

Audited
Financial
Statements

June 30,
2019

Fairfield Area School District

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fairfield Area School District
Fairfield, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairfield Area School District, as of and for the year ended June 30, 2019, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Area School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, the General Fund Budgetary Comparison Schedule on page 53, and the schedules related to pension and OPEB liabilities on pages 54 - 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fairfield Area School District's basic financial statements. The detailed original budget comparison schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The detailed original budget comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed original budget comparison schedule is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
January 16, 2020

FAIRFIELD AREA SCHOOL DISTRICT

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the Fairfield Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The MD&A is to provide the reader simpler insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review, in detail, the Independent Auditor's Report, financial statements and notes to the financial statements to augment their understanding of the School District's financial performance.

Components of the School District's financial report include this report, basic financial statements outlining the government wide reporting, fund financial statements to include the reconciliatory statements, financial statement footnotes, and other required supplementary information as presented. The notes to the financial statements provide a wealth of information to the reader relative to funds, descriptions and explanations.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the School District as a whole using the accrual method of accounting which is used by private-sector companies. The accrual method recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The Statement of Net Position includes all of the School District's assets and liabilities.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's financial health or position.

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

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

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

- **Governmental activities** – All of the School District's basic services are included here, such as instruction, support services, and administration. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** – The School District operates a food service operation and charges fees to staff, students and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law, while many other funds are established by the District to help manage money for particular purposes.

Governmental funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position,

FAIRFIELD AREA SCHOOL DISTRICT

Management's Discussion and Analysis

not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is concentrated on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information.

Fiduciary funds – The School District is the trustee, or fiduciary, for some scholarship funds as well as student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

The Statement of Net Position provides a consolidation of all governmental funds into one statement with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the School District which, in the case of Fairfield, is the Food Service Fund. It is presented using the accrual basis for accounting.

Fiscal Years Ended June 30, 2019 and 2018

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 16,108,457	\$ 9,946,187	\$ 41,485	\$ 40,934	\$ 16,149,942	\$ 9,987,121
Capital Assets, Net	11,743,053	9,646,075	-	-	11,743,053	9,646,075
Deferred Outflows of Resources						
Deferred Charges on Bond Refunding	349,629	403,925	-	-	349,629	403,925
Deferred Outflows Related to Pension Liability	2,986,935	3,715,579	81,184	108,013	3,068,119	3,823,592
Deferred Outflows Related to OPEB Liability	128,008	99,938	2,351	1,785	130,359	-
Total Assets and Deferred Outflows of Resources	\$ 31,316,082	\$ 23,811,704	\$ 125,020	\$ 155,881	\$ 31,441,102	\$ 23,967,585
Liabilities						
Current Liabilities	\$ 2,984,391	\$ 3,476,826	\$ 11,941	\$ 11,196	\$ 2,996,332	\$ 3,488,022
Non-Current Liabilities	50,194,331	41,214,662	554,836	576,833	50,749,167	41,791,495
Total Liabilities	53,178,722	44,529,312	566,777	553,420	53,745,499	45,279,517
Deferred Inflows of Resources						
Deferred Inflows Related to Pension Liability	925,876	918,619	29,739	20,195	955,615	938,814
Deferred Inflows Related to OPEB Liability	159,565	177,019	3,140	2,907	162,705	-
Total Deferred Inflows of Resources	1,085,441	1,095,638	32,879	23,102	1,118,320	938,814
Net Position						
Net Investment in Capital Assets	(6,372,119)	(6,130,281)	-	-	(6,372,119)	(6,130,281)
Restricted	240,346	142,356	-	-	240,346	142,356
Unrestricted	(16,816,308)	(15,987,497)	(474,636)	(460,399)	(17,290,944)	(16,447,896)
Total Net Position	\$ (22,948,081)	\$ (21,975,422)	\$ (474,636)	\$ (408,898)	\$ (23,422,717)	\$ (22,435,821)

FAIRFIELD AREA SCHOOL DISTRICT Management's Discussion and Analysis

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two categories of program and general. It identifies program revenue as charges for services, operating grants and contributions, and capital grants and contributions and then allocates them to particular expense categories where appropriate.

Fiscal Years Ended June 30, 2019 and 2018 Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues						
Charges for Services	\$ 141,867	\$ 137,954	\$ 243,197	\$ 264,059	\$ 385,064	\$ 402,013
Operating Grants and Contributions	3,238,723	3,031,518	163,124	159,205	3,401,847	3,190,723
Capital Grants and Contributions	178,562	177,792	-	-	178,562	177,792
General Revenues						
Property and Other Levied Taxes	11,499,682	10,881,399	-	-	11,499,682	10,881,399
Grants, Subsidies and Contributions	3,982,674	3,959,799	-	-	3,982,674	3,959,799
Unrestricted						
Interest and Investment Earnings	47,519	43,169	-	-	47,519	43,169
Other	18,228	25,314	-	-	18,228	25,314
Total Revenues	19,107,255	18,256,945	406,321	423,264	19,513,576	18,680,209
EXPENSES						
Instruction	10,732,575	10,854,215	-	-	10,732,575	10,854,215
Instructional Student Support	1,067,925	991,082	-	-	1,067,925	991,082
Administrative/Financial Support	2,098,393	2,018,177	-	-	2,098,393	2,018,177
Operation and Maintenance of Plant	3,781,901	1,495,599	-	-	3,781,901	1,495,599
Pupil Transportation	968,414	981,345	-	-	968,414	981,345
Student Activities	552,406	519,182	-	-	552,406	519,182
Community Services	10,654	8,742	-	-	10,654	8,742
Interest on Long-Term Debt	798,533	503,742	-	-	798,533	503,742
Food Services	-	-	440,558	448,533	440,558	448,533
Total Expenses	20,010,801	17,372,084	440,558	448,533	20,451,359	17,820,617
Excess(Deficiency)Before Transfers	(903,546)	884,861	(34,237)	(25,269)	(937,783)	859,592
Transfers	(20,000)	(10,000)	20,000	10,000	-	-
Changes in Net Position	\$ (923,546)	\$ 874,861	\$ (14,237)	\$ (15,269)	\$ (937,783)	\$ 859,592

Significant Accounting Pronouncements Adopted

GASB recently adopted a standard that significantly changed the accounting and reporting for pension plans. Known as GASB 68, it wanted to improve the calculation and reporting of pension costs to make it more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position and not just as a footnote. **There is an immediate recognition of more components of the pension expense and more extensive disclosures that have a significant negative impact on the Government Wide Statement of Net Position and the Proprietary Fund - Statement of Net Position (Food Service).** The district also implemented GASB 75 in the current year which required a retroactive adjustment of net position, for Other Post-Employment Benefits (OPEB).

FAIRFIELD AREA SCHOOL DISTRICT

Management's Discussion and Analysis

Financial Highlights

The 2018-2019 actual results reflected 62.6% in local revenues, 36.5% in state revenues, .90% in federal revenues, for the General Fund, which reflects little change, from the previous year, in the decreased state and federal funding for districts. The District was awarded \$ 25,000 as part of the new Safe School Grant.

Balance Sheet/Fund Balances:

- **General Fund/Budget** – Total fund balance is \$ 6,311,783; the unassigned portion is currently \$ 3,331,287; assigned equals the portion needed to balance the 2019-2020 budget or \$ 43,731, the restricted portion is \$ 18,000 for future Special Education costs, and the remaining amount of \$ 2,918,765 is committed for capital expenditures as outlined during the 2019-2020 budget process. Some of those items include but are not limited to, textbooks, carpeting, vehicles, library renovation, bleachers, gym flooring, roofing, HVAC, technology, and lockers. The fund balance was negatively impacted during the 2018-2019 fiscal year by \$ 534,800. We originally intended to balance the budget with \$ 344,160 from the existing fund balance. Total revenues overall were \$ 1,102,705 favorable to the original budget mainly due to increased tax collections and a one-time receipt of transportation subsidy dollars totaling \$ 168,310. Donations and miscellaneous revenues were also up but those are offset by a corresponding expense. Overall, we matched our revenue predictions within 6.1% of original budget. Expenditures and other financing sources (uses) were unfavorable to the original budget by \$ 1,295,833. Instructional salaries were favorable by \$ 58,170 and overall health benefits were favorable by \$ 241,655 with the applicable retirement benefit favorable by \$ 90,593. One line item such as repairs and maintenance were significantly over budget. In August of 2018, the district discovered mold in the buildings as a result of a significantly humid summer and mechanicals that do not have the ability to dehumidify. The district entered into an exhaustive remediation project including all classrooms and ductwork. Cost for the remediation, the air quality testing and scope of work, massive equipment rental, and replacement equipment purchases, was \$ 2,193,365.
- **Capital Projects Fund** – A fund balance of \$ 7,340,285 exists to be used for the current and on-going restoration project at both the Elementary and Middle/High School buildings. This project was started in the summer for 2019 and will be finished by the start of the 2020-2021 school year. The District financed the project with a bond issue of \$ 10.6 million. The bond issue occurred in the 2018-2019 fiscal year with the bulk of the work being started in that year and completed in the summer of 2020.
- **Capital Reserve Fund** – A fund balance of \$ 222,346 exists to be used for future capital projects and building needs. A fund transfer of \$ 344,000 was made during 2018-2019 as budgeted and HVAC units were purchased and repairs were made to the elementary roof. In the 2019-2020 budget, \$ 116,000 was budgeted to be transferred into Capital Reserve for specified expenditures.
- **Food Service Fund** – From a strictly operational perspective, with revenues, not including a transfer from the general fund, totaling \$ 406,321 and expenses totaling \$ 440,558 and a transfer of \$ 20,000 was made from the general fund as a result. Entries totaling \$ 6,875 in non-cash expenditures were made due to GASB requirements for compensated absences, PSERS and OPEB liability. Due to the requirements set forth by GASB 68 and because the food service is treated as a proprietary fund, the financials reflect a negative net position of \$ 474,636. This is all non-cash expense and should not be misconstrued as an operating loss beyond the approximate \$ 20,000 as noted above.

FAIRFIELD AREA SCHOOL DISTRICT Management's Discussion and Analysis

- Private Purpose Trust Fund (Memorial and Scholarship) Net Position of \$ 9,996.
- Agency Fund Assets (Student Activities) of \$ 73,554.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$ 37,631,767 invested in capital assets including land, buildings, furniture, and equipment. Accumulated depreciation on the capital assets currently totals \$ 25,888,714, for a net \$ 11,743,053. Food service machinery and equipment is fully depreciated at \$ 260,343.

Net capital assets breakdown is as follows:

	2019	2018
Capital Assets, Net of Depreciation		
Land	\$ 422,050	\$ 422,050
Site Improvements	58,575	70,594
Building and Building Improvements	7,220,450	8,106,303
Furniture and Equipment	914,807	1,047,128
Construction In Progress	<u>3,127,171</u>	<u>-</u>
Net Capital Assets	<u>\$ 11,743,053</u>	<u>\$ 9,646,075</u>

Outstanding Debt on June 30, 2019 and 2018:

	2019	2018
General Obligation Bonds		
Series of 2012A	\$ 3,970,000	\$ 3,970,000
Series of 2012B	2,230,000	2,325,000
Series of 2015	6,165,000	6,200,000
Series of 2016	2,720,000	3,570,000
Series of 2019	9,960,000	-
Series of 2019A	<u>645,000</u>	<u>-</u>
	<u>\$ 25,690,000</u>	<u>\$ 16,065,000</u>

Currently Known Facts, Decisions or Conditions – Future Economic Factors

Obviously, the School District is concerned about many factors such as future Public School Employees' Retirement System (PSERS) requirements, potential tax appeals, facility and technology needs with very large price tags, safety expenditures, and the continuing uncertainty regarding state and federal revenues accompanied by an increase in mandates.

The PSERS percentage for fiscal year 2018-2019 was 33.43 and the percentage for 2019-2020 is 34.29. Estimates for 2020-2021 fiscal year reflect a percentage of 34.51.

For the 2018-2019 fiscal year the Board authorized a millage increase of 1.75% and for the 19-20 fiscal year, the millage authorized was the maximum allowable at 2.7%. They have authorized a resolution for the 2020-2021 fiscal year to not raise taxes beyond the adjusted base index which is 3.1%.

At this time, the District knows of no significant potential litigation.

FAIRFIELD AREA SCHOOL DISTRICT
Management's Discussion and Analysis

CONTACTING THE SCHOOL DISTRICT REGARDING FINANCIAL MANAGEMENT

Our financial reporting is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and show the Board's accountability for the revenue it receives. If you have questions about this report or wish to request additional financial information, please contact Amy B. Simmons, Business Manager at Fairfield Area School District, 4840 Fairfield Rd, Fairfield, Pennsylvania 17320.

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 7,432,318	\$ 40,879	\$ 7,473,197
Receivables			
Taxes	893,843	-	893,843
Intergovernmental	1,511,195	-	1,511,195
Other	5,033	-	5,033
Internal balances	13,377	(13,377)	-
Prepaid expenses	6,214,803	-	6,214,803
Inventories	-	13,983	13,983
Total current assets	<u>16,070,569</u>	<u>41,485</u>	<u>16,112,054</u>
Noncurrent Assets			
Prepaid bond insurance, net	37,888	-	37,888
Capital assets not being depreciated			
Land	422,050	-	422,050
Construction in progress	3,127,171	-	3,127,171
Capital assets net of accumulated depreciation			
Site improvements, net	58,575	-	58,575
Buildings and building improvements, net	7,220,450	-	7,220,450
Furniture and equipment, net	914,807	-	914,807
Total noncurrent assets	<u>11,780,941</u>	<u>-</u>	<u>11,780,941</u>
TOTAL ASSETS	<u>27,851,510</u>	<u>41,485</u>	<u>27,892,995</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	2,986,935	81,184	3,068,119
Deferred outflows related to OPEB liability	128,008	2,351	130,359
Deferred charge on bond refunding	349,629	-	349,629
Total deferred outflows of resources	<u>3,464,572</u>	<u>83,535</u>	<u>3,548,107</u>
Total assets and deferred outflow of resources	<u>\$ 31,316,082</u>	<u>\$ 125,020</u>	<u>\$ 31,441,102</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 87,223	\$ 10,810	\$ 98,033
Accrued salaries and benefits/withholdings	1,464,785	-	1,464,785
Due to other governments	150,445	-	150,445
Accrued interest	169,043	-	169,043
Unearned revenues	31,842	-	31,842
Portion due or payable within one year			
General obligation bonds payable	1,036,726	-	1,036,726
Capital lease payable	18,407	-	18,407
Compensated absences	25,920	1,131	27,051
Total current liabilities	<u>2,984,391</u>	<u>11,941</u>	<u>2,996,332</u>
Noncurrent liabilities			
Portion due or payable after one year			
General obligation bonds payable	24,728,961	-	24,728,961
Capital lease payable	20,992	-	20,992
Compensated absences	77,914	8,774	86,688
Net pension liability	23,204,752	509,248	23,714,000
OPEB liability	2,161,712	36,814	2,198,526
Total noncurrent liabilities	<u>50,194,331</u>	<u>554,836</u>	<u>50,749,167</u>
TOTAL LIABILITIES	<u>53,178,722</u>	<u>566,777</u>	<u>53,745,499</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	925,876	29,739	955,615
Deferred inflows related to OPEB liability	159,565	3,140	162,705
Total deferred inflows of resources	<u>1,085,441</u>	<u>32,879</u>	<u>1,118,320</u>
NET POSITION			
Net investment in capital assets	(6,372,119)	-	(6,372,119)
Restricted	240,346	-	240,346
Unrestricted	(16,816,308)	(474,636)	(17,290,944)
TOTAL NET POSITION	<u>(22,948,081)</u>	<u>(474,636)</u>	<u>(23,422,717)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,316,082</u>	<u>\$ 125,020</u>	<u>\$ 31,441,102</u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 10,732,575	\$ 98,249	\$ 2,036,996	\$ -	\$ (8,597,330)	\$ -	\$ (8,597,330)
Instructional student support	1,067,925	-	120,157	-	(947,768)	-	(947,768)
Administrative and financial support services	2,098,393	-	191,736	-	(1,906,657)	-	(1,906,657)
Operation and maintenance of plant services	3,781,901	-	126,498	-	(3,655,403)	-	(3,655,403)
Pupil transportation	968,414	-	694,953	-	(273,461)	-	(273,461)
Student activities	552,406	43,618	68,383	-	(440,405)	-	(440,405)
Community services	10,654	-	-	-	(10,654)	-	(10,654)
Interest expense	798,533	-	-	178,562	(619,971)	-	(619,971)
Total governmental activities	<u>20,010,801</u>	<u>141,867</u>	<u>3,238,723</u>	<u>178,562</u>	<u>(16,451,649)</u>	<u>-</u>	<u>(16,451,649)</u>
Business-type activities:							
Food services	<u>440,558</u>	<u>243,197</u>	<u>163,124</u>	<u>-</u>	<u>-</u>	<u>(34,237)</u>	<u>(34,237)</u>
Total primary government	<u>\$ 20,451,359</u>	<u>\$ 385,064</u>	<u>\$ 3,401,847</u>	<u>\$ 178,562</u>	<u>\$ (16,451,649)</u>	<u>\$ (34,237)</u>	<u>\$ (16,485,886)</u>
General revenues:							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					\$ 11,499,682	\$ -	\$ 11,499,682
Grants, subsidies and contributions not restricted					3,982,674	-	3,982,674
Investment earnings					47,519	-	47,519
Miscellaneous income					18,228	-	18,228
Transfers					(20,000)	20,000	-
Total general revenues					<u>15,528,103</u>	<u>20,000</u>	<u>15,548,103</u>
Change in net position					(923,546)	(14,237)	(937,783)
Net position - beginning, as restated					<u>(22,024,535)</u>	<u>(460,399)</u>	<u>(22,484,934)</u>
Net position - ending					<u>\$ (22,948,081)</u>	<u>\$ (474,636)</u>	<u>\$ (23,422,717)</u>

FAIRFIELD AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,084,490	\$ 1,134,906	\$ 212,922	\$ 7,432,318
Taxes receivable, net	893,843	-	-	893,843
Intergovernmental receivables	1,511,195	-	-	1,511,195
Other receivables	5,033	-	-	5,033
Due from other funds	13,377	-	-	13,377
Prepaid expenditures	-	6,205,379	9,424	6,214,803
Total assets	<u>\$ 8,507,938</u>	<u>\$ 7,340,285</u>	<u>\$ 222,346</u>	<u>\$ 16,070,569</u>
LIABILITIES				
Accounts payable	\$ 87,223	\$ -	\$ -	\$ 87,223
Due to other governments	150,445	-	-	150,445
Unearned revenues	31,842	-	-	31,842
Accrued salaries and benefits/withholdings	1,464,785	-	-	1,464,785
Total liabilities	<u>1,734,295</u>	<u>-</u>	<u>-</u>	<u>1,734,295</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	461,860	-	-	461,860
Total deferred inflows of resources	<u>461,860</u>	<u>-</u>	<u>-</u>	<u>461,860</u>
FUND BALANCES				
Restricted Fund Balance				
Future special education costs	18,000	-	-	18,000
Future capital improvements	-	7,340,285	222,346	7,562,631
Committed Fund Balance				
Future roofing project	1,000,000	-	-	1,000,000
Future textbook purchases	705,000	-	-	705,000
Future technology projects	450,000	-	-	450,000
Future field resurfacing projects	242,000	-	-	242,000
Future high school bleachers project	150,000	-	-	150,000
Future library renovation	120,000	-	-	120,000
Future capital improvement projects - other	251,765	-	-	251,765
Assigned Fund Balance				
2019-2020 budget deficit	43,731	-	-	43,731
Unassigned Fund Balance	<u>3,331,287</u>	<u>-</u>	<u>-</u>	<u>3,331,287</u>
Total fund balances	<u>6,311,783</u>	<u>7,340,285</u>	<u>222,346</u>	<u>13,874,414</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,507,938</u>	<u>\$ 7,340,285</u>	<u>\$ 222,346</u>	<u>\$ 16,070,569</u>

FAIRFIELD AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2019

Total fund balances - governmental funds \$ 13,874,414

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	37,631,767	
Accumulated depreciation	(25,888,714)	
		11,743,053

Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.

461,860

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

37,888

Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:

General obligation bonds payable	(25,765,687)
Deferred charge on bond refunding	349,629
Accrued interest expense	(169,043)
Compensated absences	(103,834)
Capital lease payable	(39,399)
Net pension liability	(23,204,752)
Deferred outflows related to pension liability	2,986,935
Deferred inflows related to pension liability	(925,876)
OPEB liability	(2,161,712)
Deferred outflows related to OPEB liability	128,008
Deferred inflows related to OPEB liability	(159,565)

(49,065,296)

Net position of governmental activities in the Statement of Net Position

\$ (22,948,081)

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 11,506,317	\$ -	\$ -	\$ 11,506,317
Investment earnings	45,599	1,383	537	47,519
Revenue from intermediate sources	168,857	-	-	168,857
Other	206,370	-	-	206,370
State sources	6,992,410	-	-	6,992,410
Federal sources	188,720	-	-	188,720
Total revenues	<u>19,108,273</u>	<u>1,383</u>	<u>537</u>	<u>19,110,193</u>
EXPENDITURES				
Instruction	9,802,080	-	-	9,802,080
Support services	7,481,212	-	-	7,481,212
Operation of non-instructional services	555,150	-	-	555,150
Facilities acquisition, construction and improvements	-	3,127,186	278,681	3,405,867
Debt service				
Principal	999,283	-	-	999,283
Interest and bond costs	458,364	174,489	-	632,853
Total expenditures	<u>19,296,089</u>	<u>3,301,675</u>	<u>278,681</u>	<u>22,876,445</u>
Excess (deficiency) of revenues over expenditures	<u>(187,816)</u>	<u>(3,300,292)</u>	<u>(278,144)</u>	<u>(3,766,252)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	17,016	10,605,000	-	10,622,016
Bond premium	-	35,577	-	35,577
Interfund transfers	(364,000)	-	344,000	(20,000)
Total other financing sources and (uses)	<u>(346,984)</u>	<u>10,640,577</u>	<u>344,000</u>	<u>10,637,593</u>
Net change in fund balances	(534,800)	7,340,285	65,856	6,871,341
Fund balances - beginning, as restated	<u>6,846,583</u>	<u>-</u>	<u>156,490</u>	<u>7,003,073</u>
Fund balances - ending	<u>\$ 6,311,783</u>	<u>\$ 7,340,285</u>	<u>\$ 222,346</u>	<u>\$ 13,874,414</u>

FAIRFIELD AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances - total governmental funds: \$ 6,871,341

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.

Depreciation expense	(1,048,974)	
Capital outlays	<u>3,149,612</u>	2,100,638

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets sold.

(3,660)

Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year.

(6,635)

The issuance of general obligation bonds provides current financial resources to governmental funds, but has no effect on net position. Likewise, the payment to refund bonds uses current financial resources, but also has no effect on net position. Governmental funds report bond insurance costs, bond discounts and premiums, and other similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Series of 2019 and 2019A

Issuance of general obligation bonds	(10,605,000)	
Bond premium	<u>(35,577)</u>	(10,640,577)

Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effects of bond premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of general obligations - principal		980,000
Amortization of bond premium/discount, prepaid bond insurance, and deferred charge on bond refundings		(32,766)

Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension liability and related deferred outflows and inflows	(20,140)	
OPEB liability and related deferred outflows and inflows	(51,943)	
Capital lease payable	9,727	
Compensated absences	3,486	
Accrued interest	<u>(133,017)</u>	<u>(191,887)</u>

Change in net position of governmental activities \$ (923,546)

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2019

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 40,879
Inventory	13,983
Total current assets	<u>54,862</u>
Noncurrent Assets	
Furniture and equipment	260,343
Accumulated depreciation	<u>(260,343)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>54,862</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	81,184
Deferred outflows related to OPEB liability	<u>2,351</u>
Total deferred outflows of resources	<u>83,535</u>
Total assets and deferred outflows of resources	<u>\$ 138,397</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 10,810
Due to other funds	13,377
Compensated absences	<u>1,131</u>
Total current liabilities	<u>25,318</u>
Noncurrent Liabilities	
Net pension liability	509,248
OPEB liability	36,814
Compensated absences	<u>8,774</u>
Total noncurrent liabilities	<u>554,836</u>
Total liabilities	<u>580,154</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	29,739
Deferred inflows related to OPEB liability	<u>3,140</u>
Total deferred inflows of resources	<u>32,879</u>
NET POSITION	
Unrestricted	<u>(474,636)</u>
Total net position	<u>(474,636)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 138,397</u>

FAIRFIELD AREA SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2019**

	Food Service
OPERATING REVENUE	
Food service revenues	\$ 243,197
Total operating revenues	<u>243,197</u>
OPERATING EXPENSES	
Food and milk purchases	163,169
Salaries	158,468
Employee benefits	94,577
Supplies	13,839
Repairs and maintenance	4,986
Dues and fees	1,559
Other purchased services	3,792
Travel and training	<u>168</u>
Total operating expenses	<u>440,558</u>
Operating (loss)	<u>(197,361)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal subsidies	124,266
State subsidies	<u>38,858</u>
Total nonoperating revenue	<u>163,124</u>
Income (loss) before transfers	<u>(34,237)</u>
TRANSFERS	
Interfund transfers	<u>20,000</u>
Change in net position	(14,237)
Net position - beginning	<u>(460,399)</u>
Net position - ending	<u><u>\$ (474,636)</u></u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2019

	Food Service
Cash flows from operating activities	
Cash received from food sales	\$ 243,443
Cash payments to suppliers for goods	(152,977)
Cash payments to and on behalf of employees	(224,224)
Cash payments for services	(8,778)
Net cash (used) by operating activities	<u>(142,536)</u>
Cash flows from noncapital financing activities	
Federal subsidies	106,245
State subsidies	38,858
Interfund transfers	20,000
Net cash provided by noncapital financing activities	<u>165,103</u>
Net increase in cash and cash equivalents	22,567
Cash and cash equivalents - beginning	<u>18,312</u>
Cash and cash equivalents - ending	<u>40,879</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Operating (loss)	(197,361)
Adjustments to reconcile operating income (loss) to net cash provides (used) by operating activities:	
Donated food used	18,021
(Increase) decrease in:	
Inventory	7,723
Accounts receivable	246
Increase (decrease) in:	
Interfund payables	14,047
Compensated absences	7,899
Net pension liability and related items	5,859
Other post-employment benefit liability and related items	1,016
Accounts payable	<u>14</u>
Total adjustments	<u>54,825</u>
Net cash (used) by operating activities	<u><u>\$ (142,536)</u></u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ 73,544	\$ 9,996
Accounts receivable	-	-
Total assets	<u>\$ 73,544</u>	<u>\$ 9,996</u>
LIABILITIES		
Due to student groups	\$ 73,544	\$ -
Total liabilities	<u>73,544</u>	<u>-</u>
NET POSITION		
Net position held in trust for scholarships	-	9,996
Total net position	<u>-</u>	<u>9,996</u>
Total liabilities and net position	<u>\$ 73,544</u>	<u>\$ 9,996</u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	Private Purpose Trust Funds
ADDITIONS	
Contributions	\$ -
Total additions	<u>-</u>
DEDUCTIONS	
Scholarships and awards/grants	<u>700</u>
Total deductions	<u>700</u>
Change in net position	(700)
Net position - beginning	<u>10,696</u>
Net position - ending	<u><u>\$ 9,996</u></u>

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fairfield Area School District (School District) operates a public school system which is comprised of the Boroughs of Fairfield and Carroll Valley and Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

The financial statements of the 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 the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities and there are no entities that are a component unit of the School District.

Joint Ventures

The following joint ventures are not component units of Fairfield Area School District and are not included in this report.

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training. During the year ended June 30, 2019, the School District paid \$ 766,492 to the Lincoln Intermediate Unit #12.

Special Education Consortium - The Upper Adams and the Bermudian Springs School Districts are in an agreement with the School District to provide special education services to students on an as-needed basis to help reduce the cumulative service costs. Each servicing school district provides specialized services to each other, billed according to seat costs specified by the servicing school district and agreed upon at a meeting of the member school districts conducted annually. The agreement automatically renews annually unless written termination request from all participants occurs. During the year ended June 30, 2019, the School District paid \$ 140,613 to the Special Education Consortium.

Complete financial statements for each of the entities described above can be obtained from the respective administrative office. The School District has no equity interest in the above joint ventures.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental fund:

General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, and other taxes, and state and federal grants. Many of the more important activities of the School District, including instruction, administration, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unrestricted fund balance is considered as resources available for use.

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The School District reports the following non-major governmental fund:

Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 PA. C.S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

Proprietary Fund

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

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. The School District's only trust fund is a private purpose trust fund which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District, and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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 (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds 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 (i.e., revenues) and decreases (i.e., expenses) in net total 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.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally a result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Cash and Cash Equivalents and Investments

Cash includes all demand deposits, petty cash, savings, money market accounts, PSDLAF accounts, and certificates of deposit with an original maturity of less than three months owned by the School District. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at fair value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

Statement of Cash Flows

For purposes of the statement of cash flows for the proprietary fund, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements. Governmental fund supplies inventories are not deemed to be significant at June 30.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$ 5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Site improvements	20 years
Buildings and building improvements	20 - 30 years
Furniture and equipment	5 - 20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These will be amortized in future periods.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources reported in the Statement of Net Position consists of various amounts related to pension and OPEB liabilities (on the statement of net position) and unavailable tax revenue (on the balance sheet – governmental funds).

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorizes the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements and capital projects in the capital reserve fund. All transactions of the capital reserve fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2018/2019, the School District overspent the budgeted expenditures of the general fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications to the School District.

Use of Estimates

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and original issue discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. These provisions require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provision of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

Other Postemployment Benefits Other Than Pension

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pension (Continued)

School District Health Care Plan

The School District provides postemployment benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

PSERS Health Insurance Premium Assistance Program

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

Net Position -Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent bond proceeds is not included in the calculation of net investment of capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted Net Position: This category of net position has constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Restricted net position as of June 30, 2019 consists of \$ 222,346 for future capital improvements and \$ 18,000 for future special education costs.

Unrestricted Net Position: This category of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amounts of loans receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the finance committee or Business Manager has the authority to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. This order of spending may be altered per board approval.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 authorizes the School District to invest in the following:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2019, the School District has a bank balance of \$ 7,561,919. Of this balance, \$ 260,196 is covered by FDIC insurance and the remaining balance of \$ 7,301,723 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, various banks utilized by the District have pledged collateral on a pooled basis on behalf of the District and all other governmental depositors in the respective financial institutions.

Credit Risk – Investments

Included in cash and cash equivalents are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF-MAX) of \$ 41,913. The PSDLAF-MAX is basically a mutual fund that consists of short-term money market investments and seeks to maintain a constant net asset value of \$ 1 per share. PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool.

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2019, the School District's investments on the PA School District Liquid Asset Fund were rated AAAM by Standard & Poor's.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pool which is governed by the Board of Trustees. The School District's investments in PSDLAF are valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Carroll Valley and Fairfield and the Townships of Hamiltonban and Liberty in Adams County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Adams County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Taxes receivable and unavailable revenue (deferred inflows) in the financial statements consist of the following as of June 30, 2019:

Real estate	\$	492,033
Earned income tax		456,922
Real estate transfer tax		13,545
Amusement tax		3,744
Allowance for uncollectible taxes		<u>(72,401)</u>
		893,843
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(431,983)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	\$	<u><u>461,860</u></u>

Tax Abatements

Pennsylvania Clean and Green Program

The School District provides property tax abatement through the Clean and Green program enacted by the Pennsylvania General Assembly in 1974. The program bases property taxes on use values rather than fair market values. To qualify, a property must be at least ten acres in size, and used in Agricultural Use, Agricultural Reserve, or Forest Reserve. Property under ten acres qualifies if it is capable of generating at least \$ 2,000 annually in farm income.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND UNAVAILABLE REVENUE (CONTINUED)

The Department of Agriculture supplies county assessment offices with use values annually. The county has the option to implement these values or use lower values. Agricultural Use and Agricultural Reserve values are based upon the income approach for land appraisal. This standard appraisal technique defines the agricultural use value of a tract of land as the present value of the income stream it can generate when put to its best agricultural use. Forest Reserve values are based on the average value of timber in a particular county, or the average value of six timber types by county.

A landowner who breaches the covenant is subject to seven years of rollback taxes at 6% interest per year. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid if the property had not been enrolled, plus 6% simple interest per year.

For the fiscal year ended June 30, 2019, the District abated property taxes totaling \$ 1,272,424 under this program.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following for the year ended June 30, 2019:

Funds	Due From	Due To
General	\$ 13,377	\$ -
Food Service	-	13,377
	<u>\$ 13,377</u>	<u>\$ 13,377</u>

The interfund payable from the Food Service Fund to the General Fund is for student lunch account balances as of June 30, 2019.

Funds	Transfers In	Transfers Out
General	\$ -	\$ 364,000
Capital Reserve	344,000	-
Food Service	20,000	-
	<u>\$ 364,000</u>	<u>\$ 364,000</u>

Interfund transfers were made from the General Fund to the Capital Reserve Fund for future capital improvements. Interfund transfers were made from the General Fund to the Food Service Fund to cover a projected loss in Food Service at June 30, 2019.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019 consist of the following:

Local:	Consortium tuition	\$	87,972
	Other		31,498
State:	Basic education		548,631
	Vocational education		3,289
	Transportation		153,763
	Rental subsidy		165,765
	Social security		83,524
	Retirement		402,754
Federal:	Direct programs		33,999
		\$	<u>1,511,195</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2019:

	Balances June 30, 2018	Additions	Retirements	Balances June 30, 2019
Governmental Activities:				
Cost				
Assets not being depreciated:				
Land	\$ 422,050	\$ -	\$ -	\$ 422,050
Construction in progress	-	3,127,171	-	3,127,171
Assets being depreciated:				
Site improvements	684,396	-	-	684,396
Buildings and building improvements	30,332,674	-	-	30,332,674
Furniture and equipment	<u>3,061,336</u>	<u>22,441</u>	<u>(18,301)</u>	<u>3,065,476</u>
Total cost	<u>34,500,456</u>	<u>3,149,612</u>	<u>(18,301)</u>	<u>37,631,767</u>
Less accumulated depreciation				
Site improvements	(613,802)	(12,019)	-	(625,821)
Buildings and building improvements	(22,226,371)	(885,853)	-	(23,112,224)
Furniture and equipment	<u>(2,014,208)</u>	<u>(151,102)</u>	<u>14,641</u>	<u>(2,150,669)</u>
Total accumulated depreciation	<u>(24,854,381)</u>	<u>(1,048,974)</u>	<u>14,641</u>	<u>(25,888,714)</u>
Capital assets, net	<u>\$ 9,646,075</u>	<u>\$ 2,100,638</u>	<u>\$ (3,660)</u>	<u>\$ 11,743,053</u>
Business-Type Activities				
Cost				
Machinery and equipment	\$ 260,343	\$ -	\$ -	\$ 260,343
Less accumulated depreciation	<u>(260,343)</u>	<u>-</u>	<u>-</u>	<u>(260,343)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2019 was charged to governmental functions as follows:

Instruction	\$ 884,944
Instructional student support	252
Administrative and financial support services	29,738
Operation and maintenance of plant services	129,796
Student activities	2,454
Transportation	<u>1,790</u>
	<u>\$ 1,048,974</u>

The construction in progress consist of the renovation and replacement of the mechanical system of School District buildings. See Note 13 for additional details on commitments.

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2019:

General Fund

Accrued salaries	\$ 526,877
Retirement	849,822
Social security	40,071
Other withholdings	<u>48,015</u>
	<u>\$ 1,464,785</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds						
(A) Series 2012 A	3,970,000	-	-	3,970,000	-	3,970,000
(B) Series 2012 B	2,325,000	-	(95,000)	2,230,000	95,000	2,135,000
(C) Series 2015	6,200,000	-	(35,000)	6,165,000	35,000	6,130,000
(D) Series 2016	3,570,000	-	(850,000)	2,720,000	880,000	1,840,000
(E) Series 2019	-	9,960,000	-	9,960,000	-	9,960,000
(F) Series 2019 A	-	645,000	-	645,000	-	645,000
Unamortized bond premium (discount)	<u>66,155</u>	<u>35,577</u>	<u>(26,045)</u>	<u>75,687</u>	<u>26,726</u>	<u>48,961</u>
Subtotal - bonds	16,131,155	10,640,577	(1,006,045)	25,765,687	1,036,726	24,728,961
Compensated absences	107,320	-	(3,486)	103,834	25,920	77,914
Capital lease	<u>49,126</u>	<u>17,016</u>	<u>(26,743)</u>	<u>39,399</u>	<u>18,407</u>	<u>20,992</u>
Total long-term liabilities	<u>\$ 16,287,601</u>	<u>\$ 10,657,593</u>	<u>\$ (1,036,274)</u>	<u>\$ 25,908,920</u>	<u>\$ 1,081,053</u>	<u>\$ 24,827,867</u>
Business-Type Activities						
Compensated absences	<u>2,007</u>	<u>7,898</u>	<u>-</u>	<u>9,905</u>	<u>1,131</u>	<u>8,774</u>
Total long-term liabilities	<u>\$ 2,007</u>	<u>\$ 7,898</u>	<u>\$ -</u>	<u>\$ 9,905</u>	<u>\$ 1,131</u>	<u>\$ 8,774</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (A) On May 14, 2012, the School District issued \$ 3,970,000 of general obligation bonds – Series of 2012 A. The proceeds were used to advance refund a portion of the general obligation bonds, Series 2010A, advance refund all of the general obligation bonds Series of 2010B and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2029 to 2032, with interest payments due annually. The bonds bear interest at rates ranging from 3.00% to 3.25%.
- (B) On May 14, 2012, the School District issued \$ 2,870,000 of general obligation bonds – Series of 2012 B. The proceeds were used to finance the School District's capital improvement plan including any necessary additions, alterations, renovations and improvements to, and fixturing and equipping of, the School District's facilities for the purpose of energy savings and other capital projects, to currently refund all of the general obligation bonds, Series of 2006, and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2013 to 2032. The bonds bear interest at rates ranging from 2.00% to 3.25%.
- (C) On April 13, 2015, the School District issued \$ 6,350,000 of general obligation bonds – Series of 2015. The proceeds were used to currently refund all of the general obligation bonds - Series of 2010A. Payment on the bonds is due in varying amounts on June 1, 2015 to 2028. The bonds bear interest at rates ranging from 0.30% to 3.00%.
- (D) On March 14, 2016, the School District issued \$ 6,050,000 of general obligation bonds – Series of 2016. The proceeds were used to currently refund all of the general obligation bonds - Series of 2009. Payment on the bonds is due in varying amounts on June 1, 2016 to 2022. The bonds bear interest at rates ranging from 0.39% to 4.00%.
- (E) On January 16, 2019, the School District issued \$ 9,960,000 of general obligation bonds – Series of 2019. The proceeds were used to finance various capital projects of the School District, and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on December 1, 2020 to 2038. The bonds bear interest at rates ranging from 2.00% to 4.00%.
- (F) On January 16, 2019, the School District issued \$ 645,000 of general obligation bonds – Series of 2019 A. The proceeds were used to finance various capital projects of the School District, and to pay the cost of issuing the bonds. Payment on the bonds is due in its entire amount on December 1, 2032. The bonds bear interest at a rate of 4.05%.

The School District general obligation bonds contain a provision that in the event of default for nonpayment of principal and interest, the holders of the bonds shall be entitled to certain remedies. 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. Any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. Upon a default of at least 30 days, holders of at least 25 percent of the bonds may appoint a trustee to represent them.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The annual debt requirements for future general obligation bonds as of June 30, 2019, are as follows:

Fiscal Year Ended June 30	GO Bonds - 2012A		GO Bonds - 2012B		GO Bonds - 2015		GO Bonds - 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ 122,950	\$ 95,000	\$ 63,012	\$ 35,000	\$ 157,996	\$ 880,000	\$ 77,300
2021	-	122,950	95,000	61,112	40,000	157,418	905,000	47,400
2022	-	122,950	100,000	59,092	35,000	156,618	935,000	18,700
2023	-	122,950	125,000	56,842	965,000	155,918	-	-
2024	-	122,950	135,000	53,842	965,000	135,412	-	-
2025-2029	950,000	614,750	825,000	214,559	4,125,000	298,550	-	-
2030-2034	3,020,000	193,288	855,000	54,664	-	-	-	-
2035-2039	-	-	-	-	-	-	-	-
	<u>\$ 3,970,000</u>	<u>\$ 1,422,788</u>	<u>\$ 2,230,000</u>	<u>\$ 563,123</u>	<u>\$ 6,165,000</u>	<u>\$ 1,061,912</u>	<u>\$ 2,720,000</u>	<u>\$ 143,400</u>

Fiscal Year Ended June 30	GO Bonds - 2019		GO Bonds - 2019A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ 450,014	\$ -	\$ 33,524	\$ 1,010,000	\$ 904,796
2021	65,000	350,010	-	26,123	1,105,000	765,013
2022	70,000	348,660	-	26,123	1,140,000	732,143
2023	40,000	347,560	-	26,123	1,130,000	709,393
2024	55,000	346,473	-	26,123	1,155,000	684,799
2025-2029	240,000	1,711,538	-	130,613	6,140,000	2,970,009
2030-2034	2,015,000	1,634,051	645,000	91,429	6,535,000	1,973,432
2035-2039	<u>7,475,000</u>	<u>682,576</u>	<u>-</u>	<u>-</u>	<u>7,475,000</u>	<u>682,576</u>
	<u>\$ 9,960,000</u>	<u>\$ 5,870,881</u>	<u>\$ 645,000</u>	<u>\$ 360,055</u>	<u>\$ 25,690,000</u>	<u>\$ 9,422,159</u>

Lease Payable

The School District is financing the purchase of copiers and information technology equipment through capital leases with vendors. At June 30, 2019, the leased assets have a gross capitalized value of \$ 154,909 and accumulated amortization of \$ 118,864, leaving a net book value of \$ 36,045 that is included in capital assets. Amortization expense of \$ 23,253 is included in depreciation expense. The aggregate amount of future principal payments required on capital leases at June 30, 2019 is as follows:

2020	\$ 20,464
2021	11,707
2022	7,184
2023	<u>4,140</u>
	43,495
Amount representing interest	<u>(4,096)</u>
	<u>\$ 39,399</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the Lincoln Benefit Trust. The plan provides medical, prescription drug, dental, and vision coverage for eligible retirees and their spouses. Upon reaching the earliest of Medicare age or retiree's death, all retirees cease to be covered under the School District's plan. The plan provisions, benefits available, and required reimbursements are governed by Act 110/43 of the Pennsylvania Legislature and the collective bargaining agreement(s) between the School District and the Fairfield Education Association.

Retirees opting to participate pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount for retirees is based on a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as the "implicit rate subsidy" provided by the School District, which gives rise to the benefit to be recorded under generally accepted accounting principles.

No assets are accumulated in a trust that meets the criteria of GASB standards.

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contributions rates that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2019, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

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 of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Active participants	111
Vested former participants	0
Retired participants	<u>8</u>
Total	<u>119</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 56,748 for the year ended June 30, 2019.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2017 and the total OPEB liability was determined by rolling forward the total liability from July 1, 2017 to July 1, 2019 based on an actuarial valuation as of July 1, 2017, which was based on census information as of December 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2019, the School District reported a total OPEB liability of \$ 1,168,526.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$ 102,416.

PSERS

At June 30, 2019, the School District reported a liability of \$ 1,030,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The School District's proportionate 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, 2018, the School District's proportion was 0.0494 percent, which was a decrease of 0.0001 percentage from its proportionate measured as of June 30, 2017.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$ 42,631.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net	
	OPEB Liability	OPEB Expense
School District Plan	\$ 1,168,526	\$ 102,416
PSERS	1,030,000	42,631
Total	<u>\$ 2,198,526</u>	<u>\$ 145,047</u>

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 1,104,466
Changes for the year:	
Service cost	74,455
Interest	36,128
Changes in assumptions	(1,011)
Benefit payments	<u>(45,512)</u>
Net changes	<u>64,060</u>
Ending Balance	<u>\$ 1,168,526</u>

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000	\$ -
Changes in assumptions	-	98,079	16,000	39,000	16,000	137,079
Net difference between projected and actual investment earnings	-	-	2,000	-	2,000	-
Changes in proportions - plan	-	-	-	25,000	-	25,000
Changes in proportions - fund	-	-	531	531	531	531
Difference between employer contributions and proportionate share of total contributions	-	-	-	95	-	95
Benefit payments/contributions subsequent to the measurement date	49,080	-	56,748	-	105,828	-
	<u>\$ 49,080</u>	<u>\$ 98,079</u>	<u>\$ 81,279</u>	<u>\$ 64,626</u>	<u>\$ 130,359</u>	<u>\$ 162,705</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

The amount of \$ 105,828 is reported as deferred outflows of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2019 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	School District Plan	PSERS	Total
2020	\$ (8,167)	\$ (8,018)	\$ (16,185)
2021	(8,167)	(8,018)	(16,185)
2022	(8,167)	(8,018)	(16,185)
2023	(8,167)	(9,018)	(17,185)
2024	(8,167)	(9,018)	(17,185)
Thereafter	(57,244)	1,995	(55,249)
Total	<u>\$ (98,079)</u>	<u>\$ (40,095)</u>	<u>\$ (138,174)</u>

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

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

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	2.98% - S&P 20 year municipal bond rate.	2.98% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used 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%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	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.
Percentage of Eligible Employees Electing Coverage in Plan	65% of employees are assumed to elect coverage at retirement.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% 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.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	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. The resulting costs are as follows: age 45-49, \$ 6,661 for males and \$ 9,620 for females; 50-54, \$ 8,822 for males and \$ 10,873 for females; 55-59, \$ 10,745 for males and \$ 11,377 for females; and 60-64, \$ 14,022 for males and \$13,070 for females.	N/A

PSERS

Investment Return

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

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The OPEB plan's policy in regard to the allocation of investment 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.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Fixed	<u>1.3%</u>	0.40%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98% for both the School District's Plan and PSERS. The School District Plan is not funded, therefore, the S&P 20 year municipal bond rate of 2.98% as of June 30, 2018 is the applicable discount rate. Under the PSERS 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's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20 year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
School District Plan - Total OPEB liability	\$ 1,264,865	\$ 1,168,526	\$ 1,077,310
PSERS - School District's proportionate share of the net OPEB liability	\$ 1,171,000	\$ 1,030,000	\$ 913,000

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

School District Plan

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
School District Plan - Total OPEB Liability	<u>\$ 1,009,573</u>	<u>\$ 1,168,526</u>	<u>\$ 1,360,674</u>

PSERS

	1% Decrease (Between 4% to 6.75%)	Healthcare Cost Trend Rate (Between 5% to 7.75%)	1% Increase (Between 6% to 8.75%)
PSERS - School District's proportionate share of the net OPEB liability	<u>\$ 1,029,000</u>	<u>\$ 1,030,000</u>	<u>\$ 1,030,000</u>

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2019, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2019, the School District had \$ 19,999 included in accrued wage liability, of which \$ 15,674 is for the contractually required contribution for the first and second quarter of 2019 and \$ 4,325 is related to the accrued payroll liability for wages incurred as of June 30, 2019.

NOTE 11 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions

Membership Contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District to the pension plan from the School District were \$ 2,226,833 for the year ended June 30, 2019.

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2019, the School District recognized revenue of \$ 1,142,901 as reimbursement from the State for its current year pension payments.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

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

At June 30, 2019, the School District reported a liability of \$ 23,714,000 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.0494 percent, which was a decrease of 0.0001 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense as follows:

Governmental Activities	\$ 2,212,676
Business-Type Activities	\$ 53,679

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 191,000	\$ 367,000
Changes in assumptions	442,000	-
Net difference between projected and actual investment earnings	116,000	-
Changes in proportionate share - plan	18,000	563,000
Changes in proportionate share - governmental activities/business-type activities	25,615	25,615
Difference between employer contributions and proportionate share of total contributions	48,671	-
Contributions subsequent to the measurement date	<u>2,226,833</u>	<u>-</u>
	<u>\$ 3,068,119</u>	<u>\$ 955,615</u>

NOTE 11 PENSION PLAN (CONTINUED)

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

The \$ 2,226,833 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	273,820
2021		101,850
2022		(400,000)
2023		(89,999)
Total	\$	<u>(114,329)</u>

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of 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 and seniority increases
- Mortality rates were based on 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. For disabled annuitants the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 PSERS fully funded status for the benefits provided through the pension.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20%	5.2%
Fixed income	36%	2.2%
Commodities	8%	3.2%
Absolute return	10%	3.5%
Risk parity	10%	3.9%
Infrastructure/MLPs	8%	5.2%
Real estate	10%	4.2%
Alternative investments	15%	6.7%
Cash	3%	0.4%
Financing (LIBOR)	(20%)	0.9%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

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.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	<u>\$ 29,396,000</u>	<u>\$ 23,714,000</u>	<u>\$ 18,911,000</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

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

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.

Payables to the Pension Plan

As of June 30, 2019 the School District had \$ 829,823 included in accrued benefits liability, of which \$ 788,487 is for the contractually required contribution for a portion of the first quarter and the second quarter of 2019 and \$ 41,336 is related to the accrued payroll liability for wages incurred as of June 30, 2019.

NOTE 12 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and workers' compensation. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The School District is a member of the Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating Schools. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 100,000 and \$ 300,000 are paid from the Trust mini-pool. Claims incurred over \$ 300,000 are paid from a stop loss insurance policy purchased by the Trust. Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2019:

Net position - July 1, 2018	\$ 1,799,430
Contributions and interest income	1,330,775
Claims paid	(800,565)
Stop-loss insurance	(138,762)
Minipool premium	(54,346)
Administrative fees and contracted services	<u>(104,811)</u>
Net position - June 30, 2019	<u>\$ 2,031,721</u>

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 12 RISK MANAGEMENT (CONTINUED)

Overall, the Lincoln Benefit Trust has a net position of \$ 94,631,519 as of June 30, 2019 and showed a decrease in net position of \$ 1,437,910 for the year then ended. Financial statements of the Trust are available at the School District. All expenditures for the School District's risk management are recorded in the general fund or food service fund.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

As of June 30, 2019, the School District had a commitment for the renovation and replacement of the mechanical system of School District buildings with an estimated contract cost of \$ 10,675,000. As of June 30, 2019, \$ 3,127,171 has been incurred; however, the School District has paid \$ 9,332,550 of this contract with \$ 6,205,379 included with prepaid expenditures recorded in the Capital Projects Fund.

FAIRFIELD AREA SCHOOL DISTRICT **Notes to Financial Statements**

NOTE 14 RESTATEMENT

A restatement was necessary to correct the amount of state revenue that was overstated in the previous year. A second restatement was necessary for consistency of the presentation of the financial statements regarding prepaid expenses. These restatements were made to restate the beginning fund balance and net position as follows:

	Governmental Activities	General Fund	Capital Reserve Fund
Net position/fund balance as of June 30, 2018, as originally stated	\$ (21,975,422)	\$ 6,895,696	\$ 142,356
Restatement of PDE revenues	(49,113)	(49,113)	-
Restatement of prepaid expenses	-	-	14,134
Net position/fund balance as of June 30, 2018, as restated	<u>\$ (22,024,535)</u>	<u>\$ 6,846,583</u>	<u>\$ 156,490</u>
Change in net position/fund balance, as originally stated - 2018	\$ 874,861	\$ 1,382,989	\$ (445,703)
Restatement of PDE revenues	(49,113)	(49,113)	-
Restatement of prepaid expenses	-	-	(4,710)
Change in net position/fund balance, as restated - 2018	<u>\$ 825,748</u>	<u>\$ 1,333,876</u>	<u>\$ (450,413)</u>

REQUIRED SUPPLEMENTARY INFORMATION

FAIRFIELD AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final	(Budgetary/ GAAP Basis)	with Final Budget
REVENUES				
Local Sources				
Taxes	\$ 10,719,144	\$ 10,719,144	\$ 11,506,317	\$ 787,173
Investment earnings	25,000	25,000	45,599	20,599
Revenue from intermediate sources	144,500	144,500	168,857	24,357
Other	163,207	163,207	206,370	43,163
State sources	6,795,635	6,795,635	6,992,410	196,775
Federal sources	158,082	188,720	188,720	-
Total revenues	<u>18,005,568</u>	<u>18,036,206</u>	<u>19,108,273</u>	<u>1,072,067</u>
EXPENDITURES				
Instruction				
Regular programs	6,995,722	7,040,429	6,656,871	383,558
Special programs	2,664,156	2,309,931	2,172,158	137,773
Vocational education programs	895,916	984,015	872,852	111,163
Other instructional programs	122,973	104,376	100,199	4,177
Total instruction	<u>10,678,767</u>	<u>10,438,751</u>	<u>9,802,080</u>	<u>636,671</u>
Support Services				
Pupil personnel	518,368	583,370	559,590	23,780
Instructional staff	332,693	345,488	305,641	39,847
Administration	1,534,456	1,479,584	1,451,423	28,161
Pupil health	111,408	189,411	186,648	2,763
Business	368,132	375,360	351,437	23,923
Operation and maintenance of plant	1,205,996	1,249,319	3,398,668	(2,149,349)
Student transportation	925,768	966,408	966,383	25
Central	308,259	284,994	252,774	32,220
Other support services	-	8,648	8,648	-
Total support services	<u>5,305,080</u>	<u>5,482,582</u>	<u>7,481,212</u>	<u>(1,998,630)</u>
Operation of Noninstruction Services				
Student activities and community services	<u>561,139</u>	<u>626,098</u>	<u>555,150</u>	<u>70,948</u>
Total operation of noninstructional services	<u>561,139</u>	<u>626,098</u>	<u>555,150</u>	<u>70,948</u>
Debt Service				
Principal	1,000,570	1,000,570	999,283	1,287
Interest	457,684	458,365	458,364	1
Total debt service	<u>1,458,254</u>	<u>1,458,935</u>	<u>1,457,647</u>	<u>1,288</u>
Total expenditures	<u>18,003,240</u>	<u>18,006,366</u>	<u>19,296,089</u>	<u>(1,289,723)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	-	-	17,016	17,016
Interfund transfers	<u>(344,000)</u>	<u>(364,000)</u>	<u>(364,000)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(344,000)</u>	<u>(364,000)</u>	<u>(346,984)</u>	<u>17,016</u>
Net change in fund balances	<u>\$ (341,672)</u>	<u>\$ (334,160)</u>	<u>\$ (534,800)</u>	<u>\$ (200,640)</u>

FAIRFIELD AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0494%	\$ 23,714,000	\$ 6,654,936	356.34%	54.00%
2018	0.0495%	\$ 24,447,261	\$ 6,594,750	370.71%	51.84%
2017	0.0510%	\$ 25,273,982	\$ 6,608,165	382.47%	50.14%
2016	0.0512%	\$ 22,177,438	\$ 6,583,949	336.84%	54.36%
2015	0.0522%	\$ 20,661,134	\$ 6,666,890	309.91%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

FAIRFIELD AREA SCHOOL DISTRICT
Schedule of School District's Contributions – Public School Employees'
Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 2,226,833	\$ 2,226,833	\$ -	\$ 6,928,768	32.1%
2018	\$ 2,108,863	\$ 2,108,863	\$ -	\$ 6,654,936	31.7%
2017	\$ 1,905,521	\$ 1,905,521	\$ -	\$ 6,954,750	27.4%
2016	\$ 1,648,379	\$ 1,648,379	\$ -	\$ 6,608,165	24.9%
2015	\$ 1,324,963	\$ 1,324,963	\$ -	\$ 6,583,949	20.1%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

FAIRFIELD AREA SCHOOL DISTRICT**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -
School District Plan**

	2019	2018
Total OPEB liability		
Service cost	\$ 74,455	\$ 84,829
Interest	36,128	30,160
Changes in assumptions	(1,011)	(113,331)
Benefit payments	<u>(45,512)</u>	<u>(51,509)</u>
Net change in total OPEB liability	64,060	(49,851)
 Total OPEB liability - beginning	<u>1,104,466</u>	<u>1,154,316</u>
Total OEPB liability - ending	<u>\$ 1,168,526</u>	<u>\$ 1,104,465</u>
Covered employee payroll	\$ 6,272,363	\$ 6,272,363
Total OPEB liability as a percentage of covered employee payroll	18.63%	17.61%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period year end is one year prior to the fiscal year end.

FAIRFIELD AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net OPEB Liability – Public School
Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.0494%	\$ 1,030,000	\$ 6,654,936	15.48%	5.56%
2018	0.0495%	\$ 1,008,259	\$ 6,594,750	15.29%	5.47%

NOTES

The amounts presented for each fiscal year were determined as the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

FAIRFIELD AREA SCHOOL DISTRICT
Schedule of School District's OPEB Contributions – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 56,748	\$ 56,748	\$ -	\$ 6,928,768	0.83%
2018	55,145	55,145	-	6,654,936	0.83%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

FAIRFIELD AREA SCHOOL DISTRICT
Detailed Original Budget Comparison Schedule - General Fund
Year Ended June 30, 2019

	Original	Actual	Variance
REVENUES FROM LOCAL SOURCES			
Taxes			
Current and interim real estate taxes	\$ 8,313,393	\$ 8,520,556	\$ 207,163
Public utility realty taxes	11,000	10,670	(330)
Payments in lieu of taxes	8,626	14,377	5,751
Current Act 511 taxes - flat rate assessments	2,211,125	2,671,109	459,984
Delinquencies on taxes levied/assessed	<u>175,000</u>	<u>289,605</u>	<u>114,605</u>
Total taxes	<u>10,719,144</u>	<u>11,506,317</u>	<u>787,173</u>
Earnings on investments	25,000	45,599	20,599
Revenue from intermediary sources	144,500	168,857	24,357
Rentals	13,687	14,525	838
Contributions and donations from private sources	25,000	21,749	(3,251)
Refunds and other miscellaneous revenue	<u>124,520</u>	<u>170,096</u>	<u>45,576</u>
Total revenue from local sources	<u>11,051,851</u>	<u>11,927,143</u>	<u>875,292</u>
REVENUE FROM STATE SOURCES			
Basic instructional funding	3,527,993	3,522,802	(5,191)
Tuition for orphans and private-home placements	1,100	15,740	14,640
Vocational education	19,524	19,904	380
Special education funding for school aged pupils	641,533	646,993	5,460
Transportation	406,000	581,265	175,265
Rental and sinking fund payments	178,559	178,562	3
Health services	19,000	18,475	(525)
State property tax reduction allocation	459,872	459,872	-
State liquid fuels	-	4,277	4,277
Ready to Learn block grant	147,924	147,924	-
Safe schools grant	-	25,000	25,000
State share of social security and retirement	<u>1,394,130</u>	<u>1,371,596</u>	<u>(22,534)</u>
Total revenue from state sources	<u>6,795,635</u>	<u>6,992,410</u>	<u>196,775</u>
REVENUE FROM FEDERAL SOURCES			
ESEA - Title I	110,494	131,291	20,797
ESEA - Title II	27,311	29,399	2,088
ESEA - Title IV	10,000	10,000	-
Vocational education	<u>10,277</u>	<u>18,030</u>	<u>7,753</u>
Total revenue from federal sources	<u>158,082</u>	<u>188,720</u>	<u>30,638</u>
Total revenues	<u>\$ 18,005,568</u>	<u>\$ 19,108,273</u>	<u>\$ 1,102,705</u>

FAIRFIELD AREA SCHOOL DISTRICT
Detailed Original Budget Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2019

	Original	Actual	Variance
INSTRUCTION			
Regular programs			
Elementary/Secondary	\$ 6,995,722	\$ 6,656,871	\$ 338,851
Special programs			
Gifted students	82,238.00	75,703	6,535
Learning support	2,581,918	2,096,455	485,463
Total special programs	2,664,156	2,172,158	491,998
Vocational educational programs			
Agricultural education	127,428	115,312	12,116
Home economics education	110,044	99,982	10,062
Industrial arts education	116,532	115,778	754
Business education	399,420	193,858	205,562
Technical education	142,492	347,922	(205,430)
Total vocational education	895,916	872,852	23,064
Other instructional programs			
Drivers education	59,523	63,635	(4,112)
Additional education	63,450	36,564	26,886
Total other instructional programs	122,973	100,199	22,774
Total instruction	10,678,767	9,802,080	876,687
SUPPORT SERVICES			
Pupil personnel guidance	518,368	559,590	(41,222)
Instructional staff			
School library	248,995	246,733	2,262
Curriculum and staff development	83,698	58,908	24,790
Total instructional staff	332,693	305,641	27,052
Administration			
Board services	89,329	75,673	13,656
Tax assisted services	92,758	81,777	10,981
Legal	36,000	46,658	(10,658)
Office of Superintendent	480,608	419,236	61,372
Community relations	9,000	10,654	(1,654)
Office of Principal	825,261	817,081	8,180
Other	1,500	344	1,156
Total administration	\$ 1,534,456	\$ 1,451,423	\$ 83,033

FAIRFIELD AREA SCHOOL DISTRICT
Detailed Original Budget Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2019

	Original	Actual	Variance
Pupil health	\$ 111,408	\$ 186,648	\$ (75,240)
Business	368,132	351,437	16,695
Operation and maintenance of plant services	1,205,996	3,398,668	(2,192,672)
Student transportation	925,768	966,383	(40,615)
Central and other support services	308,259	261,422	46,837
Total support services	5,305,080	7,481,212	(2,176,132)
OPERATION OF NON-INSTRUCTIONAL SERVICES			
Student activities and community services			
School sponsored student activities	106,820	103,757	3,063
School sponsored athletics	454,019	451,393	2,626
School sponsored community services	300	-	300
Total operations of non-instructional services	561,139	555,150	5,989
DEBT SERVICE			
Principal	1,000,570	999,283	1,287
Interest	457,684	458,364	(680)
Total debt service	1,458,254	1,457,647	607
Total expenditures	18,003,240	19,296,089	(1,292,849)
OTHER FINANCING SOURCES (USES)			
Proceeds from long term financing	-	17,016	17,016
Interfund transfers	(344,000)	(364,000)	(20,000)
Total other financing sources (uses)	(344,000)	(346,984)	(2,984)
Net change in fund balance	\$ (341,672)	\$ (534,800)	\$ (193,128)