee Benefits	40,040	40,040	14,599	25,441
Other Purchased Services	500	500	870	(370)
Other Objects	-	-	461	(461)
	<u>109,251</u>	<u>109,251</u>	<u>45,837</u>	<u>63,414</u>
Total Other Instructional Programs				

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic School Programs				
Purchased Prof. and Tech. Services	1,600	1,600	20,097	(18,497)
	38,968,179	38,964,920	38,805,542	159,378
Total Instruction				
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,506,200	1,506,200	1,308,986	197,214
Employee Benefits	999,292	999,292	866,279	133,013
Purchased Prof. and Tech. Services	530	530	152	378
Other Purchased Services	2,855	2,783	5,165	(2,382)
Supplies	66,380	66,380	22,148	44,232
Property	-	-	276	(276)
Other Objects	2,845	2,845	1,669	1,176
	2,578,102	2,578,030	2,204,675	373,355
Total Pupil Personnel				
Instructional Staff				
Personal Services				
Salaries	856,703	856,703	817,336	39,367
Employee Benefits	491,808	491,808	476,901	14,907
Purchased Prof. and Tech. Services	69,899	69,899	32,427	37,472
Purchased Property Services	94,065	94,065	87,188	6,877
Other Purchased Services	2,550	1,550	1,454	96
Supplies	300,024	299,151	314,799	(15,648)
Property	100,963	100,963	99,907	1,056
Other Objects	17,706	17,456	14,293	3,163
	1,933,718	1,931,595	1,844,305	87,290
Total Instructional Staff				

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration				
Personal Services				
Salaries	2,008,792	2,008,792	2,033,838	(25,046)
Employee Benefits	1,238,654	1,238,654	1,184,033	54,621
Purchased Prof. and Tech. Services	285,924	285,924	216,817	69,107
Purchased Property Services	5,150	4,500	3,774	726
Other Purchased Services	115,555	114,084	76,653	37,431
Supplies	93,752	102,512	80,625	21,887
Property	3,459	2,959	258	2,701
Other Objects	47,369	46,899	28,051	18,848
	<u>3,798,655</u>	<u>3,804,324</u>	<u>3,624,049</u>	<u>180,275</u>
Total Administration				
Pupil Health				
Personal Services				
Salaries	396,490	396,490	420,000	(23,510)
Employee Benefits	251,633	251,633	254,530	(2,897)
Purchased Prof. and Tech. Services	8,750	7,875	5,210	2,665
Purchased Property Services	100	100	322	(222)
Other Purchased Services	350	350	716	(366)
Supplies	4,710	4,710	4,532	178
Property	2,050	2,050	244	1,806
	<u>664,083</u>	<u>663,208</u>	<u>685,554</u>	<u>(22,346)</u>
Total Pupil Health				
Business				
Personal Services				
Salaries	309,710	309,710	278,721	30,989
Employee Benefits	190,957	190,957	182,828	8,129
Purchased Prof. and Tech. Services	11,250	11,250	800	10,450
Purchased Property Services	47,999	48,659	64,213	(15,554)
Other Purchased Services	12,850	12,850	11,613	1,237
Supplies	4,200	4,200	1,522	2,678
Property	500	500	-	500
Other Objects	2,050	2,050	36,671	(34,621)
	<u>579,516</u>	<u>580,176</u>	<u>576,368</u>	<u>3,808</u>
Total Business				

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	2,061,019	2,061,019	1,943,058	117,961
Employee Benefits	1,500,542	1,500,542	1,428,768	71,774
Purchased Prof. and Tech. Services	273,100	273,100	298,669	(25,569)
Purchased Property Services	1,340,816	1,340,816	1,123,284	217,532
Other Purchased Services	117,300	117,300	120,029	(2,729)
Supplies	356,036	356,036	387,931	(31,895)
Property	13,446	13,446	3,865	9,581
Other Objects	9,000	9,000	4,684	4,316
	<u>5,671,259</u>	<u>5,671,259</u>	<u>5,310,288</u>	<u>360,971</u>
Total Oper. and Maint. of Plant Svcs.				
Student Transportation Services				
Personal Services				
Salaries	810,275	810,275	746,520	63,755
Employee Benefits	419,010	419,010	358,067	60,943
Purchased Prof. and Tech. Services	6,500	6,500	7,508	(1,008)
Purchased Property Services	4,500	4,500	1,100	3,400
Other Purchased Services	1,351,293	1,351,293	1,488,394	(137,101)
Supplies	251,500	251,500	298,053	(46,553)
Property	41,000	41,000	38,833	2,167
Other Objects	350	350	100	250
	<u>2,884,428</u>	<u>2,884,428</u>	<u>2,938,575</u>	<u>(54,147)</u>
Total Student Transportation Services				
Central				
Personal Services				
Salaries	330,518	330,518	322,294	8,224
Employee Benefits	222,755	222,755	226,508	(3,753)
Purchased Prof. and Tech. Services	311,572	311,572	301,753	9,819
Purchased Property Services	286,880	286,880	273,112	13,768
Other Purchased Services	7,650	7,650	3,875	3,775
Supplies	19,804	19,804	22,519	(2,715)
Property	109,040	109,040	95,933	13,107
Other Objects	1,320	1,320	134	1,186
	<u>1,289,539</u>	<u>1,289,539</u>	<u>1,246,128</u>	<u>43,411</u>
Total Central				

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Purchased Prof. and Tech. Services	2,500	2,500	117	2,383
Other Purchased Services	<u>65,654</u>	<u>65,654</u>	<u>63,705</u>	<u>1,949</u>
Total Other	<u>68,154</u>	<u>68,154</u>	<u>63,822</u>	<u>4,332</u>
Total Support Services	<u>19,467,454</u>	<u>19,470,713</u>	<u>18,493,764</u>	<u>976,949</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	835,206	833,706	915,738	(82,032)
Employee Benefits	383,908	383,908	392,250	(8,342)
Purchased Prof. and Tech. Services	56,400	56,024	177,735	(121,711)
Purchased Property Services	26,344	32,049	34,350	(2,301)
Other Purchased Services	28,375	28,375	37,421	(9,046)
Supplies	110,191	107,703	103,100	4,603
Property	12,572	11,072	8,368	2,704
Other Objects	<u>18,745</u>	<u>18,904</u>	<u>9,026</u>	<u>9,878</u>
Total Student Activities	<u>1,471,741</u>	<u>1,471,741</u>	<u>1,677,988</u>	<u>(206,247)</u>
Community Services				
Other Purchased Services	<u>5,000</u>	<u>5,000</u>	<u>4,455</u>	<u>545</u>
Total Noninstructional Services	<u>1,476,741</u>	<u>1,476,741</u>	<u>1,682,443</u>	<u>(205,702)</u>
Debt Service				
Refunds of Prior Years Receipts	-	-	17,020	(17,020)
Fiscal Agent Fees	<u>5,000</u>	<u>5,000</u>	<u>15,663</u>	<u>(10,663)</u>
Total Debt Service	<u>5,000</u>	<u>5,000</u>	<u>32,683</u>	<u>(27,683)</u>
Total Expenditures	<u>59,917,374</u>	<u>59,917,374</u>	<u>59,014,432</u>	<u>902,942</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	-	-	1,400,000	(1,400,000)
Debt Service Fund	5,932,807	5,932,807	5,889,524	43,283
Total Other Financing Uses	5,932,807	5,932,807	7,289,524	(1,356,717)
Total Expenditures and Other Financing Uses	65,850,181	65,850,181	66,303,956	(453,775)
Net Change in Fund Balance	-	-	29,545	29,545
Fund Balance - July 1, 2018	10,809,708	10,809,708	10,934,201	124,493
Fund Balance - June 30, 2019	\$ 10,809,708	\$ 10,809,708	\$ 10,963,746	\$ 154,038

Peters Township School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2019

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. 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).

**Peters Township School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Three Years**

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	\$ 374,899	\$ 376,566	\$ -
Interest	305,111	277,065	-
Change of benefit terms	-	(305,207)	-
Differences (Expected vs. Actual)	616,564	-	-
Changes of Assumptions	(407,620)	-	-
Benefit payments	<u>(123,093)</u>	<u>(280,885)</u>	<u>-</u>
Net Change in Total OPEB Liability	765,861	67,539	-
Total OPEB Liability - Beginning	<u>7,570,657</u>	<u>7,503,118</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 8,336,518</u>	<u>\$ 7,570,657</u>	<u>\$ 7,503,118</u>
Covered-Employee Payroll	\$ 25,160,030	\$24,083,545	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	33.13%	31.43%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2019	3.50%
2018	3.87%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Peters Township School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Five Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 9,730,680	\$ 9,272,264	\$ 8,476,411	\$ 6,892,047	\$ 5,740,697
Contributions in Relation to the Contractually Required Contribution	<u>9,730,680</u>	<u>9,272,264</u>	<u>8,476,411</u>	<u>6,892,047</u>	<u>5,740,697</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$29,854,461	\$29,477,160	\$29,593,076	\$28,147,771	\$28,739,793
Contributions as a Percentage of Covered Payroll	32.59%	31.46%	28.64%	24.49%	19.97%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

**Peters Township School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Six Years
(Dollar Amount in Thousands)**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.2189%	0.2223%	0.2174%	0.2234%	0.2173%	0.2035%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 105,083	\$ 109,790	\$ 107,737	\$ 96,766	\$ 86,009	\$ 83,305.00
School District's Covered Payroll	\$ 29,477	\$ 29,593	\$ 28,148	\$ 28,739	\$ 27,730	\$ 26,110.00
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	356.49%	371.00%	382.75%	336.71%	310.17%	319.05%
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Peters Township School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Two Years**

	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 246,945	\$ 242,723
Contributions in Relation to the Contractually Required Contribution	<u>246,945</u>	<u>242,723</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$29,854,461	\$29,477,160
Contributions as a Percentage of Covered Payroll	0.83%	0.82%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

**Peters Township School District
 Required Supplementary Information
 Schedule of School District's Proportionate Share
 of the Net OPEB Liability
 PSERS OPEB Plan
 Last Two Years
 (Dollar Amount in Thousands)**

	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.2189%	0.2223%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,564	\$ 4,529
School District's Covered Payroll	\$ 29,477	\$ 29,593
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

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Members of the Board
Peters Township School District
McMurray, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Peters Township School District for the period ended June 30, 2019 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2020

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EXHIBIT A

**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
Peters Township School District
McMurray, 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 Peters Township School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Peters Township School District's basic financial statements, and have issued our report thereon dated January 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Peters Township 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 Peters Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Peters Township School District's internal control.

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

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

Compliance and Other Matters

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

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.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2020

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EXHIBIT B

**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
Peters Township School District
McMurray, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Peters Township 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 Peters Township School District's major federal programs for the year ended June 30, 2019. Peters Township 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 Peters Township 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 Peters Township 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 Peters Township School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Peters Township 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, 2019.

Report on Internal Control Over Compliance

Management of Peters Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Peters Township 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 Peters Township School District's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2020

**Peters Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes _____ no

**Peters Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

Peters Township School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/18	Revenue Recognized	Expendi- tures	Exhibit D Accrued or (Deferred) Revenue 06/30/19
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-190334	07/01/18-09/30/19	\$ 139,424	\$ 102,244	\$ -	\$ 127,834	\$ 127,834	\$ 25,590
Title I Improving Basic Programs	I	84.010	013-180334	07/01/17-09/30/18	164,003	32,801	32,801	-	-	-
						135,045	32,801	127,834	127,834	25,590
Title II Improving Teacher Quality	I	84.367	020-190334	07/01/18-09/30/19	59,234	51,354	-	59,234	59,234	7,880
Title II Improving Teacher Quality	I	84.367	020-180334	07/01/17-09/30/18	61,408	12,198	12,198	-	-	-
						63,552	12,198	59,234	59,234	7,880
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-190334	07/01/18-09/30/19	11,868	11,868	-	11,868	11,868	-
Passed through the Intermediate Unit # 1										
IDEA B	I	84.027	N/A	07/01/18-06/30/19	516,573	516,573	-	516,573	516,573	-
Total Special Education Cluster										
						516,573	-	516,573	516,573	-
Total U.S. Department of Education										
						727,038	44,999	715,509	715,509	33,470
U.S. Department of Health and Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/18-06/30/19	N/A	2,705	1,423	2,973	2,973	1,691
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	165,723	23,998	144,869	144,869	3,144
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/18-06/30/19	N/A	71,161	(6,496)	71,228	71,228	(6,429)
Total U.S. Department of Agriculture and Child Nutrition Cluster										
						236,884	17,502	216,097	216,097	(3,285)
Total Federal Financial Assistance										
						\$ 966,627	\$ 63,924	\$ 934,579	\$ 934,579	\$ 31,876

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Peters Township School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Peters Township School District under programs of the federal government for the year ended June 30, 2019. 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 Peters Township School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Peters Township School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Peters Township School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 966,627
Less: Commodities Received	(71,161)
Less: Passage Through AIU	(516,573)
Less: Title 19	(2,705)
Add: Medical Assistance - Access	114,079
Add: State Funding on Confirmation	<u>25,026</u>
 Per Subsidy Confirmation	 <u><u>\$ 515,293</u></u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**Peters Township School District
List of Report Distribution
June 30, 2019**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census