

ELIZABETH FORWARD SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

**ELIZABETH FORWARD  
SCHOOL DISTRICT**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**ELIZABETH FORWARD SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Education  
Elizabeth Forward School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Elizabeth Forward School District'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 Elizabeth Forward School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Elizabeth Forward School District as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-x and the required supplementary information on pages 47-54, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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***

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated January 13, 2021 on my consideration of the Elizabeth Forward School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Elizabeth Forward School District's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

January 13, 2021  
New Brighton, Pennsylvania

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

The Management Discussion and Analysis of School District of Elizabeth Forward (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance taken as a whole and, provide certain information in accordance with requirements of *Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted, (Continuing Disclosure Undertaking)*.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis – For State and Local Governments

**GENERAL OVERVIEW**

The District is comprised of the Borough of Elizabeth and the Townships of Elizabeth and Forward. The District is located along the Youghiogheny and Monongahela Rivers on the Southeastern corner of Allegheny County, approximately fifteen and one-half miles southeast of the City of Pittsburgh. The three municipalities encompass a combined land area of 43.497 square miles, as reported by the Commonwealth of PA Department of Education, and the population of the District was set at 18,410 according to the 2010 United States Census. The District is identified as third class according to population. It operates under and pursuant to the Public School Code of March 10, 1949, P.L. 30, as amended and supplemented.

The District currently operates seven school buildings. These facilities are comprised of the Elizabeth Learning Center (ELC) home of Head Start and DART programs; one elementary school grades K, 1, and 2; one elementary school grades 3, 4, and 5; two elementary schools grades K – 5; one middle school grades 6, 7 and 8; and one senior high school which houses grades 9 - 12. Student enrollment as reported to the Department of Education, October 2019, was 2,292 served by 324 instructional, professional, administrative, classified support personnel and non-classified personnel.

**STATEMENT OF NET POSITION**

Government and Business-Type Activities Total Capital Assets at June 30, 2020 are \$33,582,182, an increase of \$654,593 from the June 30, 2019 balance of \$32,927,589. Government and Business-Type Activities Total Liabilities at June 30, 2020 are \$98,106,491, a decrease of \$791,609 from the \$98,898,100 balance at June 30, 2019. Net position at June 30, 2020, after Deferred Inflows and Inflows of Resources is (\$58,403,586). Governmental Accounting Standards Board (GASB) Statements No. 68 and 75 are fully implemented. More information regarding these GASB pronouncements may be found in notes to the financial statements.

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**GENERAL FUND**

**FUNDING SOURCES (REVENUES)**

There are three funding sources which are responsible for a majority of the revenues received by District (General Fund only) during the fiscal year, which runs from July 1 through June 30. Following is a break down of those funding sources from 2019-2020, along with comparative amounts from the 2018-2019 school year. Also listed is the difference between the amounts received in those two years:

| Source  | 2019-20<br>Received | 2018-19<br>Received | Difference<br>Favorable<br>(Unfavorable) |
|---------|---------------------|---------------------|------------------------------------------|
| Local   | \$23,371,028        | \$23,184,066        | \$186,962                                |
| State   | \$19,960,842        | \$19,454,224        | \$506,618                                |
| Federal | \$572,529           | \$437,186           | \$135,343                                |
| Total   | <u>\$43,904,399</u> | <u>\$43,075,476</u> | <u>\$828,923</u>                         |

As the information above indicates, the majority of the revenue received by the District is from Local Sources, approximately 53.23% for 2019-2020 compared to 53.82% for the prior year. Within the local sources, the majority of revenue is derived from Current Real Estate Taxes which is about 79.32%. Tax mills in the 2019-2020 school year were 24.7899. A mill is defined as a monetary unit equal to one one-thousandth (1/1000) of one dollar, \$0.001.

The change in assessed value is measured from the printing of the current year tax bills to the printing of the prior year tax bills. The following schedule shows the change by municipality:

**ASSESSMENT COMPARISON**

| Municipality          | 2019 - 20            | 2018 - 19            | Difference         |
|-----------------------|----------------------|----------------------|--------------------|
| Borough of Elizabeth  | \$45,743,315         | \$46,233,115         | (\$489,800)        |
| Township of Elizabeth | \$650,614,937        | \$645,413,437        | \$5,201,500        |
| Township of Forward   | \$171,053,926        | \$170,923,226        | \$130,700          |
| Total                 | <u>\$867,412,178</u> | <u>\$862,569,778</u> | <u>\$4,842,400</u> |

Because of the increase in Assessed Valuation and increase in the tax mills, the District collected \$653,802 more real estate tax revenue for the period. The second largest source of revenue for the District comes from state sources. The largest source of revenue within state sources is Basic Education Funding and accounted for 48.20% of state revenue received, compared to 48.27% in the prior year.

*Source: Tax Collector Reporting*

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

Federal Revenues account for approximately 1.30% of the total revenue. These revenues are No Child Left Behind (NCLB) Title I, Title II, Title IV and Medical Assistance Reimbursement for Administrative Claiming Program.

**LARGEST REAL ESTATE TAXPAYERS**

| <u>Taxpayer</u>               | <u>Principal Business</u> | <u>2018<br/>Assessed Value</u> |
|-------------------------------|---------------------------|--------------------------------|
| Arnoldt Peter & Rosemarie     | Manufacturing             | \$ 4,500,000                   |
| E+E Inc.                      | Manufacturing             | 4,172,500                      |
| Virginia Manor Associates LLC | Apartments                | 3,823,750                      |
| 51 Estates LLP                | Mobile Home/Trailer Park  | 3,733,000                      |
| Mt. Vernon Associates         | Apartments                | 3,400,000                      |
| Balliard Leah LLC             | Shopping Center           | 2,762,900                      |
| SNH/LTA Properties Trust      | Nursing Home              | 2,575,600                      |
| RX Elizabeth Investors        | Pharmacy                  | 2,400,000                      |
| Quail Acres Estates LLC       | Apartments                | 2,164,000                      |
| Echo GetGo Partners           | Convenience Store/Fuel    | 1,810,700                      |
|                               |                           | <u>\$ 31,342,450</u>           |

*Source: Allegheny County Office of Property Tax Assessment*

**REAL ESTATE TAX COLLECTION HISTORY  
Years Ending June 30,**

|                                             | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Assessed Valuation                          | \$ 867,412,178 | \$ 862,569,778 | \$ 860,306,248 | \$ 858,653,573 | \$ 860,784,303 |
| Current Levy*                               | 20,203,908     | 19,420,920     | 18,461,535     | 17,596,912     | 16,437,350     |
| Current Collections                         | 18,547,256     | 17,893,454     | 16,763,705     | 15,799,622     | 15,023,795     |
| Current and Delinquent Collection           | 19,811,417     | 19,248,219     | 18,347,339     | 17,227,656     | 16,226,026     |
| Percent Current Collections to Current Levy | 92%            | 92%            | 91%            | 90%            | 91%            |
| Percent Total Collections to Current Levy   | 98%            | 99%            | 99%            | 98%            | 99%            |

*\* Net of Homestead Exclusion*

*Source: School District Financial Reports*

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**HISTORY OF TAX ANTICIPATION NOTE FINANCING**

The following table reflects the history of Tax Anticipation Note Financings by the School District

| <b><u>Year Ending June 30,</u></b> | <b><u>Principal Amount of Tax Anticipation Note</u></b> |
|------------------------------------|---------------------------------------------------------|
| 2020                               | \$0                                                     |
| 2019                               | \$3,000,000                                             |
| 2018                               | \$3,000,000                                             |
| 2017                               | \$3,200,000                                             |
| 2016                               | \$9,451,000                                             |
| 2015                               | \$2,800,000                                             |
| 2014                               | \$2,400,000                                             |
| 2013                               | \$3,400,000                                             |

*Source: School District Officials*

**EXPENDITURES (GENERAL FUND ONLY)**

Expenditures are represented below with 71.5% of funds used for wages, employer payroll taxes, and employee optional fringe benefits:

| <b>Major Function</b>                  | <b>2019 - 20</b>    | <b>2018 - 19</b>    |
|----------------------------------------|---------------------|---------------------|
| Instruction                            | \$24,292,855        | \$24,480,208        |
| Support Services                       | \$13,130,512        | \$13,737,874        |
| Operation of Noninstructional Services | \$1,175,809         | \$1,232,224         |
| Facilities Acquisition & Improvements  | \$0                 | \$0                 |
| Other Expenditures & Financing Uses    | \$4,065,067         | \$4,311,354         |
| Total                                  | <u>\$42,664,243</u> | <u>\$43,761,660</u> |

**FUND BALANCE (GENERAL FUND ONLY)**

Unassigned Fund Balance is that portion of the fund balance, which is appropriable for expenditures or amounts not legally or otherwise segregated for a specific or tentative future use. The General Fund ending fund balance as of June 30, 2020 is \$4,073,233. This is 9.55% of expenditures for the current year.

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**SCHOOL BUILDING FACILITIES**

The School District is currently organized on the following grade level structure: K-5, 6-8 and 9-12. The following table depicts the component elements of the existing physical plant of the School District.

|                    | <b><u>Year Built</u></b> | <b><u>Additions, Renovations</u></b> | <b><u>Grades Served</u></b> | <b><u>Enrollment 2019-2020</u></b> |
|--------------------|--------------------------|--------------------------------------|-----------------------------|------------------------------------|
| <b>Elementary</b>  |                          |                                      |                             |                                    |
| Central            | 1951                     | 1955; 1972; 1997                     | K - 5                       | 295                                |
| Greenock           | 1950                     | 1955; 1972, 1976; 1997               | K, 1 & 2                    | 201                                |
| Mt. Vernon         | 1962                     | 1997                                 | 3, 4 & 5                    | 195                                |
| William Penn       | 1955                     | 1972; 1976; 1997                     | K - 5                       | 350                                |
| <b>Secondary</b>   |                          |                                      |                             |                                    |
| Middle School      | 1966                     | 1976; 1990                           | 6-8                         | 563                                |
| Senior High School | 1966                     | 1976; 1990                           | 9-12                        | <u>688</u>                         |
|                    |                          |                                      | Total                       | 2,292                              |

Source: School District Officials

**ENROLLMENT HISTORY & PROJECTIONS**

Actual and projected enrollments of the School District as shown below:

| <b><u>School Year Ending June 30th</u></b> | <b><u>K-5</u></b> | <b><u>6-8</u></b> | <b><u>9-12</u></b> | <b><u>Total</u></b> |
|--------------------------------------------|-------------------|-------------------|--------------------|---------------------|
| 2023 (projected).....                      | 1,028             | 553               | 747                | 2,307               |
| 2022 (anticipated).....                    | 1,034             | 569               | 740                | 2,322               |
| 2021 .....                                 | 1,047             | 562               | 702                | 2,292               |
| <b>2020</b> .....                          | <b>1,041</b>      | <b>564</b>        | <b>691</b>         | <b>2,292</b>        |
| 2019.....                                  | 1,046             | 572               | 711                | 2,329               |
| 2018.....                                  | 1,034             | 540               | 729                | 2,303               |
| 2017 .....                                 | 1,063             | 519               | 738                | 2,320               |
| 2016 .....                                 | 1,082             | 507               | 763                | 2,352               |
| 2015 .....                                 | 1,049             | 509               | 788                | 2,346               |
| 2014 .....                                 | 993               | 554               | 808                | 2,355               |
| 2013 .....                                 | 1,001             | 553               | 867                | 2,421               |

Source: School District Officials

**EMPLOYMENT**

The schedule shows School District employment for the year ended June 30, 2020

| <b>Type of Personnel</b>                          | <b>Number</b> |
|---------------------------------------------------|---------------|
| Administrators / Supervisory.....                 | 18            |
| Professional / Instructional.....                 | 183           |
| Custodial, Maintenance and Support Personnel..... | <u>123</u>    |
| Total.....                                        | <u>324</u>    |

Source: School District Officials

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Wages and Salaries**

| <b>School Year Ending<br/>June 30,</b> | <b>Instruction</b> | <b>Support<br/>Services</b> | <b>Non-Instructional<br/>Services</b> | <b>Total</b> |
|----------------------------------------|--------------------|-----------------------------|---------------------------------------|--------------|
| 2020.....                              | \$12,791,773       | \$5,418,133                 | \$559,691                             | \$18,769,597 |
| 2019.....                              | \$12,690,656       | \$5,261,909                 | \$572,854                             | \$18,525,419 |
| 2018.....                              | \$12,314,279       | \$4,973,587                 | \$612,805                             | \$17,900,671 |
| 2017.....                              | \$12,024,078       | \$4,914,085                 | \$587,166                             | \$17,525,329 |
| 2016.....                              | \$11,826,018       | \$4,766,296                 | \$582,576                             | \$17,174,890 |
| 2015.....                              | \$11,894,840       | \$4,644,239                 | \$577,460                             | \$17,116,539 |
| 2014.....                              | \$11,623,193       | \$4,534,460                 | \$577,890                             | \$16,735,543 |

*Source: School District Annual Financial Reports*

**Pension Programs**

Elizabeth Forward School District contractually required contributions is as follows:

| <b>YEAR</b> | <b>CONTRACTUALLY REQUIRED<br/>CONTRIBUTIONS</b> |
|-------------|-------------------------------------------------|
| 2019-2020   | \$5,979,774                                     |
| 2018-2019   | \$5,831,507                                     |
| 2017-2018   | \$5,375,498                                     |
| 2016-2017   | \$4,965,339                                     |
| 2015-2016   | \$3,741,060                                     |
| 2014-2015   | \$3,461,869                                     |
| 2013-2014   | \$2,645,233                                     |

The School District is current on all payments.

*Source: Annual Financial Report*

**Labor Relations**

The professional employees of the School District are represented for purposes of collective bargaining by the Elizabeth Forward Education Association, an affiliate of the Pennsylvania State Education Association (PSEA). The current contract between the School District and the Association expires on June 30, 2021.

Secretarial, Maintenance and Custodial employees of the School District are represented for purposes of collective bargaining by the Elizabeth Forward Education Support Professional Association, which is an affiliate of PSEA. The contract with the School District and the Association expires June 30, 2022.

Several Administrators of the School District are in the Elizabeth Forward Act 93 Group (Group). The Act 93 Agreement is adopted pursuant to Section 1164 of Public School Code of 1949, as amended. The current contract between the School District and the Group expires on June 30, 2023.

*Source: School District Officials*

**ELIZABETH FORWARD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**OTHER ITEMS**

Total Debt on General Obligation Instruments as of June 30, 2020 is \$23,183,678. Of that amount \$3,713,678 are non-callable Bonds with interest rates from 5.85% to 6.03%. Non-callable Bonds are paid in full in year 2029. All Bonds are paid in full on December 1, 2036.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Mr. Albert J. Ragan, CPA, Director of Finance & Operations, Elizabeth Forward School District, District Office, 401 Rock Run Road – Suite 2, Elizabeth, PA 15037.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**EXHIBIT A**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                             |                            |                             |                        |
| <b>Current Assets:</b>                                                    |                            |                             |                        |
| Cash and Cash Equivalents                                                 | \$ 4,743,202               | \$ 61,007                   | \$ 4,804,209           |
| Investments                                                               | 5,406,100                  | -                           | 5,406,100              |
| Internal Balances                                                         | (21,249)                   | 21,249                      | -                      |
| Taxes Receivable, net                                                     | 5,417,140                  | -                           | 5,417,140              |
| Due From Other Governments                                                | 1,848,285                  | -                           | 1,848,285              |
| Other Receivables                                                         | 124,004                    | -                           | 124,004                |
| Prepaid Expenses                                                          | 361,362                    | -                           | 361,362                |
| Inventories                                                               | -                          | 24,752                      | 24,752                 |
| <b>Total Current Assets</b>                                               | <b>\$ 17,878,844</b>       | <b>\$ 107,008</b>           | <b>\$ 17,985,852</b>   |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                        |
| Land                                                                      | \$ 5,794,987               | \$ -                        | \$ 5,794,987           |
| Site Improvements (net)                                                   | 1,705,700                  | -                           | 1,705,700              |
| Building & Building Improvements (net)                                    | 6,672,040                  | -                           | 6,672,040              |
| Furniture & Equipment (net)                                               | 1,259,077                  | 81,526                      | 1,340,603              |
| Infrastructure                                                            | 83,000                     | -                           | 83,000                 |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 15,514,804</b>       | <b>\$ 81,526</b>            | <b>\$ 15,596,330</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 33,393,648</b>       | <b>\$ 188,534</b>           | <b>\$ 33,582,182</b>   |
| <b>Deferred Outflows of Resources:</b>                                    |                            |                             |                        |
| Deferred Outflows Related to OPEB                                         | \$ 551,734                 | \$ -                        | \$ 551,734             |
| Deferred Outflows Related to Pension                                      | 8,310,774                  | -                           | 8,310,774              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 8,862,508</b>        | <b>\$ -</b>                 | <b>\$ 8,862,508</b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>\$ 42,256,156</b>       | <b>\$ 188,534</b>           | <b>\$ 42,444,690</b>   |
| <b>LIABILITIES</b>                                                        |                            |                             |                        |
| <b>Current Liabilities:</b>                                               |                            |                             |                        |
| Accounts Payable                                                          | \$ 321,563                 | \$ -                        | \$ 321,563             |
| Bonds Payable - Current Portion                                           | 913,495                    | -                           | 913,495                |
| Capital Lease Payable - Current Portion                                   | 407,822                    | -                           | 407,822                |
| Accrued Interest                                                          | 1,474,568                  | -                           | 1,474,568              |
| Accrued Salaries and Benefits                                             | 4,905,066                  | -                           | 4,905,066              |
| Payroll Deductions and Withholdings                                       | 180,480                    | -                           | 180,480                |
| Unearned Revenue                                                          | 158,676                    | -                           | 158,676                |
| <b>Total Current Liabilities</b>                                          | <b>\$ 8,361,670</b>        | <b>\$ -</b>                 | <b>\$ 8,361,670</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                        |
| Bonds Payable - Long Term Portion (Net)                                   | \$ 21,949,727              | \$ -                        | \$ 21,949,727          |
| Capital Lease Payable - Long Term Portion                                 | 367,047                    | -                           | 367,047                |
| Compensated Absences                                                      | 883,793                    | -                           | 883,793                |
| Net Pension Liability                                                     | 60,864,000                 | -                           | 60,864,000             |
| Net OPEB Liability                                                        | 5,680,254                  | -                           | 5,680,254              |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 89,744,821</b>       | <b>\$ -</b>                 | <b>\$ 89,744,821</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 98,106,491</b>       | <b>\$ -</b>                 | <b>\$ 98,106,491</b>   |
| <b>Deferred Inflows of Resources:</b>                                     |                            |                             |                        |
| Deferred Inflows Related to OPEB                                          | \$ 157,785                 | \$ -                        | \$ 157,785             |
| Deferred Inflows Related to Pension                                       | 2,584,000                  | -                           | 2,584,000              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 2,741,785</b>        | <b>\$ -</b>                 | <b>\$ 2,741,785</b>    |
| <b>NET POSITION</b>                                                       |                            |                             |                        |
| Net Investment in Capital Assets (Deficit)                                | \$ (8,395,375)             | \$ 81,526                   | \$ (8,313,849)         |
| Restricted for Debt Service                                               | 2,150,835                  | -                           | 2,150,835              |
| Unrestricted (Deficit)                                                    | (52,347,580)               | 107,008                     | (52,240,572)           |
| <b>TOTAL NET POSITION (DEFICIT)</b>                                       | <b>\$ (58,592,120)</b>     | <b>\$ 188,534</b>           | <b>\$ (58,403,586)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 42,256,156</b>       | <b>\$ 188,534</b>           | <b>\$ 42,444,690</b>   |

**ELIZABETH FORWARD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs                                          | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|-------------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                             |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                             |                      |                      |                                    |                                  |                                                   |                          |                        |
| Instruction                                                 | \$ 26,169,171        | \$ 219,103           | \$ 6,680,407                       | \$ -                             | \$ (19,269,661)                                   |                          | \$ (19,269,661)        |
| Instructional Student Support                               | 3,683,697            | -                    | 479,280                            | -                                | (3,204,417)                                       |                          | (3,204,417)            |
| Administrative and Financial Support Services               | 3,910,776            | -                    | 452,949                            | -                                | (3,457,827)                                       |                          | (3,457,827)            |
| Operation and Maintenance of Plant Services                 | 5,008,622            | 87,812               | 646,163                            | -                                | (4,274,647)                                       |                          | (4,274,647)            |
| Pupil Transportation                                        | 1,634,479            | -                    | 984,317                            | -                                | (650,162)                                         |                          | (650,162)              |
| Student Activities                                          | 1,274,875            | 34,744               | 136,747                            | -                                | (1,103,384)                                       |                          | (1,103,384)            |
| Community Services                                          | 2,827                | -                    | -                                  | -                                | (2,827)                                           |                          | (2,827)                |
| Facilities Acquisition                                      | 202,938              | -                    | -                                  | -                                | (202,938)                                         |                          | (202,938)              |
| Interest on Long-Term Debt/Refunds                          | 2,316,476            | -                    | -                                  | 773,096                          | (1,543,380)                                       |                          | (1,543,380)            |
| <b>Total Governmental Activities</b>                        | <b>\$ 44,203,861</b> | <b>\$ 341,659</b>    | <b>\$ 9,379,863</b>                | <b>\$ 773,096</b>                | <b>\$ (33,709,243)</b>                            |                          | <b>\$ (33,709,243)</b> |
| <b>Business-Type activities:</b>                            |                      |                      |                                    |                                  |                                                   |                          |                        |
| Food Service                                                | \$ 904,144           | \$ 340,458           | \$ 555,009                         | \$ -                             | \$ -                                              | \$ (8,677)               | \$ (8,677)             |
| <b>Total Business-Type Activities</b>                       | <b>\$ 904,144</b>    | <b>\$ 340,458</b>    | <b>\$ 555,009</b>                  | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ (8,677)</b>        | <b>\$ (8,677)</b>      |
| <b>Total Primary Government</b>                             | <b>\$ 45,108,005</b> | <b>\$ 682,117</b>    | <b>\$ 9,934,872</b>                | <b>\$ 773,096</b>                | <b>\$ (33,709,243)</b>                            | <b>\$ (8,677)</b>        | <b>\$ (33,717,920)</b> |
| <b>General Revenues:</b>                                    |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                                      |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes, Levied for General Purposes (net)           |                      |                      |                                    |                                  | \$ 19,880,272                                     | \$ -                     | \$ 19,880,272          |
| Other Taxes Levied for General Purposes                     |                      |                      |                                    |                                  | 2,398,597                                         | -                        | 2,398,597              |
| Property Tax Relief                                         |                      |                      |                                    |                                  | 1,299,153                                         | -                        | 1,299,153              |
| Basic Subsidy                                               |                      |                      |                                    |                                  | 9,620,637                                         | -                        | 9,620,637              |
| Investment Earnings                                         |                      |                      |                                    |                                  | 66,411                                            | 63                       | 66,474                 |
| Donations and Contributions                                 |                      |                      |                                    |                                  | 71,777                                            | -                        | 71,777                 |
| Miscellaneous                                               |                      |                      |                                    |                                  | 163,210                                           | -                        | 163,210                |
| Disposition of Assets                                       |                      |                      |                                    |                                  | 235,379                                           | -                        | 235,379                |
| Contribution to Business-Type Activities for Capital Assets |                      |                      |                                    |                                  | (24,894)                                          | 24,894                   | -                      |
| Transfers between Governmental, Business-Type Activities    |                      |                      |                                    |                                  | (17,726)                                          | 17,726                   | -                      |
| <b>Total General Revenues</b>                               |                      |                      |                                    |                                  | <b>\$ 33,692,816</b>                              | <b>\$ 42,683</b>         | <b>\$ 33,735,499</b>   |
| <b>Change in Net Assets</b>                                 |                      |                      |                                    |                                  | <b>\$ (16,427)</b>                                | <b>\$ 34,006</b>         | <b>\$ 17,579</b>       |
| <b>Net Position - July 1, 2019 (Deficit)</b>                |                      |                      |                                    |                                  | <b>(58,575,693)</b>                               | <b>154,528</b>           | <b>(58,421,165)</b>    |
| <b>Net Position - June 30, 2020 (Deficit)</b>               |                      |                      |                                    |                                  | <b>\$ (58,592,120)</b>                            | <b>\$ 188,534</b>        | <b>\$ (58,403,586)</b> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

**EXHIBIT C**

|                                                                                | <b>GENERAL<br/>FUND</b> | <b>SPECIAL<br/>REVENUE<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|----------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                 |                         |                                     |                                     |                                  |                                         |
| Cash and Cash Equivalents                                                      | \$ 4,743,202            | \$ -                                | \$ -                                | \$ -                             | \$ 4,743,202                            |
| Investments                                                                    | 3,036,194               | -                                   | 219,071                             | 2,150,835                        | 5,406,100                               |
| Taxes Receivable, net                                                          | 5,417,140               | -                                   | -                                   | -                                | 5,417,140                               |
| Due From Other Funds                                                           | -                       | -                                   | 790,000                             | -                                | 790,000                                 |
| Due From Other Governments                                                     | 1,848,285               | -                                   | -                                   | -                                | 1,848,285                               |
| Other Receivables                                                              | 124,004                 | -                                   | -                                   | -                                | 124,004                                 |
| Prepaid Expenses                                                               | 361,362                 | -                                   | -                                   | -                                | 361,362                                 |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 15,530,187</b>    | <b>\$ -</b>                         | <b>\$ 1,009,071</b>                 | <b>\$ 2,150,835</b>              | <b>\$ 18,690,093</b>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>           |                         |                                     |                                     |                                  |                                         |
| <b>LIABILITIES:</b>                                                            |                         |                                     |                                     |                                  |                                         |
| Accounts Payable                                                               | \$ 307,975              | \$ -                                | \$ 13,588                           | \$ -                             | \$ 321,563                              |
| Accrued Salaries and Benefits                                                  | 4,905,066               | -                                   | -                                   | -                                | 4,905,066                               |
| Payroll Deductions and Withholdings                                            | 180,480                 | -                                   | -                                   | -                                | 180,480                                 |
| Due to Other Funds                                                             | 811,249                 | -                                   | -                                   | -                                | 811,249                                 |
| Unearned Revenues                                                              | 158,676                 | -                                   | -                                   | -                                | 158,676                                 |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 6,363,446</b>     | <b>\$ -</b>                         | <b>\$ 13,588</b>                    | <b>\$ -</b>                      | <b>\$ 6,377,034</b>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                          |                         |                                     |                                     |                                  |                                         |
| Delinquent Real Estate Taxes                                                   | \$ 5,093,508            | \$ -                                | \$ -                                | \$ -                             | \$ 5,093,508                            |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 5,093,508</b>     | <b>\$ -</b>                         | <b>\$ -</b>                         | <b>\$ -</b>                      | <b>\$ 5,093,508</b>                     |
| <b>FUND BALANCES:</b>                                                          |                         |                                     |                                     |                                  |                                         |
| Nonspendable                                                                   | \$ 361,362              | \$ -                                | \$ -                                | \$ -                             | \$ 361,362                              |
| Restricted                                                                     | -                       | -                                   | 995,483                             | 2,150,835                        | 3,146,318                               |
| Unassigned                                                                     | 3,711,871               | -                                   | -                                   | -                                | 3,711,871                               |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>\$ 4,073,233</b>     | <b>\$ -</b>                         | <b>\$ 995,483</b>                   | <b>\$ 2,150,835</b>              | <b>\$ 7,219,551</b>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 15,530,187</b>    | <b>\$ -</b>                         | <b>\$ 1,009,071</b>                 | <b>\$ 2,150,835</b>              | <b>\$ 18,690,093</b>                    |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|                                                                                                                                                                                                                                          |              |                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                          |              | <b>\$ 7,219,551</b>           |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p>                                                                                                                              |              |                               |
| <p>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 \$63,086,077, and the accumulated depreciation is \$47,571,273</p> |              | 15,514,804                    |
| <p>Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds.</p>      |              | 5,093,508                     |
| <p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>                                                                                    |              |                               |
| Deferred outflows of resources related to pensions                                                                                                                                                                                       |              | 8,310,774                     |
| Deferred outflows of resources related to OPEB                                                                                                                                                                                           |              | 551,734                       |
| Deferred inflows of resources related to pensions                                                                                                                                                                                        |              | (2,584,000)                   |
| Deferred inflows of resources related to OPEB                                                                                                                                                                                            |              | (157,785)                     |
| <p>Long term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:</p>            |              |                               |
| Bonds payable                                                                                                                                                                                                                            | \$22,863,222 |                               |
| Capital lease payable                                                                                                                                                                                                                    | 774,869      |                               |
| Accrued interest on the bonds                                                                                                                                                                                                            | 1,474,568    |                               |
| Net OPEB liability                                                                                                                                                                                                                       | 5,680,254    |                               |
| Net Pension Liability                                                                                                                                                                                                                    | 60,864,000   |                               |
| Compensated absences                                                                                                                                                                                                                     | 883,793      | (92,540,706)                  |
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                                      |              | <b><u>\$ (58,592,120)</u></b> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                                                              | GENERAL FUND          | SPECIAL<br>REVENUE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|-----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                       |                            |                             |                         |                                |
| Local Sources                                                | \$ 23,371,028         | \$ -                       | \$ 10,876                   | \$ -                    | \$ 23,381,904                  |
| State Sources                                                | 19,960,842            | -                          | -                           | -                       | 19,960,842                     |
| Federal Sources                                              | 572,529               | -                          | -                           | -                       | 572,529                        |
| <b>Total Revenue</b>                                         | <b>\$ 43,904,399</b>  | <b>\$ -</b>                | <b>\$ 10,876</b>            | <b>\$ -</b>             | <b>\$ 43,915,275</b>           |
| <b>EXPENDITURES</b>                                          |                       |                            |                             |                         |                                |
| Instruction                                                  | \$ 24,292,855         | \$ -                       | \$ 213,705                  | \$ -                    | \$ 24,506,560                  |
| Support Services                                             | 13,130,512            | -                          | 72,966                      | -                       | 13,203,478                     |
| Noninstructional Services                                    | 1,175,809             | -                          | 287,071                     | -                       | 1,462,880                      |
| Capital Outlay                                               | -                     | -                          | 897,318                     | -                       | 897,318                        |
| Debt Service                                                 | 94,254                | -                          | -                           | 3,163,206               | 3,257,460                      |
| <b>Total Expenditures</b>                                    | <b>\$ 38,693,430</b>  | <b>\$ -</b>                | <b>\$ 1,471,060</b>         | <b>\$ 3,163,206</b>     | <b>\$ 43,327,696</b>           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 5,210,969</b>   | <b>\$ -</b>                | <b>\$ (1,460,184)</b>       | <b>\$ (3,163,206)</b>   | <b>\$ 587,579</b>              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                            |                             |                         |                                |
| Operating Transfers In                                       | \$ 4,020              | \$ -                       | \$ 790,000                  | \$ 3,163,087            | \$ 3,957,107                   |
| Operating Transfers Out                                      | (3,970,813)           | (4,020)                    | -                           | -                       | (3,974,833)                    |
| Sales of Assets                                              | 235,379               | -                          | -                           | (2,079)                 | 233,300                        |
| Refund prior year expense                                    | 12,622                | -                          | -                           | -                       | 12,622                         |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (3,718,792)</b> | <b>\$ (4,020)</b>          | <b>\$ 790,000</b>           | <b>\$ 3,161,008</b>     | <b>\$ 228,196</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 1,492,177</b>   | <b>\$ (4,020)</b>          | <b>\$ (670,184)</b>         | <b>\$ (2,198)</b>       | <b>\$ 815,775</b>              |
| FUND BALANCE - JULY 1, 2019                                  | 2,581,056             | 4,020                      | 1,665,667                   | 2,153,033               | 6,403,776                      |
| <b>FUND BALANCE - JUNE 30, 2020</b>                          | <b>\$ 4,073,233</b>   | <b>\$ -</b>                | <b>\$ 995,483</b>           | <b>\$ 2,150,835</b>     | <b>\$ 7,219,551</b>            |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 815,775**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,034,783) exceeds capital outlays (\$883,760) in the period. (1,151,023)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,459,626

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (899,733)

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. (49,836)

Bond discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the note as interest expense. (36,515)

Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflow of resources increased by this amount this year. 68,855

In the statement of activities, certain operating expenses - compensated absences and retiree health benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, compensated absences and the net OPEB earned exceeded the amount paid. (223,576)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (16,427)**

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                                                               | Budgeted Amounts      |                       | Actual                | Variance with<br>Final Budget<br>Positive<br>Negative |
|---------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------------------------|
|                                                               | Original              | Final                 | (Budgetary Basis)     | (Negative)                                            |
| <b>REVENUES</b>                                               |                       |                       |                       |                                                       |
| Local Sources                                                 | \$ 23,152,678         | \$ 23,427,678         | \$ 23,371,028         | \$ (56,650)                                           |
| State Sources                                                 | 19,904,482            | 19,654,482            | 19,960,842            | 306,360                                               |
| Federal Sources                                               | 595,615               | 570,615               | 572,529               | 1,914                                                 |
| <b>Total Revenues</b>                                         | <b>\$ 43,652,775</b>  | <b>\$ 43,652,775</b>  | <b>\$ 43,904,399</b>  | <b>\$ 251,624</b>                                     |
| <b>EXPENDITURES</b>                                           |                       |                       |                       |                                                       |
| Regular Programs                                              | \$ 17,824,575         | \$ 17,190,575         | \$ 16,774,591         | \$ 415,984                                            |
| Special Programs                                              | 5,524,656             | 5,794,656             | 5,796,236             | (1,580)                                               |
| Vocational Programs                                           | 1,508,661             | 1,538,661             | 1,538,727             | (66)                                                  |
| Other Instructional Programs                                  | 177,072               | 177,072               | 180,996               | (3,924)                                               |
| Adult Education Programs                                      | 1,866                 | 1,866                 | 2,305                 | (439)                                                 |
| University/College Education Programs                         | 1,000                 | 1,000                 | -                     | 1,000                                                 |
| Pupil Personnel Services                                      | 1,268,959             | 1,268,959             | 1,230,196             | 38,763                                                |
| Instructional Staff Services                                  | 1,713,310             | 1,713,310             | 1,607,442             | 105,868                                               |
| Administrative Services                                       | 2,759,169             | 2,759,169             | 2,660,908             | 98,261                                                |
| Pupil Health                                                  | 653,066               | 653,066               | 518,948               | 134,118                                               |
| Business Services                                             | 569,420               | 629,420               | 621,385               | 8,035                                                 |
| Operation & Maintenance of Plant Services                     | 4,456,144             | 4,730,144             | 4,540,717             | 189,427                                               |
| Student Transportation Services                               | 2,074,621             | 2,074,621             | 1,634,150             | 440,471                                               |
| Central Services                                              | 327,684               | 327,684               | 294,525               | 33,159                                                |
| Other Support Services                                        | 24,024                | 24,024                | 22,241                | 1,783                                                 |
| Student Activities                                            | 1,199,316             | 1,199,316             | 1,172,980             | 26,336                                                |
| Community Services                                            | 3,490                 | 3,490                 | 2,829                 | 661                                                   |
| Debt Service                                                  | 110,701               | 110,701               | 94,254                | 16,447                                                |
| <b>Total Expenditures</b>                                     | <b>\$ 40,197,734</b>  | <b>\$ 40,197,734</b>  | <b>\$ 38,693,430</b>  | <b>\$ 1,504,304</b>                                   |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 3,455,041</b>   | <b>\$ 3,455,041</b>   | <b>\$ 5,210,969</b>   | <b>\$ 1,755,928</b>                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                       |                                                       |
| Operating Transfers In                                        | \$ -                  | \$ -                  | \$ 4,020              | \$ 4,020                                              |
| Operating Transfers Out                                       | (3,982,943)           | (3,982,943)           | (3,970,813)           | 12,130                                                |
| Sale of Assets                                                | -                     | -                     | 235,379               | 235,379                                               |
| Refund of prior year expense                                  | -                     | -                     | 12,622                | 12,622                                                |
| Budgetary Reserve                                             | (250,317)             | (250,317)             | -                     | 250,317                                               |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (4,233,260)</b> | <b>\$ (4,233,260)</b> | <b>\$ (3,718,792)</b> | <b>\$ 514,468</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (778,219)</b>   | <b>\$ (778,219)</b>   | <b>\$ 1,492,177</b>   | <b>\$ 2,270,396</b>                                   |
| FUND BALANCE - JULY 1, 2019                                   | 2,886,646             | 2,886,646             | 2,581,056             | (305,590)                                             |
| <b>FUND BALANCE - JUNE 30, 2020</b>                           | <b>\$ 2,108,427</b>   | <b>\$ 2,108,427</b>   | <b>\$ 4,073,233</b>   | <b>\$ 1,964,806</b>                                   |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|                                  | <b><u>FOOD<br/>SERVICES</u></b> |
|----------------------------------|---------------------------------|
| <b>ASSETS</b>                    |                                 |
| <b>Current Assets:</b>           |                                 |
| Cash and Cash Equivalents        | \$ 61,007                       |
| Due from General Fund            | 21,249                          |
| Inventories                      | 24,752                          |
| <b>TOTAL CURRENT ASSETS</b>      | <b><u>\$ 107,008</u></b>        |
| <b>Noncurrent Assets:</b>        |                                 |
| Furniture and Equipment (net)    | \$ 81,526                       |
| <b>TOTAL NONCURRENT ASSETS</b>   | <b><u>\$ 81,526</u></b>         |
| <b>TOTAL ASSETS</b>              | <b><u><u>\$ 188,534</u></u></b> |
| <b>NET POSITION</b>              |                                 |
| Net Investment in Capital Assets | \$ 81,526                       |
| Unrestricted                     | 107,008                         |
| <b>TOTAL NET POSITION</b>        | <b><u><u>\$ 188,534</u></u></b> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                                                | <b>FOOD<br/>SERVICES</b> |
|------------------------------------------------|--------------------------|
| <b><u>OPERATING REVENUES</u></b>               |                          |
| Food Services Revenue                          | \$ 340,458               |
| <b>Total Operating Revenues</b>                | <b>\$ 340,458</b>        |
| <b><u>OPERATING EXPENSES</u></b>               |                          |
| Other Purchased Services                       | \$ 749,839               |
| Supplies                                       | 141,214                  |
| Dues and Fees                                  | 810                      |
| Depreciation                                   | 12,281                   |
| <b>Total Operating Expenses</b>                | <b>\$ 904,144</b>        |
| <br>                                           |                          |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b>\$ (563,686)</b>      |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                          |
| Earnings on investments                        | \$ 63                    |
| State sources                                  | 26,454                   |
| Federal sources                                | 528,555                  |
| Transfer From General Fund                     | 17,726                   |
| Contributions from Capital Project Fund        | 24,894                   |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b>\$ 597,692</b>        |
| <br>                                           |                          |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ 34,006</b>         |
| <br>                                           |                          |
| NET POSITION - JULY 1, 2019                    | 154,528                  |
| <br>                                           |                          |
| NET POSITION - JUNE 30, 2020                   | <b>\$ 188,534</b>        |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                                                                                                                  | <b><u>FOOD<br/>SERVICES</u></b>   |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                               |                                   |
| Cash Received from Users                                                                                         | \$ 332,867                        |
| Cash Payments to Suppliers for Goods and Services                                                                | (878,089)                         |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                          | <b><u>\$ (545,222)</u></b>        |
| <b><u>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                       |                                   |
| State Sources                                                                                                    | \$ 26,454                         |
| Federal Sources                                                                                                  | 465,119                           |
| Transfer from General Fund                                                                                       | 17,726                            |
| <b>Net Cash Provided (Used) by Non-Capital and Related Financing Activities</b>                                  | <b><u>\$ 509,299</u></b>          |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                               |                                   |
| Earnings on Investments                                                                                          | \$ 63                             |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                                          | <b><u>\$ 63</u></b>               |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                      | <b>\$ (35,860)</b>                |
| CASH AND CASH EQUIVALENTS - JULY 1, 2019                                                                         | <u>96,867</u>                     |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2020</b>                                                                 | <b><u><u>\$ 61,007</u></u></b>    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b>        |                                   |
| <b>Operating Income (Loss)</b>                                                                                   | <b>\$ (563,686)</b>               |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                   |
| Depreciation                                                                                                     | 12,281                            |
| Other Adjustments - Donated Commodities                                                                          | 63,436                            |
| (Increase) Decrease in Due to General Fund                                                                       | (13,532)                          |
| (Increase) Decrease in Other Accounts Receivable                                                                 | 5,941                             |
| (Increase) Decrease in Inventories                                                                               | 4,189                             |
| Increase (Decrease) in Accounts Payable                                                                          | (53,851)                          |
| <b>Total Adjustments</b>                                                                                         | <b><u>\$ 18,464</u></b>           |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                                          | <b><u><u>\$ (545,222)</u></u></b> |

**NONCASH NONCAPITAL FINANCING ACTIVITIES:**

During the year, the District received \$63,436 of food commodities from the U.S. Department of Agriculture.

ELIZABETH FORWARD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

|                           | <u>ACTIVITY FUNDS</u>    |
|---------------------------|--------------------------|
| <b>ASSETS</b>             |                          |
| Cash and Cash Equivalents | \$ 106,571               |
| <b>TOTAL ASSETS</b>       | <u><u>\$ 106,571</u></u> |
| <b>LIABILITIES</b>        |                          |
| Other Current Liabilities | \$ 106,571               |
| <b>TOTAL LIABILITIES</b>  | <u><u>\$ 106,571</u></u> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Elizabeth Forward School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This district serves the surrounding municipalities that include the Township of Elizabeth, the Township of Forward, and the Borough of Elizabeth. The School District operates under a locally-elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Elizabeth Forward School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. Generally accepted accounting principles defines component units as legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Elizabeth Forward School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 13). These organizations are:

- Jointly Governed Organizations:
  - Steel Center Area Vocational-Technical School
  - Allegheny Intermediate Unit
- Public Entity Risk Pool:
  - Allegheny County Schools Health Insurance Consortium

The financial statements of the Elizabeth Forward School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION (Continued)**

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or governmental functions are self-financing or draw from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under generally accepted accounting standards, the focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Elizabeth Forward School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds, if any, would be segregated and presented in a single column. Fiduciary funds are reported by fund type.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

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

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Elizabeth Forward School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2020 under the modified accrual basis are **1)** delinquent property taxes held with MBM, **2)** deed transfer taxes for the month of June, **3)** federal and state subsidies earned in the fiscal year 2019-2020, and **4)** other miscellaneous revenues earned in fiscal year 2019-2020 but received subsequent to June 30, 2020. On the governmental fund financial statements, delinquent real estate taxes receivable that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2020 are those for which the Board of Education's intention was to expense these items as budgeted for the 2019-2020 official budget, and for which the District has incurred an obligation, but has not paid as of June 30, 2020.

Allocations of cost such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**SPECIAL REVENUE FUND** - The special revenue fund was established to account for proceeds from the Henry L. Hillman Foundation for targeted learning programs and was approved by the Comptroller's Office of the Pennsylvania Department of Education.

**CAPITAL PROJECT FUND** - The capital project fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of general obligation bonds.

**DEBT SERVICE FUND** - The debt service fund was established to account for debt service payments made on the district's bond issue obligations.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund that accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The District's Agency Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BUDGETS**

On May 29, 2019, the Elizabeth Forward School District adopted its fiscal year June 30, 2020 annual budget for the General Fund totaling \$44,430,994 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. The original and final budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the General Fund lapse at year-end.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS (Continued)**

The School District uses the following procedures in establishing this budgetary data:

- a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other sources of funds used to finance these expenditures.
- b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
- c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.
- d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
- e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
- f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Elizabeth Forward School District is permitted to invest funds consistent with sound business practices in the following types of investments:

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Elizabeth Forward School District deposits pooled for investment purposes with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and money market funds and U.S. Treasury Notes held with Wells Fargo Bank. Investments of the Foundation are reported at fair value.

There were no deposit and investment transactions during the year that were in violation of state statutes.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$4,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method using the ½ year convention over the following useful lives:

| <b><u>CATEGORY</u></b>     | <b><u>USEFUL<br/>LIFE</u></b> |
|----------------------------|-------------------------------|
| Site Improvements          | 20 years                      |
| Buildings and Improvements | 20-50 Years                   |
| Furniture and Equipment    | 5-20 years                    |
| Vehicles                   | 8 Years                       |
| Library Books and Software | 6 Years                       |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur any bond issuance costs during the 2019-2020 fiscal year.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of applicable GASB Statements. Members of the Elizabeth Forward Education Association are entitled to \$60 per day at retirement for all unused sick leave. Members of the Educational Support Personnel Association are entitled at retirement to \$20 per day up to 50 days, \$30 per day from 50-100 days and \$40 per day for over 100 days up to a maximum of 200 days. Act 93 and administrative personnel are entitled to \$100 per day at retirement up to a maximum of \$20,000. Sick leave benefits are accrued as a liability at the time individuals become eligible for retirement in accordance with the terms of the District's collective bargaining agreements. The entire compensated absences liability of \$883,793 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**PENSIONS**

For the 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. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**OTHER POSTEMPLOYMENT BENEFITS**

For the 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 11.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid expenses) are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Finance Committee.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

Act 48 of 2003 prohibits school districts from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Elizabeth Forward School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Elizabeth Forward School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings; **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture; and **3)** transfers from the General Fund. The District did not have non-operating expenses during the fiscal year.

**ESTIMATES**

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

**PENDING GASB PRONOUNCEMENTS**

GASB issued Statement No. 84, '*Fiduciary Activities*'. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

GASB issued Statement No. 87, '*Leases*'. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

GASB issued Statement No. 89, '*Accounting for Interest Cost Incurred before the end of a Construction Period*'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

GASB issued Statement No. 90, '*Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

GASB issued Statement No. 91, '*Conduit Debt Obligations*'. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for the School District's June 30, 2023 financial statements.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS (Continued)**

GASB Statement No. 92, 'Omnibus 2020'. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Statement Nos. 73, 74, 84, and 87. In addition the Statement addresses various topics and includes specific provisions concerning the following:

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (ARO) in a government acquisition
- Reporting by entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The provisions of this statement are effective for the School District's June 30, 2022 financial statements.

GASB Statement No. 93, 'Replacement of Interbank Offered Rates'. The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an interbank offering rate (IBOR). The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

GASB Statement No. 94, 'Public-Private and Public-Public Partnerships and Availability Payment Arrangements'. The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this Statement are effective for the School District's June 30, 2023 financial statements.

The implementation dates of the aforementioned pending GASB Statements have been updated to include the delayed implementation dates as set forth in recently issued (May 2020) GASB Statement No. 95. The effects of implementing these Statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

The following represents the bank balance and carrying value for the Elizabeth Forward School District's cash and cash equivalents at June 30, 2020:

|                      | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|----------------------|-------------------------|---------------------------|
| General Fund         | \$ 4,852,702            | \$ 4,743,202              |
| Capital Project Fund | 5,667                   | (11,075)                  |
| Enterprise Fund      | 91,930                  | 61,007                    |
| Agency Fund          | 110,454                 | 106,571                   |
|                      | <b>\$ 5,060,753</b>     | <b>\$ 4,899,705</b>       |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (CONTINUED)**

The difference between the bank balance and the carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objectives being safety, liquidity and yield. As of June 30, 2020, \$4,806,753 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. The District's investment policy requires a written safe keeping agreement and/or Act 72 agreement with each financial institution acting as depository. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS:**

The fair value and maturity term of the District's investments as of June 30, 2020 is as follows:

|                      | <u>Fair Value</u>   | <u>No Stated<br/>Maturity</u> | <u>Credit Rating</u> |
|----------------------|---------------------|-------------------------------|----------------------|
| <b>Governmental:</b> |                     |                               |                      |
| PSDLAF               | \$ 3,255,265        | \$ 3,255,265                  | AAAm                 |
| Treasury Note        | 2,150,835           | 2,150,835                     | N/A                  |
|                      | <u>\$ 5,406,100</u> | <u>\$ 5,406,100</u>           |                      |

The purpose of the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. These funds are rated by a nationally recognized statistical rating organization as shown above. PSDLAF do not put any limitations or restrictions on withdrawals.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. PSDLAF shares have the characteristics of open-end mutual funds, and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The School District does not have a policy that would limit its investment choices to those with certain credit ratings.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Interest Rate Risk:**

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

**Concentration of Credit Risk:**

The School District places no limit on the amount it may invest in any one issuer.

**Fair Value Measurements:**

The Elizabeth Forward School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following schedule presents the Investments of the District by level within the fair value hierarchy:

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

|                | Value                      | Fair Value Measurements |                            |                    |
|----------------|----------------------------|-------------------------|----------------------------|--------------------|
|                | at 6/30/20                 | Level 1                 | Level 2                    | Level 3            |
| PSDLAF         | \$ 3,255,265               | \$ -                    | \$ -                       | \$ -               |
| Treasury Notes | 2,150,835                  | -                       | 2,150,835                  | -                  |
|                | <b><u>\$ 5,406,100</u></b> | <b><u>\$ -</u></b>      | <b><u>\$ 2,150,835</u></b> | <b><u>\$ -</u></b> |

Investments held in external investment pools such as PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost. In addition, certificates of deposit and money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

**NOTE 3 - PROPERTY TAXES**

The Elizabeth Forward School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2019-2020 fiscal year was 24.7899 mills, which represents \$24.7899 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to August 31, 2019. Collections beginning November 1, 2019 are assessed a 10% penalty. Unpaid taxes are submitted to the District's delinquent real estate tax collector (MBM Collections LLC) for collection. The amount of unpaid 2020 property taxes remitted to the delinquent real estate tax collector totaled approximately \$1,401,131 which is 6.9% of the total dollar assessment of \$20,246,475.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$10,927,730 net of an allowance for doubtful accounts of \$5,834,222. The allowance amount represents management's estimate of prior year property taxes considered un-collectible based on past collection experience. For purposes of the governmental fund financial statements, \$5,093,508 of the above property taxes receivable (net), although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off set as a credit to deferred inflow of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

Taxes receivable are comprised of the following at June 30, 2020:

|                                       |                            |
|---------------------------------------|----------------------------|
| Delinquent Property Taxes (Net)       | \$ 5,093,508               |
| Delinquent Property Taxes - Collected |                            |
| within 60 days of fiscal year end     | 214,752                    |
| Act 511 Taxes - Collected within      |                            |
| 60 days of fiscal year end            | 108,880                    |
|                                       | <b><u>\$ 5,417,140</u></b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position and the governmental funds balance sheet, is comprised of the following:

|                               |                     |
|-------------------------------|---------------------|
| Commonwealth of Pennsylvania: |                     |
| State Subsidies               | \$ 1,612,420        |
| Federal Pass-Through Grants   | 25,275              |
| Tuition                       | 210,590             |
|                               | <b>\$ 1,848,285</b> |

**NOTE 5 – OTHER ACCOUNTS RECEIVABLE**

The amount of 'other accounts receivable', totaling \$124,004, as reflected on the government-wide statement of net position (Exhibit A), the governmental funds balance sheet (Exhibit C), and the proprietary fund's statement of net position (Exhibit H) is comprised of miscellaneous reimbursements due the General Fund and the Proprietary Fund.

**NOTE 6 – PREPAID EXPENSES**

The amount of 'prepaid expenses', totaling \$361,362, as reflected on the government-wide statement of nets assets (Exhibit A) and the governmental funds balance sheet (Exhibit C) are miscellaneous amounts for costs paid related to fiscal year 2020-2021.

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2019-2020 fiscal year was as follows:

|                                                        | <b>Balance<br/>7/1/2019</b> | <b>Additions</b>      | <b>Deductions</b> | <b>Balance<br/>6/30/2020</b> |
|--------------------------------------------------------|-----------------------------|-----------------------|-------------------|------------------------------|
| <b>Governmental Activities</b>                         |                             |                       |                   |                              |
| Land                                                   | \$ 5,794,987                | \$ -                  | \$ -              | \$ 5,794,987                 |
| Site Improvements                                      | 4,575,782                   | 435,955               | -                 | 5,011,737                    |
| Building and Improvements                              | 42,949,454                  | 201,057               | -                 | 43,150,511                   |
| Furniture and Equipment                                | 7,798,670                   | 1,230,172             | -                 | 9,028,842                    |
| Infrastructure                                         | 100,000                     | -                     | -                 | 100,000                      |
| Work in Progress                                       | -                           | -                     | -                 | -                            |
|                                                        | <b>\$ 61,218,893</b>        | <b>\$ 1,867,184</b>   | <b>\$ -</b>       | <b>\$ 63,086,077</b>         |
| <b>Less: Accumulated depreciation</b>                  |                             |                       |                   |                              |
| Site Improvements                                      | \$ (3,174,790)              | \$ (131,247)          | \$ -              | \$ (3,306,037)               |
| Building and Improvements                              | (35,688,687)                | (789,784)             | -                 | (36,478,471)                 |
| Furniture and Equipment                                | (6,658,013)                 | (1,111,752)           | -                 | (7,769,765)                  |
| Infrastructure                                         | (15,000)                    | (2,000)               | -                 | (17,000)                     |
|                                                        | <b>\$ (45,536,490)</b>      | <b>\$ (2,034,783)</b> | <b>\$ -</b>       | <b>\$ (47,571,273)</b>       |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b>\$ 15,682,403</b>        | <b>\$ (167,599)</b>   | <b>\$ -</b>       | <b>\$ 15,514,804</b>         |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - CAPITAL ASSETS (Continued)**

|                                 |                         |                         |                              |
|---------------------------------|-------------------------|-------------------------|------------------------------|
| <b>Business-Type Activities</b> |                         |                         |                              |
| Furniture and Equipment         | \$ 280,590              | \$ 24,894               | \$ - \$ 305,484              |
| Less: Accumulated               |                         |                         |                              |
| Depreciation                    | (211,677)               | (12,281)                | - (223,958)                  |
| <b>Business-Type Activities</b> |                         |                         |                              |
| <b>Capital Assets, Net</b>      | <b><u>\$ 68,913</u></b> | <b><u>\$ 12,613</u></b> | <b><u>\$ - \$ 81,526</u></b> |

Depreciation expense was charged to governmental functions as follows:

|                                               |                            |
|-----------------------------------------------|----------------------------|
| Instruction                                   | \$ 1,386,737               |
| Instructional Student Support                 | 193,443                    |
| Administrative and Financial Support Services | 200,937                    |
| Operation and Maintenance of Plant Services   | 192,993                    |
| Student & Community Activities                | 60,673                     |
|                                               | <b><u>\$ 2,034,783</u></b> |

**NOTE 8 – UNEARNED REVENUE**

Unearned revenue of \$158,676 represents funds received by the District in connection with its technology protection fund to self-insure for the repair and replacement of damaged iPads loaned to District students and teachers and funds received for scholarships and other miscellaneous purposes anticipated to be used during the 2020-2021 fiscal year.

**NOTE 9 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS - SERIES of 1995B**

In June of 1995, the Elizabeth Forward School District issued General Obligation Bonds, Series of 1995B in the amount of \$8,154,666 for the purpose of refinancing certain of the District's Bond indebtedness and paying the costs of issuing the bonds. The bonds are capital appreciation bonds issued in denominations of \$5,000. Interest rates on the capital appreciation bonds range between 6.0 and 6.3% with the bonds scheduled to mature on September 1, 2024. The bonds are not subject to optional redemption prior to maturity. A summary of General Obligation Bonds – Series of 1995B outstanding at June 30, 2020 is as follows:

| <b><u>Year End</u></b> | <b><u>Principal</u></b>    | <b><u>Interest</u></b>      | <b><u>Total</u></b>         |
|------------------------|----------------------------|-----------------------------|-----------------------------|
| <b><u>June 30,</u></b> |                            |                             |                             |
| 2021                   | \$ 457,002                 | \$ 1,712,998                | \$ 2,170,000                |
| 2022                   | 429,508                    | 1,740,492                   | 2,170,000                   |
| 2023                   | 403,685                    | 1,766,315                   | 2,170,000                   |
| 2024                   | 379,403                    | 1,790,597                   | 2,170,000                   |
| 2025                   | 713,970                    | 3,631,030                   | 4,345,000                   |
|                        | <b><u>\$ 2,383,568</u></b> | <b><u>\$ 10,641,432</u></b> | <b><u>\$ 13,025,000</u></b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**BONDS PAYABLE - GENERAL OBLIGATION BONDS - SERIES of 1999**

In September of 1999, the Elizabeth Forward School District issued General Obligation Bonds, Series of 1999 in the amount of \$2,730,891 for the purpose of **1)** funding various capital projects of the School District, **2)** funding a capitalized interest fund and **3)** paying a portion of the costs related to the issuance of the bonds. The bonds were issued in denominations of \$5,000. The bonds were issued in the form of current interest bonds and capital appreciation bonds. The current interest bonds fully matured during the 2009-2010 fiscal year. Interest rates range between 5.85 and 6.025% on the remaining Capital Appreciation Bonds which are scheduled to mature on September 1, 2029. The Capital Appreciation Bonds are not subject to redemption prior to maturity. A summary of General Obligation Bonds – Series of 1999 outstanding at June 30, 2020 is as follows:

| <b>Year End<br/>June 30,</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>               |
|------------------------------|----------------------------|----------------------------|----------------------------|
| 2021                         | \$ 1,493                   | \$ 3,507                   | \$ 5,000                   |
| 2022                         | 1,409                      | 3,591                      | 5,000                      |
| 2023                         | 1,330                      | 3,670                      | 5,000                      |
| 2024                         | 1,256                      | 3,744                      | 5,000                      |
| 2025                         | 1,185                      | 3,815                      | 5,000                      |
| 2026-2030                    | 1,323,437                  | 5,601,564                  | 6,925,001                  |
|                              | <b><u>\$ 1,330,110</u></b> | <b><u>\$ 5,619,891</u></b> | <b><u>\$ 6,950,001</u></b> |

**BONDS PAYABLE - GENERAL OBLIGATION BONDS - SERIES A and B of 2012**

In November of 2012, the Elizabeth Forward School District issued General Obligation Bonds, Series A and B of 2012 in the amounts of \$6,255,000 and \$2,970,000 respectively. The purpose of the Series A bonds is for **1)** refunding on a current basis, the District's outstanding general obligation notes – Series A of 2007, **2)** refunding a former bank loan with PNC Bank, **3)** finance various capital projects within the District and **4)** paying the costs and expenses related to the issuance of the bonds. The purpose of the Series B bonds is for **1)** refunding on a current basis, the District's outstanding general obligation notes – Series B of 2007, **2)** finance various capital projects within the District and **3)** paying the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. Interest rates range between 2.0 and 3.125% with the Series A and B bonds scheduled to mature on December 1, 2036 and December 1, 2033 respectively. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

A summary of General Obligation Bonds – Series A and B of 2012 outstanding at June 30, 2020 is as follows:

| <b>Year End<br/>June 30,</b> | <b>Series</b>              |                            |                            |                           | <b>Total</b>                |
|------------------------------|----------------------------|----------------------------|----------------------------|---------------------------|-----------------------------|
|                              | <b>2012A<br/>Principal</b> | <b>2012A<br/>Interest</b>  | <b>2012B<br/>Principal</b> | <b>2012B<br/>Interest</b> |                             |
| 2021                         | \$ 40,000                  | \$ 139,781                 | \$ 30,000                  | \$ 83,819                 | \$ 293,600                  |
| 2022                         | 40,000                     | 138,956                    | 30,000                     | 83,199                    | 292,155                     |
| 2023                         | 40,000                     | 138,080                    | 35,000                     | 82,486                    | 295,566                     |
| 2024                         | 40,000                     | 137,156                    | 35,000                     | 81,678                    | 293,834                     |
| 2025                         | 45,000                     | 136,091                    | 30,000                     | 80,869                    | 291,960                     |
| 2026-2030                    | 230,000                    | 662,331                    | 170,000                    | 391,219                   | 1,453,550                   |
| 2031-2035                    | 1,915,000                  | 581,643                    | 2,525,000                  | 196,725                   | 5,218,368                   |
| 2036-2037                    | 2,250,000                  | 70,782                     | -                          | -                         | 2,320,782                   |
|                              | <b><u>\$ 4,600,000</u></b> | <b><u>\$ 2,004,820</u></b> | <b><u>\$ 2,855,000</u></b> | <b><u>\$ 999,995</u></b>  | <b><u>\$ 10,459,815</u></b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**BONDS PAYABLE - GENERAL OBLIGATION BONDS - SERIES A of 2016**

In June of 2016, the Elizabeth Forward School District issued General Obligation Bonds, Series A of 2016 in the amounts of \$9,115,000. The purpose of the Series A bonds is for refunding on a current basis, the District's outstanding general obligation bonds – Series of 2011, and paying the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. Interest rates range between 2.0 and 2.75% with the bonds scheduled to mature on March 1, 2032. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**BONDS PAYABLE - GENERAL OBLIGATION BONDS - SERIES B and C of 2016**

On July 19, 2016, the Elizabeth Forward School District issued General Obligation Bonds Series B and C of 2016 in the amounts of \$2,405,000 and \$1,610,000 respectively. 2012 issue and pay for the cost of the issuance. The purpose of the Series C issue is to provide funds for various capital improvements to be undertaken in the District and pay for the cost of the issuance. The bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The interest rates to be paid on the Series B and C issues range between 1.75%-2.875% and 2.875%-3% respectively and the maturity dates of the B and C issues are December 1, 2034 and December 1, 2036. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

A summary of General Obligation Bonds – Series A, Series B and C of 2016 outstanding at June 30, 2020 is as follows:

| Year End<br>June 30, | Series              |                     |                     |                   |                     |                   | Total                |
|----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|-------------------|----------------------|
|                      | 2016A<br>Principal  | 2016A<br>Interest   | 2016B<br>Principal  | 2016B<br>Interest | 2016C<br>Principal  | 2016C<br>Interest |                      |
| 2021                 | \$ 380,000          | \$ 190,969          | \$ 5,000            | \$ 66,836         | \$ -                | \$ 47,800         | \$ 690,605           |
| 2022                 | 385,000             | 183,319             | 5,000               | 66,749            | -                   | 47,800            | 687,868              |
| 2023                 | 395,000             | 175,518             | 5,000               | 66,651            | -                   | 47,800            | 689,969              |
| 2024                 | 410,000             | 167,468             | 5,000               | 66,545            | -                   | 47,800            | 696,813              |
| 2025                 | 410,000             | 159,268             | 5,000               | 66,439            | -                   | 47,800            | 688,507              |
| 2026-2030            | 2,270,000           | 646,842             | 25,000              | 330,491           | -                   | 239,000           | 3,511,333            |
| 2031-2035            | 3,765,000           | 102,010             | 2,340,000           | 238,992           | 400,000             | 233,250           | 7,079,252            |
| 2036-2037            | -                   | -                   | -                   | -                 | 1,210,000           | 18,450            | 1,228,450            |
|                      | <b>\$ 8,015,000</b> | <b>\$ 1,625,394</b> | <b>\$ 2,390,000</b> | <b>\$ 902,703</b> | <b>\$ 1,610,000</b> | <b>\$ 729,700</b> | <b>\$ 15,272,797</b> |

**DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS – ALL BONDS**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Local Government Unit Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of Allegheny County. The Act provides any judgement shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies described.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

In connection with the School District's various outstanding general obligation bond issues, the District paid approximately \$595,296 in bond discount costs and capitalized interest. These costs are being amortized on a straight-line basis over the life of the bond issue. The un-amortized amount of bond discount costs and capitalized interest totaling \$320,456 is reflected as a reduction against 'Bonds Payable – Long-Term Portion' in the governmental activities column on the government-wide statement of net position. Amortization of bond discount and capitalized interest totaled \$36,515 for the year ended June 30, 2020 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

In accordance with Securities and Exchange Commission Rule 15c2-12 Disclosure, the Elizabeth Forward School District filed, posted, and uploaded the District's Annual Financial Report for the year ended June 30, 2020 to Electronic Municipal Market Access (EMMA) on December 31, 2020. The District's audited financial statements are filed, posted, and uploaded to EMMA following acceptance of the report by the Board of School Directors of the Elizabeth Forward School District.

**DIRECT BORROWINGS – LEASE PURCHASE AGREEMENTS**

In February of 2018, the Elizabeth Forward School District entered into a capital lease agreement with Apple, Inc. in the amount \$213,180 for the purchase of Macbooks for teachers and administrative personnel in the District. The lease calls for three (3) annual principal and interest payments of \$54,527 at an interest rate of 3.60% beginning on December 15, 2018. The lease is scheduled to mature on December 15, 2020. A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with Apple, Inc. at June 30, 2020 is as follows:

| <b><u>Year End</u></b><br><b><u>June 30</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b>     |
|-------------------------------------------------|-------------------------|------------------------|-------------------------|
| 2021                                            | \$ 53,623               | \$ 904                 | \$ 54,527               |
|                                                 | -                       | -                      | -                       |
|                                                 | <b><u>\$ 53,623</u></b> | <b><u>\$ 904</u></b>   | <b><u>\$ 54,527</u></b> |

In July of 2019, the Elizabeth Forward School District entered into a capital lease agreement with Apple, Inc. in the amount \$983,424 for the purchase of iPads for teachers and administrative personnel in the District. The lease calls for three (3) annual principal and interest payments of \$263,250 for the 1<sup>st</sup> year and \$374,250 for the 2<sup>nd</sup> and 3<sup>rd</sup> years at an interest rate of 4.05% beginning on July 1, 2019. The lease is scheduled to mature on December 15, 2021. A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with Apple, Inc. at June 30, 2020 is as follows:

| <b><u>Year End</u></b><br><b><u>June 30</u></b> | <b><u>Principal</u></b>  | <b><u>Interest</u></b>  | <b><u>Total</u></b>      |
|-------------------------------------------------|--------------------------|-------------------------|--------------------------|
| 2021                                            | \$ 354,199               | \$ 20,051               | \$ 374,250               |
| 2022                                            | 367,047                  | 7,203                   | 374,250                  |
|                                                 | <b><u>\$ 721,246</u></b> | <b><u>\$ 27,254</u></b> | <b><u>\$ 748,500</u></b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**DEFAULT PROVISIONS ON LEASE PURCHASE AGREEMENTS**

Upon the occurrence of an event of default, lessor may do any or all of the following: 1.) Provide written notice to the District of the event of default; 2.) declare due and payable any and all amounts due currently and through the end of the lease; and 3.) retake possession of the equipment or require the Lessee to return the equipment at their costs and continue to collect on the amounts due on the lease. The lessor may take whatever action is necessary under the law or in equity to enforce its rights under the lease or as a secured party to the equipment.

The following represents the changes in the District's long-term liabilities during the 2019-2020 fiscal year:

|                          | <b>Balance<br/>7/1/2019</b> | <b>Additions</b>           | <b>Reductions</b>          | <b>Balance<br/>6/30/2020</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|-----------------------------|----------------------------|----------------------------|------------------------------|--------------------------------|
| General Obligation Bonds | \$ 24,121,513               | \$ -                       | \$ 937,835                 | 23,183,678                   | \$ 913,495                     |
| Capital Leases           | 313,236                     | 983,424                    | 521,791                    | 774,869                      | 407,822                        |
| Compensated Absences     | 807,975                     | 75,818                     | -                          | 883,793                      | -                              |
| Net Pension Liability    | 61,350,000                  | -                          | 486,000                    | 60,864,000                   | -                              |
| Net OPEB Liability       | 5,575,386                   | 104,868                    | -                          | 5,680,254                    | -                              |
|                          | <b><u>\$ 92,168,110</u></b> | <b><u>\$ 1,164,110</u></b> | <b><u>\$ 1,945,626</u></b> | <b><u>\$ 91,386,594</u></b>  | <b><u>\$ 1,321,317</u></b>     |

**NOTE 10 - PENSION PLAN**

The Elizabeth Forward School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

PSERS is a governmental cost-sharing multiple-employer defined-benefit 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.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a least 1 year of credited service; (b) age 65 with 3 or more years of credited service; (c) age 67 with at least 3 years of credited service; or (d) 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 three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

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. Act 5 of 2017 preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2019. The Act created two new membership class (Class T-G and T-H). These new membership classes give various options for benefits based on shared risk and gain.

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

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

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) 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 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). 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 10.30% (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 years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%. Membership Class T-G and T-H contributions are between 7.50% and 8.25%.

**Employer Contributions** – Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2020, the rate of employer's contribution was 33.45% 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 employer were \$5,979,774 for the year ended June 30, 2020.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – PENSION PLAN (Continued)**

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

At June 30, 2020, the School District reported a liability of \$60,864,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019 (the measurement date), the School District's proportion was .1301% which was an increase of .0023% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$6,936,038. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                        | \$ 335,000                                | \$ 2,017,000                             |
| Changes in assumptions                                                                   | 582,000                                   | -                                        |
| Net difference between projected and actual investment earnings                          | -                                         | 174,000                                  |
| Changes in proportions                                                                   | 1,414,000                                 | 393,000                                  |
| Difference between employer contributions and proportionate share of total contributions | -                                         | -                                        |
| Contributions subsequent to the measurement date                                         | 5,979,774                                 | -                                        |
|                                                                                          | <u>\$ 8,310,774</u>                       | <u>\$ 2,584,000</u>                      |

The \$5,979,774 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 for the measurement year ended June 30, 2020.

Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Amount</u> |
|---------------------------------------------------------|-------------------------------------------------------|---------------|
| 2020                                                    | 2021                                                  | \$ 471,000    |
| 2021                                                    | 2022                                                  | (491,000)     |
| 2022                                                    | 2023                                                  | (340,000)     |
| 2023                                                    | 2024                                                  | 107,000       |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 - PENSION PLAN (Continued)**

**Actuarial Assumptions**

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

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

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

**Investment Asset Allocation**

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

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

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|-----------------------------------------------|
| Global public equity    | 20.0%                    | 5.60%                                         |
| Fixed Income            | 36.0%                    | 1.90%                                         |
| Commodities             | 8.0%                     | 2.70%                                         |
| Absolute return         | 10.0%                    | 3.40%                                         |
| Risk parity             | 10.0%                    | 4.10%                                         |
| Infrastructure/MLP's    | 8.0%                     | 5.50%                                         |
| Real estate             | 10.0%                    | 4.10%                                         |
| Alternative investments | 15.0%                    | 7.40%                                         |
| Cash                    | 3.0%                     | 0.30%                                         |
| Financing (LIBOR)       | -20.0%                   | 0.70%                                         |
|                         | <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, 2019.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 - PENSION PLAN (Continued)**

**Discount Rate**

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

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

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

|                                                                       | 1%<br>Decrease<br>6.25% | Current<br>Discount<br>Rate<br>7.25% | 1%<br>Increase<br>8.25% |
|-----------------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 75,813,000           | \$ 60,864,000                        | \$ 48,206,000           |

**Pension plan fiduciary net position**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS 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.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria**

Retirees of the System (PSERS) 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

**Plan Description**

Elizabeth Forward School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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.state.pa.us](http://www.psers.state.pa.us).

**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 coverage through either their school employer or PSER's Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

**Contributions**

The District's contractually required contribution for the fiscal year ended June 30, 2020 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. During the 2019-2020 fiscal year, the Elizabeth Forward School District contributed \$149,868 to the premium assistance program.

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

At June 30, 2020, the District reported a liability of \$2,767,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The 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 measurement date), the School District's proportion was .1301% which was an increase of .0023% from its proportion measured as of June 30, 2018.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2020, Elizabeth Forward School District recognized OPEB expense of a \$152,187. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                 | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Net difference between projected and actual investment earnings | \$ 5,000                                  | \$ -                                     |
| Changes in proportions                                          | 82,000                                    | -                                        |
| Difference between expected and actual experience               | 16,000                                    | -                                        |
| Changes in assumptions                                          | 91,000                                    | 82,000                                   |
| Contributions subsequent to the measurement date                | 149,868                                   | -                                        |
|                                                                 | <b>\$ 343,868</b>                         | <b>\$ 82,000</b>                         |

The \$149,868 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2020.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2020                                                    | 2021                                                  | \$ 17,000                      |
| 2021                                                    | 2022                                                  | 17,000                         |
| 2022                                                    | 2023                                                  | 16,000                         |
| 2023                                                    | 2024                                                  | 16,000                         |
| 2024                                                    | 2025                                                  | 29,000                         |
| Thereafter                                              | Thereafter                                            | 17,000                         |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial assumptions**

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

- Actuarial Cost Method – Entry Age Normal – level % of pay
- Investment Return – 2.98% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – 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%

**Investment Asset Allocation**

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

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

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|------------------------|------------------------------|-------------------------------------------------------|
| Cash                   | 13.2%                        | 0.20%                                                 |
| US Core Fixed Income   | 83.1%                        | 1.00%                                                 |
| Non-US Developed Fixed | 3.7%                         | 0.00%                                                 |
|                        | <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, 2019.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Discount Rate**

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

**Sensitivity of the Net OPEB liability to changes in the Discount Rate**

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

|                    | <b>1%</b>       | <b>Current Discount</b> | <b>1%</b>       |
|--------------------|-----------------|-------------------------|-----------------|
|                    | <b>Decrease</b> | <b>Rate</b>             | <b>Increase</b> |
|                    | <b>1.79%</b>    | <b>2.79%</b>            | <b>3.79%</b>    |
| Net OPEB Liability | \$ 3,152,000    | \$ 2,767,000            | \$ 2,448,000    |

**Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trend Rates**

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

The following presents the net OPEB liability of the District as of the June 30 2019 measurement date, calculated using current Healthcare cost trends as well as what the District net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | <b>1%</b>       | <b>Current</b> | <b>1%</b>       |
|--------------------|-----------------|----------------|-----------------|
|                    | <b>Decrease</b> | <b>Trend</b>   | <b>Increase</b> |
|                    | <b>Rates</b>    | <b>Rates</b>   | <b>Rates</b>    |
| Net OPEB Liability | \$ 2,767,000    | \$ 2,767,000   | \$ 2,767,000    |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**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](http://www.psers.pa.gov).

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The Elizabeth Forward School District provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreements. Eligibility requirements for District personnel are as follows:

- Education Association – participants must have completed 30 years of service in the profession and who are at least 60 years of age at retirement.
- Administrators – participants must be 55 years of age, have worked in the District for at least 10 years, and have completed 20 years of PSERS service.

A Memorandum of Understanding between the Elizabeth Forward School District Board of Education and the Elizabeth Forward Education Association established a Professional Employee Early Retirement Incentive Program. The Incentive Program entitles eligible employees to specific health care benefits during the period between retirement and attaining Medicare age. Depending on the date of retirement, members can be responsible for increases in premium cost and contributions based on a percentage of the premium cost.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**Funding Policy**

The contribution requirements of plan members and the School District are negotiated between the District and the union representatives and may be amended by the Elizabeth Forward Board of Education. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Participant Data**

Employees covered by benefit terms as of the July 1, 2018 actuarial valuation were as follows:

|                  | <b>PARTICIPANT<br/>DATA</b> |
|------------------|-----------------------------|
| Active employees | 269                         |
| Inactives        | 29                          |
| Total            | 298                         |

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

The District's total OPEB liability of \$2,913,254 was measured as of July 1, 2019, and was determined by an actuarial valuation performed as of July 1, 2018. The July 1, 2018 valuation reflected the following change in total OPEB liability:

|                                                    |  |                     |
|----------------------------------------------------|--|---------------------|
| Balance at July 1, 2019                            |  | \$ 2,910,386        |
| Changes for the year:                              |  |                     |
| Service cost                                       |  | 181,335             |
| Interest                                           |  | 89,139              |
| Changes of benefit terms                           |  | -                   |
| Differences between expected and actual experience |  | -                   |
| Changes in assumptions or other inputs             |  | (82,100)            |
| Benefit payments                                   |  | (185,506)           |
| Net Changes                                        |  | 2,868               |
| Balance at June 30, 2020                           |  | <b>\$ 2,913,254</b> |

For the year ended June 30, 2020, Elizabeth Forward School District recognized OPEB expense of \$313,522. At June 30, 2020, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between Expected and Actual Experience             | \$ 26,889                                 | \$ -                                     |
| Changes of assumptions                                         | 55,423                                    | <b>75,785</b>                            |
| Benefit Payments subsequent to the Measurement Date - (7/1/19) | 125,554                                   | -                                        |
|                                                                | <b>\$ 207,866</b>                         | <b>\$ 75,785</b>                         |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The \$125,554 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2020.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2020                                                    | 2021                                                  | \$ 2,235                       |
| 2021                                                    | 2022                                                  | 2,235                          |
| 2022                                                    | 2023                                                  | 2,235                          |
| 2023                                                    | 2024                                                  | 2,235                          |
| 2024                                                    | 2025                                                  | 2,235                          |
| Thereafter                                              | Thereafter                                            | (4,648)                        |

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability**

- Discount rate – 3.36% based on S & P Municipal Bond 20 Year High Grade Rate Index at 7/1/18.
- Salary increases – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Rates for new employees start at 22.9% for both men and women and decrease with age and service.
- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.
- Disability – No disability assumed.
- Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
- Percent of eligible retirees electing coverage in plan – 100% of administrators and non-professional non-union staff, 75% of teachers, and 30% of non-professional union staff are assumed to elect coverage. 100% of administrators and non-professional non-union staff and 25% of teachers and non-professional union staff are assumed to elect life insurance coverage. 0% of spouses not receiving a subsidy are assumed to continue coverage upon attainment of age 65.
- Percent married at retirement – 50% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
- Spouse age – Wives are assumed to be two years younger than their husbands.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability (Continued)**

- Per capita claims cost – making use of weighted averages for various plan design, the per capita claims cost for medical and prescription drug is based on the expected portion of the group’s overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Retiree contributions – retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rates.
- Health Care Cost Trend Rate – 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial Value of Assets – Equal to the market value of assets.
- Actuarial cost method – Entry age normal
- Participant data – based on census information as of October 2018.

**Sensitivity of the total 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:

|                      | <b>1%<br/>Decrease<br/>2.36%</b> | <b>Current<br/>Discount<br/>Rate<br/>3.36%</b> | <b>1%<br/>Increase<br/>4.36%</b> |
|----------------------|----------------------------------|------------------------------------------------|----------------------------------|
| Total OPEB Liability | <u><u>\$ 3,132,678</u></u>       | <u><u>\$ 2,913,254</u></u>                     | <u><u>\$ 2,705,206</u></u>       |

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                      | <b>1%<br/>Decrease</b>     | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b>     |
|----------------------|----------------------------|------------------------------------|----------------------------|
| Total OPEB Liability | <u><u>\$ 2,570,687</u></u> | <u><u>\$ 2,913,254</u></u>         | <u><u>\$ 3,316,439</u></u> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**STEEL CENTER AREA VOCATIONAL-TECHNICAL SCHOOL**

The Elizabeth Forward School District, in conjunction with ten other Pennsylvania School Districts, funds the operating budget of the Steel Center Area Vocational-Technical School. The Vocational-Technical School is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Steel Center Area Vocational-Technical School. The School District paid \$480,422 to the Vocational-Technical School during the 2019-2020 fiscal year. A representative from each district's school board sits on the board of the Vocational-Technical School. The Steel Center Area Vocational-Technical School issues separate financial statements annually which can be obtained by contacting the Steel Center Area Vocational-Technical School directly.

**ALLEGHENY INTERMEDIATE UNIT #3**

The Elizabeth Forward School District participates with 42 other School Districts and 5 Vocational-Technical schools located in Allegheny County in the Allegheny County Intermediate Unit #3 (AIU3). The AIU3 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 42 school districts, as well as nonpublic schools and other institutions, located within Allegheny County. The AIU3 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight.

The Allegheny Intermediate Unit is governed by a thirteen (13) member board appointed by the 42 participating school districts on a rotating basis. The School District contributed \$22,241 to AIU3 for operations, institutionalized children, and transportation recovery through subsidy withholdings, for the year ended June 30, 2020. The Allegheny Intermediate Unit issues separate financial statements annually which can be obtained by contacting the AIU directly.

**NOTE 13 - RISK MANAGEMENT**

**GENERAL INSURANCE**

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

**HEALTH INSURANCE**

The Elizabeth Forward School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (ACSHIC) which purchases health benefits on behalf of participating public school districts. The school district is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$3,945,119 for the year ended June 30, 2020.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – RISK MANAGEMENT (Continued)**

**HEALTH INSURANCE (Continued)**

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end date after withdrawal. As of June 30, 2020, the net assets available for benefits of the Consortium were \$75,471,061 of which \$963,292 is attributable to the Elizabeth Forward School District.

**NOTE 14 – CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The Elizabeth Forward School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LEGAL MATTERS**

The Elizabeth Forward School District, in the normal course of operations, is party to various legal matters normally associated with school district such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters. The District is not aware of any current claims, litigation or assessments against the District that would adversely impact the financial position of the District as of the date of this report.

**STATE PERFORMANCE AUDIT**

The State of Pennsylvania Department of the Auditor General completed a performance audit on the District as of July 2020 for the period of July 1, 2014 through June 30, 2018. The District is not aware of any adverse impact to state or federal funding that would result from any findings. A copy of the performance audit report may be obtained from the State of Pennsylvania Department of the Auditor General.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 15 – INTER-FUND TRANSFERS**

Inter-fund transfers made during the 2019-2020 fiscal year were as follows:

|                      | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|----------------------|---------------------|----------------------|
| General Fund         | \$ 4,020            | \$ 3,970,813         |
| Debt Service Fund    | 3,163,087           | -                    |
| Special Reserve Fund | -                   | 4,020                |
| Cafeteria Fund       | 17,726              | -                    |
| Capital Project Fund | 790,000             | -                    |
|                      | <u>\$ 3,974,833</u> | <u>\$ 3,974,833</u>  |

Transfers between the General Fund and Debt Service Fund were made to meet required debt obligation payments of the School District. The transfers to the Cafeteria Fund were to account for revenues owed by the General Fund to the Cafeteria Fund. The transfers to the Capital Project Fund were budgeted amounts transferred for future capital projects.

**NOTE 16 – SUBSEQUENT EVENTS**

Early in 2020, a new strain of the coronavirus (COVID-19) spread through China as well as other countries including the United States. The impact of the virus varies from region to region and from day to day, and any significant additional spreading of the virus could adversely affect the School District's business. The outbreak of the COVID-19 virus is likely to have a further negative impact in 2020-2021 on the global and local economy and, in the future, might impact the School District's financial results in 2020-2021 and beyond. Given the dynamic nature of this outbreak, however, the extent to which the COVID-19 virus impacts the School District's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

Management has determined that there are no additional events subsequent to June 30, 2020 through the January 13, 2021 date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                               | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> |
|-------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability                                                          | 0.1301%            | 0.1278%            | 0.1271%            | 0.1247%            | 0.1292%            | 0.1266%            | 0.1301%            |
| District's proportionate share of the net pension liability                                                 | \$ 60,864,000      | \$ 61,350,000      | \$ 62,773,000      | \$ 61,797,000      | \$ 55,964,000      | \$ 50,109,000      | \$ 53,258,000      |
| District's covered-employee payroll                                                                         | \$ 17,946,242      | \$ 17,215,409      | \$ 16,917,049      | \$ 16,153,703      | \$ 16,585,596      | \$ 16,160,765      | \$ 16,696,322      |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 339.15%            | 356.37%            | 371.06%            | 382.56%            | 337.43%            | 310.07%            | 318.98%            |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 55.66%             | 54.00%             | 51.84%             | 50.14%             | 54.36%             | 57.24%             | 54.49%             |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**ELIZABETH FORWARD AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

|                                                                     | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 5,979,774       | \$ 5,831,507       | \$ 5,375,498       | \$ 4,965,339       | \$ 3,741,060       | \$ 3,461,869       | \$ 2,645,233       | \$ 1,995,855       |
| Contribution in relation to the contractually required contribution | <u>(5,979,774)</u> | <u>(5,831,507)</u> | <u>(5,375,498)</u> | <u>(4,965,339)</u> | <u>(3,741,060)</u> | <u>(3,461,869)</u> | <u>(2,645,233)</u> | <u>(1,995,855)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        |
| District's covered payroll                                          | \$ 18,034,447      | \$ 17,946,242      | 17,215,409         | 16,917,049         | 16,153,703         | 16,585,596         | 16,160,765         | 16,696,322         |
| Contributions as a percentage of covered-employee payroll           | 33.16%             | 32.49%             | 31.22%             | 29.35%             | 23.16%             | 20.87%             | 16.37%             | 11.95%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**PSERS PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                               | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> |
|-------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net OPEB liability                                                             | 0.1301%            | 0.1278%            | 0.1271%            | 0.1247%            |
| District's proportionate share of the net OPEB liability                                                    | \$ 2,767,000       | \$ 2,665,000       | \$ 2,590,000       | \$ 2,686,000       |
| District's covered-employee payroll                                                                         | \$ 17,946,242      | \$ 17,215,409      | \$ 16,917,049      | \$ 16,153,703      |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 15.42%             | 15.48%             | 15.31%             | 16.63%             |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                                  | 5.56%              | 5.56%              | 5.73%              | N/A                |

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

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**  
**PSERS PLAN**  
**JUNE 30,**

|                                                                     | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contributions                                | \$ 149,868       | \$ 148,471       | \$ 140,569       | \$ 137,237       |
| Contribution in relation to the contractually required contribution | <u>(149,868)</u> | <u>(148,471)</u> | <u>(140,569)</u> | <u>(137,237)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll                                          | \$ 18,034,447    | \$ 17,946,242    | 17,215,409       | 16,917,049       |
| Contributions as a percentage of covered-employee payroll           | 0.83%            | 0.83%            | 0.82%            | 0.81%            |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

|                                                                | <b>2020</b>                | <b>2019</b>                | <b>2018</b>                |
|----------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| Service cost                                                   | \$ 181,335                 | \$ 170,542                 | \$ 165,160                 |
| Interest                                                       | 89,139                     | 90,344                     | 71,698                     |
| Changes of benefit terms                                       | -                          | -                          | -                          |
| Differences between expected and actual                        | -                          | 31,779                     | -                          |
| Changes of assumptions or other inputs                         | (82,100)                   | 3,140                      | 70,356                     |
| Benefit payments                                               | (185,506)                  | (220,929)                  | (405,774)                  |
| <b>Net change in net OPEB liability</b>                        | <b>2,868</b>               | <b>74,876</b>              | <b>(98,560)</b>            |
| <b>Net OPEB liability - beginning of year</b>                  | <b>2,910,386</b>           | <b>2,835,510</b>           | <b>2,934,070</b>           |
| <b>Net OPEB liability - end of year</b>                        | <b><u>\$ 2,913,254</u></b> | <b><u>\$ 2,910,386</u></b> | <b><u>\$ 2,835,510</u></b> |
| <br>                                                           |                            |                            |                            |
| Covered-employee payroll                                       | \$ 16,140,191              | \$ 16,140,191              | \$ 15,311,307              |
| <br>                                                           |                            |                            |                            |
| Net OPEB liability as a percentage of covered employee payroll | 18.05%                     | 18.03%                     | 18.52%                     |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2019**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2018**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2019**

The discount rate decreased from 2.98% to 2.79%.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**  
**(Continued)**

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2018**

The discount rate decreased from 3.13% to 2.98%.

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

The discount rate increased from 2.98% to 3.36%.

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The plan does not have a contribution requirement.

**ELIZABETH FORWARD  
SCHOOL DISTRICT**

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND THE UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**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**

**To the Management and Board of Education  
Elizabeth Forward School District**

I 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 Standard* 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 the Elizabeth Forward School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Elizabeth Forward School District's basic financial statements, and have issued my report thereon dated January 13, 2021.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Elizabeth Forward 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elizabeth Forward School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Elizabeth Forward 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 Elizabeth Forward School District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

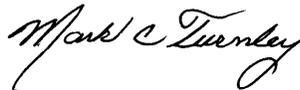
**To the Management and Board of Education  
Elizabeth Forward School District**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Elizabeth Forward School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elizabeth Forward School District'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 Elizabeth Forward School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

January 13, 2021  
New Brighton, Pennsylvania

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

**To the Board of Education  
Elizabeth Forward School District**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Elizabeth Forward 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 the Elizabeth Forward School District's major federal programs for the year ended June 30, 2020. The Elizabeth Forward 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**

My responsibility is to express an opinion on compliance for each of the Elizabeth Forward School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 the Elizabeth Forward School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Elizabeth Forward School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Elizabeth Forward School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Elizabeth Forward 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 my audit of compliance, I considered the Elizabeth Forward 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 my 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, I do not express an opinion on the effectiveness of the Elizabeth Forward 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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



Mark C. Turnley  
Certified Public Accountant

January 13, 2021  
New Brighton, Pennsylvania

**ELIZABETH FORWARD SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR / PROJECT TITLE                      | FUNDING SOURCE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2019-2020 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED  | EXPENDITURES        | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| <b>U.S. Department of Education:</b>                 |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Education:</b>        |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| Title I                                              | Indirect       | 84.010              | 13-200134                   | 7/1/19-9/30/20                       | \$ 296,158           | \$ -                                      | \$ 296,158                 | \$ -                              | \$ 296,158          | \$ 296,158          | \$ -                               |
| Title II - Improving Teacher Quality                 | Indirect       | 84.367              | 20-200134                   | 7/1/19-9/30/20                       | 74,665               | -                                         | 74,665                     | -                                 | 74,665              | 74,665              | -                                  |
| Title IV                                             | Indirect       | 84.424              | 144-200134                  | 7/1/19-9/30/20                       | 22,564               | -                                         | 22,564                     | -                                 | 22,564              | 22,564              | -                                  |
|                                                      |                |                     |                             |                                      |                      | \$ -                                      | \$ 393,387                 | \$ -                              | \$ 393,387          | \$ 393,387          | \$ -                               |
| <b>Passed through Allegheny Intermediate Unit</b>    |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| IDEA                                                 | Indirect       | 84.027              | 062-20-0-003                | 7/1/19-6/30/20                       | \$ 530,499           | \$ -                                      | \$ 530,499                 | \$ -                              | \$ 530,499          | \$ 530,499          | \$ -                               |
| IDEA - Section 619                                   | Indirect       | 84.173              | 131-20-0-003                | 7/1/19-6/30/20                       | 4,216                | -                                         | 4,216                      | -                                 | 4,216               | 4,216               | -                                  |
| Total Special Education (IDEA) Cluster               |                |                     |                             |                                      |                      | \$ -                                      | \$ 534,715                 | \$ -                              | \$ 534,715          | \$ 534,715          | \$ -                               |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                 |                |                     |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 928,102</b>          | <b>\$ -</b>                       | <b>\$ 928,102</b>   | <b>\$ 928,102</b>   | <b>\$ -</b>                        |
| <b>U.S. Department of Agriculture:</b>               |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Education:</b>        |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| National School Lunch Program                        | Indirect       | 10.555              | N/A                         | 7/1/19-6/30/20                       | N/A                  | -                                         | 349,108                    | -                                 | 349,108             | 349,108             | (1) -                              |
| Breakfast Program                                    | Indirect       | 10.553              | N/A                         | 7/1/19-6/30/20                       | N/A                  | -                                         | 116,011                    | -                                 | 116,011             | 116,011             | (1) -                              |
| <b>Passed through Pa. Dept. of Agriculture:</b>      |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| National School Lunch Program                        | Indirect       | 10.555              | N/A                         | 7/1/19-6/30/20                       | N/A                  | -                                         | 63,436 *                   | (28,940) **                       | 67,624              | 67,624              | (1) (24,752)                       |
| Total Child Nutrition Cluster                        |                |                     |                             |                                      |                      | \$ -                                      | \$ 528,555                 | \$ (28,940)                       | \$ 532,743          | \$ 532,743          | \$ (24,752)                        |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>               |                |                     |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 528,555</b>          | <b>\$ (28,940)</b>                | <b>\$ 532,743</b>   | <b>\$ 532,743</b>   | <b>\$ (24,752)</b>                 |
| <b>U.S. Department of Health and Human Services:</b> |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Public Welfare:</b>   |                |                     |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| Title 19                                             | Indirect       | 93.778              | N/A                         | 7/1/19-6/30/20                       | N/A                  | \$ -                                      | \$ -                       | \$ -                              | \$ 7,467            | \$ 7,467            | \$ 5,868                           |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> |                |                     |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ -</b>                | <b>\$ -</b>                       | <b>\$ 7,467</b>     | <b>\$ 7,467</b>     | <b>\$ 5,868</b>                    |
| <b>TOTAL FEDERAL ASSISTANCE</b>                      |                |                     |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,456,657 #</b>      | <b>\$ (28,940)</b>                | <b>\$ 1,468,312</b> | <b>\$ 1,468,312</b> | <b>\$ (18,884)</b>                 |

**# Reconciliation with federal subsidy confirmation:**

|                                         |                     |
|-----------------------------------------|---------------------|
| Per above                               | \$ 1,456,657        |
| PA Smart Grant                          | 7,778.00            |
| School Lunch/Breakfast matching subsidy | 26,454              |
| IDEA                                    | (534,715)           |
| Donated commodities                     | (63,436)            |
| Medical Assistance - ACCESS             | 108,421             |
| Per confirmation                        | <u>\$ 1,001,159</u> |

- \* Total USDA Commodity Received
- \*\* Represents beginning inventory - 7/1/19
- \*\*\* Represents ending inventory - 6/30/20
- (1) Denotes Major Program

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Elizabeth Forward School District for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Elizabeth Forward School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 8 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Elizabeth Forward School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2019-2020 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes Xno
- Significant deficiency(ies) identified? \_\_\_yes Xno

Noncompliance material to financial statements noted? \_\_\_yes Xno

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes Xno
- Significant deficiency(ies) identified? \_\_\_yes Xno

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes Xno

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 10.555                | National School Lunch Program             |
| 10.553                | National School Breakfast Program         |

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Xyes \_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

There were no findings in the audit report of the Elizabeth Forward School District for the year ended June 30, 2019, dated November 9, 2019.