

Audited
Financial
Statements

June 30,
2020

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, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund Budgetary Comparison Schedule on page 47, and the schedules related to pension and OPEB liabilities on pages 48 - 52 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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
March 17, 2021

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 8,628,315	\$ 234,029	\$ 8,862,344
Receivables			
Taxes	1,126,127	-	1,126,127
Intergovernmental	1,411,306	729	1,412,035
Other	6,273	-	6,273
Internal balances	249,324	(249,324)	-
Prepaid expenses	1,220,835	-	1,220,835
Inventories	-	28,841	28,841
Total current assets	<u>12,642,180</u>	<u>14,275</u>	<u>12,656,455</u>
Noncurrent Assets			
Prepaid bond insurance, net	3,548	-	3,548
Capital assets not being depreciated			
Land	422,050	-	422,050
Construction in progress	8,700,000	-	8,700,000
Capital assets net of accumulated depreciation			
Site improvements, net	49,516	-	49,516
Buildings and building improvements, net	6,460,377	-	6,460,377
Furniture and equipment, net	1,025,493	19,981	1,045,474
Total noncurrent assets	<u>16,660,984</u>	<u>19,981</u>	<u>16,680,965</u>
Total assets	<u>29,303,164</u>	<u>34,256</u>	<u>29,337,420</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	2,597,092	91,187	2,688,279
Deferred outflows related to OPEB liability	140,271	2,974	143,245
Deferred charge on bond refunding	371,401	-	371,401
Total deferred outflows of resources	<u>3,108,764</u>	<u>94,161</u>	<u>3,202,925</u>
Total assets and deferred outflow of resources	<u>\$ 32,411,928</u>	<u>\$ 128,417</u>	<u>\$ 32,540,345</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 517,025	\$ 19,494	\$ 536,519
Accrued salaries and benefits/withholdings	1,509,900	-	1,509,900
Accrued interest	65,594	-	65,594
Unearned revenues	56,902	-	56,902
Portion due or payable within one year			
General obligation bonds payable	1,141,009	-	1,141,009
Capital lease payable	27,163	-	27,163
Compensated absences	46,716	1,508	48,224
Total current liabilities	<u>3,364,309</u>	<u>21,002</u>	<u>3,385,311</u>
Noncurrent Liabilities			
Portion due or payable after one year			
General obligation bonds payable	24,045,817	-	24,045,817
Capital lease payable	118,986	-	118,986
Compensated absences	78,288	9,139	87,427
Net pension liability	22,581,597	529,011	23,110,608
OPEB liability	1,815,573	27,674	1,843,247
Total noncurrent liabilities	<u>48,640,261</u>	<u>565,824</u>	<u>49,206,085</u>
Total liabilities	<u>52,004,570</u>	<u>586,826</u>	<u>52,591,396</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	1,149,288	32,722	1,182,010
Deferred inflows related to OPEB liability	593,108	4,654	597,762
Total deferred inflows of resources	<u>1,742,396</u>	<u>37,376</u>	<u>1,779,772</u>
NET POSITION			
Net investment in capital assets	(6,563,446)	19,981	(6,543,465)
Restricted	626,962	-	626,962
Unrestricted	(15,398,554)	(515,766)	(15,914,320)
Total net position	<u>(21,335,038)</u>	<u>(495,785)</u>	<u>(21,830,823)</u>
Total liabilities and net position	<u>\$ 32,411,928</u>	<u>\$ 128,417</u>	<u>\$ 32,540,345</u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 10,578,221	\$ 48,218	\$ 2,018,210	\$ -	\$ (8,511,793)	\$ -	\$ (8,511,793)
Instructional student support	1,139,557	-	131,844	-	(1,007,713)	-	(1,007,713)
Administrative and financial support services	2,358,176	-	227,060	-	(2,131,116)	-	(2,131,116)
Operation and maintenance of plant services	1,292,413	-	151,454	-	(1,140,959)	-	(1,140,959)
Pupil transportation	844,990	-	790,790	-	(54,200)	-	(54,200)
Student activities	499,004	33,122	70,654	-	(395,228)	-	(395,228)
Community services	9,935	-	-	-	(9,935)	-	(9,935)
Interest expense	829,530	-	-	162,700	(666,830)	-	(666,830)
Total governmental activities	<u>17,551,826</u>	<u>81,340</u>	<u>3,390,012</u>	<u>162,700</u>	<u>(13,917,774)</u>	<u>-</u>	<u>(13,917,774)</u>
Business-type activities:							
Food services	<u>402,622</u>	<u>168,752</u>	<u>152,721</u>	<u>-</u>	<u>-</u>	<u>(81,149)</u>	<u>(81,149)</u>
Total primary government	<u>\$ 17,954,448</u>	<u>\$ 250,092</u>	<u>\$ 3,542,733</u>	<u>\$ 162,700</u>	<u>(13,917,774)</u>	<u>(81,149)</u>	<u>(13,998,923)</u>
General revenues:							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					11,513,481	-	11,513,481
Grants, subsidies and contributions not restricted					4,029,406	-	4,029,406
Investment earnings					37,258	-	37,258
Miscellaneous income					10,672	-	10,672
Transfers					(60,000)	60,000	-
Total general revenues					<u>15,530,817</u>	<u>60,000</u>	<u>15,590,817</u>
Change in net position					1,613,043	(21,149)	1,591,894
Net position - beginning					<u>(22,948,081)</u>	<u>(474,636)</u>	<u>(23,422,717)</u>
Net position - ending					<u>\$ (21,335,038)</u>	<u>\$ (495,785)</u>	<u>\$ (21,830,823)</u>

FAIRFIELD AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,867,755	\$ 632,227	\$ 128,333	\$ 8,628,315
Taxes receivable, net	1,126,127	-	-	1,126,127
Intergovernmental receivables	1,411,306	-	-	1,411,306
Other receivables	6,273	-	-	6,273
Due from other funds	249,324	503,571	-	752,895
Prepaid expenditures	80,000	1,136,121	4,714	1,220,835
Total assets	<u>\$ 10,740,785</u>	<u>\$ 2,271,919</u>	<u>\$ 133,047</u>	<u>\$ 13,145,751</u>
LIABILITIES				
Accounts payable	\$ 489,369	\$ -	\$ 27,656	\$ 517,025
Due to other funds	503,571	-	-	503,571
Unearned revenues	56,902	-	-	56,902
Accrued salaries and benefits/withholdings	1,509,900	-	-	1,509,900
Total liabilities	<u>2,559,742</u>	<u>-</u>	<u>27,656</u>	<u>2,587,398</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	460,203	-	-	460,203
Total deferred inflows of resources	<u>460,203</u>	<u>-</u>	<u>-</u>	<u>460,203</u>
FUND BALANCES				
Restricted Fund Balance				
Future special education costs	18,000	-	-	18,000
Future capital improvements	-	2,271,919	105,391	2,377,310
Nonspendable Fund Balance				
Prepaid expenditures	80,000	-	-	80,000
Committed Fund Balance				
Future roofing project	1,000,000	-	-	1,000,000
Future textbook purchases	605,000	-	-	605,000
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	75,000	-	-	75,000
Future capital improvement projects - other	226,765	-	-	226,765
Assigned Fund Balance				
Telephone and bell system upgrade	400,000	-	-	400,000
Cable network upgrade	600,000	-	-	600,000
Roof repairs - emergency	50,000	-	-	50,000
Roof repairs - liquid membrane	1,400,000	-	-	1,400,000
Chromebook lease	80,000	-	-	80,000
Capital projects	250,000	-	-	250,000
PSERS/Salary	400,000	-	-	400,000
Curriculum	118,000	-	-	118,000
Unassigned Fund Balance	1,576,075	-	-	1,576,075
Total fund balances	<u>7,720,840</u>	<u>2,271,919</u>	<u>105,391</u>	<u>10,098,150</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,740,785</u>	<u>\$ 2,271,919</u>	<u>\$ 133,047</u>	<u>\$ 13,145,751</u>

FAIRFIELD AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total fund balances - governmental funds \$ 10,098,150

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	43,382,052	
Accumulated depreciation	<u>(26,724,616)</u>	
		16,657,436

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.

460,203

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.

3,548

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	(25,186,826)
Deferred charge on bond refunding	371,401
Accrued interest expense	(65,594)
Compensated absences	(125,004)
Capital lease payable	(146,149)
Net pension liability	(22,581,597)
Deferred outflows related to pension liability	2,597,092
Deferred inflows related to pension liability	(1,149,288)
OPEB liability	(1,815,573)
Deferred outflows related to OPEB liability	140,271
Deferred inflows related to OPEB liability	<u>(593,108)</u>

(48,554,375)

Net position of governmental activities in the Statement of Net Position

\$ (21,335,038)

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 11,512,686	\$ -	\$ -	\$ 11,512,686
Investment earnings	35,943	909	406	37,258
Revenue from intermediate sources	144,587	-	-	144,587
Other	145,714	-	-	145,714
State sources	7,142,908	-	-	7,142,908
Federal sources	242,829	-	-	242,829
Total revenues	<u>19,224,667</u>	<u>909</u>	<u>406</u>	<u>19,225,982</u>
EXPENDITURES				
Instruction	9,771,071	-	-	9,771,071
Support services	5,610,270	-	-	5,610,270
Operation of non-instructional services	502,853	-	-	502,853
Facilities acquisition, construction and improvements	-	5,572,846	117,361	5,690,207
Debt service				
Principal	905,979	-	-	905,979
Interest and bond costs	810,894	-	-	810,894
Total expenditures	<u>17,601,067</u>	<u>5,572,846</u>	<u>117,361</u>	<u>23,291,274</u>
Excess (deficiency) of revenues over expenditures	<u>1,623,600</u>	<u>(5,571,937)</u>	<u>(116,955)</u>	<u>(4,065,292)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	11,222,406	-	-	11,222,406
Payment to refund long term financing	(12,492,228)	-	-	(12,492,228)
Bond premium	1,618,850	-	-	1,618,850
Interfund transfers	(563,571)	503,571	-	(60,000)
Total other financing sources and (uses)	<u>(214,543)</u>	<u>503,571</u>	<u>-</u>	<u>289,028</u>
Net change in fund balances	1,409,057	(5,068,366)	(116,955)	(3,776,264)
Fund balances - beginning	<u>6,311,783</u>	<u>7,340,285</u>	<u>222,346</u>	<u>13,874,414</u>
Fund balances - ending	<u>\$ 7,720,840</u>	<u>\$ 2,271,919</u>	<u>\$ 105,391</u>	<u>\$ 10,098,150</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, 2020

Net change in fund balances - total governmental funds: (\$ 3,776,264)

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	(918,310)	
Capital outlays	<u>5,859,278</u>	4,940,968

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.

(26,585)

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.

(1,155)

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		13,250,000
Issuance of general obligation bonds		(11,070,000)
Issuance premium/discount		(1,618,850)
Amortization of bond premium/discount, prepaid bond insurance, and deferred charge on bond refundings		5,143

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	9,400	
OPEB liability and related deferred outflows and inflows	(75,143)	
Capital lease payable	(106,750)	
Compensated absences	(21,170)	
Accrued interest	<u>103,449</u>	<u>(90,214)</u>

Change in net position of governmental activities \$ 1,613,043

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2020

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 234,029
Intergovernmental receivables	729
Inventory	<u>28,841</u>
Total current assets	<u>263,599</u>
Noncurrent Assets	
Furniture and equipment	281,376
Accumulated depreciation	<u>(261,395)</u>
Total noncurrent assets	<u>19,981</u>
Total assets	<u>283,580</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	91,187
Deferred outflows related to OPEB liability	<u>2,974</u>
Total deferred outflows of resources	<u>94,161</u>
Total assets and deferred outflows of resources	<u><u>\$ 377,741</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 19,494
Due to other funds	249,324
Compensated absences	<u>1,508</u>
Total current liabilities	<u>270,326</u>
Noncurrent Liabilities	
Net pension liability	529,011
OPEB liability	27,674
Compensated absences	<u>9,139</u>
Total noncurrent liabilities	<u>565,824</u>
Total liabilities	<u>836,150</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	32,722
Deferred inflows related to OPEB liability	<u>4,654</u>
Total deferred inflows of resources	<u>37,376</u>
NET POSITION	
Net investment in capital assets	19,981
Unrestricted	<u>(515,766)</u>
Total net position	<u>(495,785)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 377,741</u></u>

FAIRFIELD AREA SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2020**

	Food Service
OPERATING REVENUE	
Food service revenues	\$ 168,752
Total operating revenues	<u>168,752</u>
OPERATING EXPENSES	
Food and milk purchases	127,583
Salaries	158,155
Employee benefits	94,714
Supplies	9,286
Repairs and maintenance	6,832
Dues and fees	1,077
Other purchased services	3,848
Depreciation	1,052
Travel and training	<u>75</u>
Total operating expenses	<u>402,622</u>
Operating (loss)	<u>(233,870)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal subsidies	112,676
State subsidies	<u>40,045</u>
Total nonoperating revenue	<u>152,721</u>
Income (loss) before transfers	<u>(81,149)</u>
TRANSFERS	
Interfund transfers	<u>60,000</u>
Change in net position	(21,149)
Net position - beginning	<u>(474,636)</u>
Net position - ending	<u>\$ (495,785)</u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2020

	Food Service
Cash flows from operating activities	
Cash received from food sales	\$ 168,752
Cash payments to suppliers for goods	(124,498)
Cash payments to and on behalf of employees	(11,686)
Cash payments for services	<u>(10,680)</u>
Net cash provided by operating activities	<u>21,888</u>
 Cash flows from capital financing activities	
Purchase of equipment	<u>(21,033)</u>
Net cash (used) by operating activities	<u>(21,033)</u>
 Cash flows from noncapital financing activities	
Federal subsidies	92,270
State subsidies	40,025
Interfund transfers	<u>60,000</u>
Net cash provided by noncapital financing activities	<u>192,295</u>
 Net increase in cash and cash equivalents	193,150
 Cash and cash equivalents - beginning	<u>40,879</u>
 Cash and cash equivalents - ending	<u><u>\$ 234,029</u></u>
 Reconciliation of income (loss) from operations	
to net cash provided by operating activities	
Operating (loss)	\$ (233,870)
Adjustments to reconcile operating income (loss) to net cash	
provides (used) by operating activities:	
Depreciation	1,052
Donated food used	19,697
(Increase) decrease in:	
Inventory	(14,858)
Increase (decrease) in:	
Interfund payables	235,947
Compensated absences	742
Net pension liability and related items	12,743
Other post-employment benefit liability and related items	(8,249)
Accounts payable	<u>8,684</u>
 Total adjustments	<u>255,758</u>
 Net cash provided by operating activities	<u><u>\$ 21,888</u></u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

	Agency Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ 81,562	\$ 9,296
Total assets	<u>\$ 81,562</u>	<u>\$ 9,296</u>
LIABILITIES		
Due to student groups	\$ 81,562	\$ -
Total liabilities	<u>81,562</u>	<u>-</u>
NET POSITION		
Net position held in trust for scholarships	<u>-</u>	<u>9,296</u>
Total net position	<u>-</u>	<u>9,296</u>
Total liabilities and net position	<u>\$ 81,562</u>	<u>\$ 9,296</u>

FAIRFIELD AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

	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>9,996</u>
Net position - ending	<u>\$ 9,296</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, 2020, the School District paid \$ 1,029,382 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, 2020, the School District paid \$ 143,870 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 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.

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.

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.

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. This amount of unspent bond proceeds is considered to be restricted; however, they offset the related debt rather than being included in restricted net position. 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, 2020 consists of \$ 608,962 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.

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. The long-term financial impact and duration of these impacts cannot be reasonably estimated at this time.

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, 2020, the School District has a bank balance of \$ 9,057,456. Of this balance, \$ 259,296 is covered by FDIC insurance and the remaining balance of \$ 8,798,160 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 \$ 21,511. 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, 2020, 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, 2020:

Real estate	\$	549,232
Earned income tax		654,878
Real estate transfer tax		4,234
Amusement tax		1,891
Allowance for uncollectible taxes		<u>(84,108)</u>
		1,126,127
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(665,924)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	\$	<u>460,203</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, 2020, the District abated property taxes totaling \$ 1,386,469 under this program.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following for the year ended June 30, 2020:

Funds	Due From	Due To
General	\$ 249,324	\$ 503,571
Capital Projects	503,571	-
Food Service	-	249,324
	<u>\$ 752,895</u>	<u>\$ 752,895</u>

The interfund payable from the Food Service Fund to the General Fund is for student lunch account balances and payroll expenses as of June 30, 2020. The interfund payable from the General Fund to the Capital Projects Fund is for an additional HVAC project that was prepaid as of June 30, 2020.

Funds	Transfers In	Transfers Out
General	\$ -	\$ 563,571
Capital Projects	503,571	-
Food Service	60,000	-
	<u>\$ 563,571</u>	<u>\$ 563,571</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, 2020.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 consist of the following:

Local:	Consortium tuition	\$	55,353
	Other		39,191
State:	Basic education		530,155
	Vocational education		363
	Transportation		59,838
	Rental subsidy		5,190
	PAsmart grants		8,115
	Social security		69,590
	Retirement		413,363
Federal:	Direct programs		230,148
		\$	<u>1,411,306</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, 2020:

	Balances June 30, 2019	Additions	Retirements	Balances June 30, 2020
Governmental Activities:				
Cost				
Assets not being depreciated:				
Land	\$ 422,050	\$ -	\$ -	\$ 422,050
Construction in progress	3,127,171	5,572,829	-	8,700,000
Assets being depreciated:				
Site improvements	684,396	-	-	684,396
Buildings and building improvements	30,332,674	-	-	30,332,674
Furniture and equipment	3,065,476	286,449	(108,993)	3,242,932
Total cost	<u>37,631,767</u>	<u>5,859,278</u>	<u>(108,993)</u>	<u>43,382,052</u>
Less accumulated depreciation				
Site improvements	(625,821)	(9,059)	-	(634,880)
Buildings and building improvements	(23,112,224)	(760,073)	-	(23,872,297)
Furniture and equipment	(2,150,669)	(149,178)	82,408	(2,217,439)
Total accumulated depreciation	<u>(25,888,714)</u>	<u>(918,310)</u>	<u>82,408</u>	<u>(26,724,616)</u>
Capital assets, net	<u>\$ 11,743,053</u>	<u>\$ 4,940,968</u>	<u>\$ (26,585)</u>	<u>\$ 16,657,436</u>
Business-Type Activities				
Cost				
Machinery and equipment	\$ 260,343	\$ 21,033	\$ -	\$ 281,376
Less accumulated depreciation	<u>(260,343)</u>	<u>(1,052)</u>	<u>-</u>	<u>(261,395)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 19,981</u>	<u>\$ -</u>	<u>\$ 19,981</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2020 was charged to governmental functions as follows:

Instruction	\$ 750,214
Instructional student support	252
Administrative and financial support services	28,553
Operation and maintenance of plant services	133,666
Student activities	3,835
Transportation	<u>1,790</u>
	<u>\$ 918,310</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, 2020:

General Fund

Accrued salaries	\$ 552,210
Retirement	867,124
Social security	41,104
Other withholdings	<u>49,462</u>
	<u>\$ 1,509,900</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2020 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)	\$ -	\$ -	\$ -
(B) Series 2012 B	2,230,000	-	(2,230,000)	-	-	-
(C) Series 2015	6,165,000	-	(6,165,000)	-	-	-
(D) Series 2016	2,720,000	-	(880,000)	1,840,000	905,000	935,000
(E) Series 2019	9,960,000	-	-	9,960,000	65,000	9,895,000
(F) Series 2019 A	645,000	-	-	645,000	-	645,000
(G) Series 2020	-	11,070,000	(5,000)	11,065,000	5,000	11,060,000
Unamortized bond premium (discount)	<u>75,687</u>	<u>1,664,633</u>	<u>(63,494)</u>	<u>1,676,826</u>	<u>166,009</u>	<u>1,510,817</u>
Subtotal - bonds	25,765,687	12,734,633	(13,313,494)	25,186,826	1,141,009	24,045,817
Compensated absences	103,834	21,170	-	125,004	46,716	78,288
Capital lease	<u>39,399</u>	<u>152,406</u>	<u>(45,656)</u>	<u>146,149</u>	<u>27,163</u>	<u>118,986</u>
Total long-term liabilities	<u>\$ 25,908,920</u>	<u>\$ 12,908,209</u>	<u>\$ (13,359,150)</u>	<u>\$ 25,457,979</u>	<u>\$ 1,214,888</u>	<u>\$ 24,243,091</u>
Business-Type Activities						
Compensated absences	<u>9,905</u>	<u>742</u>	<u>-</u>	<u>10,647</u>	<u>1,508</u>	<u>9,139</u>
Total long-term liabilities	<u>\$ 9,905</u>	<u>\$ 742</u>	<u>\$ -</u>	<u>\$ 10,647</u>	<u>\$ 1,508</u>	<u>\$ 9,139</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%. These bonds were refunded with the Series of 2020 bonds on March 2, 2020.
- (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%. These bonds were refunded with the Series of 2020 bonds on March 2, 2020.
- (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%. These bonds were refunded with the Series of 2020 bonds on March 2, 2020.
- (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%.
- (G) On March 2, 2020, the School District issued \$ 11,070,000 of general obligation bonds – Series of 2020. The proceeds were used to refund the general obligation bonds Series A of 2012, Series B of 2012, and Series of 2015, and to pay the cost of issuing the bonds. Payment on the bonds is due in varying amounts on June 1, 2020 to 2032. The bonds bear interest rates ranging from 1.00% to 4.00%.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

As a result of the refunding, the School District will have the following benefits:

(1) Cash Flow gain	\$ 969,896
(2) Economic gain	\$ 904,460

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.

(2) Represents the difference in present value of the old debt and new debt, less bond issue costs.

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.

The annual debt requirements for future general obligation bonds as of June 30, 2020, are as follows:

Fiscal Year Ended June 30	GO Bonds - 2016		GO Bonds - 2019		GO Bonds - 2019A	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 905,000	\$ 47,400	\$ 65,000	\$ 350,010	\$ -	\$ 26,123
2022	935,000	18,700	70,000	348,660	-	26,123
2023	-	-	40,000	347,560	-	26,123
2024	-	-	55,000	346,473	-	26,123
2025	-	-	45,000	345,223	-	26,123
2026-2030	-	-	200,000	1,706,000	-	130,613
2031-2035	-	-	3,400,000	1,535,056	645,000	65,306
2036-2039	-	-	6,085,000	441,886	-	-
	<u>\$ 1,840,000</u>	<u>\$ 66,100</u>	<u>\$ 9,960,000</u>	<u>\$ 5,420,868</u>	<u>\$ 645,000</u>	<u>\$ 326,531</u>

Fiscal Year Ended June 30	GO Bonds - 2020		Totals	
	Principal	Interest	Principal	Interest
2021	\$ 5,000	\$ 403,650	\$ 975,000	\$ 827,183
2022	5,000	403,600	1,010,000	797,083
2023	915,000	403,550	955,000	777,233
2024	935,000	366,950	990,000	739,545
2025	985,000	329,550	1,030,000	700,895
2026-2030	5,610,000	1,028,750	5,810,000	2,865,363
2031-2035	2,610,000	118,050	6,655,000	1,718,413
2036-2039	-	-	6,085,000	441,886
	<u>\$ 11,065,000</u>	<u>\$ 3,054,100</u>	<u>\$ 23,510,000</u>	<u>\$ 8,867,599</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Lease Payable

The School District is financing the purchase of copiers and information technology equipment through capital leases with vendors. At June 30, 2020, the leased assets have a gross capitalized value of \$ 152,406 and accumulated amortization of \$ 15,241, leaving a net book value of \$ 137,165 that is included in capital assets. Amortization expense of \$ 15,241 is included in depreciation expense. The aggregate amount of future principal payments required on capital leases at June 30, 2020 is as follows:

2021	\$	38,727
2022		38,727
2023		38,727
2024		38,727
2025		<u>22,588</u>
		177,496
Amount representing interest		<u>(31,347)</u>
	\$	<u><u>146,149</u></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.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2020, 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.

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Active participants	112
Vested former participants	0
Retired participants	<u>9</u>
Total	<u>121</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 57,120 for the year ended June 30, 2020.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2019 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, 2019, which was based on census information as of November 2019. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2020, the School District reported a total OPEB liability of \$ 792,587.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$ 120,780.

PSERS

At June 30, 2020, the School District reported a liability of \$ 1,050,660 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's 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, 2019, the School District's proportion was 0.0494 percent, which is the same percentage from its proportionate measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$ 45,265.

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

	Total OPEB/ Net	
	OPEB Liability	OPEB Expense
School District Plan	\$ 792,587	\$ 120,780
PSERS	1,050,660	45,265
Total	<u>\$ 1,843,247</u>	<u>\$ 166,045</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 1,168,526
Changes for the year:	
Service cost	78,629
Interest	36,373
Changes of benefit terms	49,007
Differences between expected and actual experience	(468,117)
Changes in assumptions	(22,751)
Benefit payments	(49,080)
Net changes	(375,939)
Ending Balance	<u>\$ 792,587</u>

At June 30, 2020, 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	\$ -	\$ 434,680	\$ 6,000	\$ -	\$ 6,000	\$ 434,680
Changes in assumptions	-	111,038	35,436	31,435	35,436	142,473
Net difference between projected and actual investment earnings	-	-	2,000	20,000	2,000	20,000
Changes in proportions - plan	-	-	-	-	-	-
Changes in proportions - fund	-	-	967	967	531	531
Difference between employer contributions and proportionate share of total contributions	-	-	128	78	128	78
Benefit payments/contributions subsequent to the measurement date	42,030	-	57,120	-	99,150	-
	<u>\$ 42,030</u>	<u>\$ 545,718</u>	<u>\$ 101,651</u>	<u>\$ 52,480</u>	<u>\$ 143,245</u>	<u>\$ 597,762</u>

The amount of \$ 99,150 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, 2020 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
2021	\$ (43,229)	\$ (4,996)	\$ (48,225)
2022	(43,229)	(4,996)	(48,225)
2023	(43,229)	(4,996)	(48,225)
2024	(43,229)	(4,996)	(48,225)
2025	(43,229)	7,015	(36,214)
Thereafter	(329,573)	5,020	(324,553)
Total	<u>\$ (545,718)</u>	<u>\$ (7,949)</u>	<u>\$ (553,667)</u>

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2019, 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, 2019, was determined by rolling forward the System's Total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.36% - S&P Municipal Bond 20 year High Grade Rate Index as of July 1, 2019.	2.79% - S&P 20 year municipal bond rate as of June 30, 2019.
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.
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	5.5% in 2019, and 5.5% in 2020 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.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
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, \$ 5,362 for males and \$ 7,743 for females; 50-54, \$ 7,101 for males and \$ 8,751 for females; 55-59, \$ 8,649 for males and \$ 9,157 for females; and 60-64, \$ 11,286 for males and \$10,519 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.

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	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	<u>3.7%</u>	0.0%
	<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, 2019.

Discount Rate

The discount rate used to measure the OPEB liability was 3.36% and 2.79% for the School District's Plan and PSERS, respectively. The School District Plan is not funded, therefore, a rate of 3.36% and 2.79% similar to the S&P 20 year high grade municipal bond rate as of June 30, 2019 and July 1, 2019 is the applicable discount rate, respectively. 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

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate (Continued)

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.

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.

School District Plan

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
School District Plan - Total OPEB liability	\$ 853,424	\$ 792,587	\$ 735,050

PSERS

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS - School District's proportionate share of the net OPEB liability	\$ 1,197,000	\$ 1,050,660	\$ 929,000

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 (4.5% decreasing to 2.8%)	Healthcare Cost Trend Rate (5.5% decreasing to 3.8%)	1% Increase (6.5% decreasing to 4.8%)
School District Plan - Total OPEB Liability	\$ 703,661	\$ 792,587	\$ 898,329

PSERS

	1% Decrease (Between 4% to 6.5%)	Healthcare Cost Trend Rate (Between 5% to 7.5%)	1% Increase (Between 6% to 8.5%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 1,049,000	\$ 1,050,660	\$ 1,051,000

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2020, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2020, the School District had \$ 20,240 included in accrued wage liability, of which \$ 15,650 is for the contractually required contribution for the first and second quarter of 2020 and \$ 4,590 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

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.

NOTE 11 PENSION PLAN

General Information About the Pension Plan (Continued)

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of services or attain a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

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.

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.

NOTE 11 PENSION PLAN

General Information About the Pension Plan (Continued)

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%.

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District to the pension plan from the School District were \$ 2,268,480 for the year ended June 30, 2020.

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, 2020, the School District recognized revenue of \$ 1,167,179 as reimbursement from the State for its current year pension payments.

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

At June 30, 2020, the School District reported a liability of \$ 23,110,608 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, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.0494 percent, which is the same as its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense as follows:

Governmental Activities	\$ 2,207,256
Business-Type Activities	64,566

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)

At June 30, 2020, 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	\$ 127,000	\$ 766,000
Changes in assumptions	221,000	-
Net difference between projected and actual investment earnings	-	66,000
Changes in proportionate share - plan	-	313,000
Changes in proportionate share - governmental activities/business-type activities	37,010	37,010
Difference between employer contributions and proportionate share of total contributions	34,789	-
Contributions subsequent to the measurement date	2,268,480	-
	<u>\$ 2,688,279</u>	<u>\$ 1,182,010</u>

The \$ 2,268,480 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	(36,503)
2022		(538,354)
2023		(228,354)
2024		41,000
Total	\$	<u>(762,211)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019 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

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)

- 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, 2019 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20%	5.6%
Fixed income	36%	1.9%
Commodities	8%	2.7%
Absolute return	10%	3.4%
Risk parity	10%	4.1%
Infrastructure/MLPs	8%	5.5%
Real estate	10%	4.1%
Alternative investments	15%	7.4%
Cash	3%	0.3%
Financing (LIBOR)	(20%)	0.7%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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)

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	Current	1% Increase
	6.25%	Discount Rate	8.25%
School District's proportionate share of the net pension liability	<u>\$ 28,787,000</u>	<u>\$ 23,110,068</u>	<u>\$ 18,304,000</u>

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, 2020 the School District had \$ 846,884 included in accrued benefits liability, of which \$ 810,694 is for the contractually required contribution for a portion of the first quarter and the second quarter of 2020 and \$ 36,190 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

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.

FAIRFIELD AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 12 RISK MANAGEMENT (CONTINUED)

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, 2020:

Net position - July 1, 2019	\$ 2,031,721
Contributions and interest income	1,218,851
Experience refund	8,427
Claims paid	(810,311)
Stop-loss insurance	(124,114)
Minipool premium	(64,705)
Administrative fees and contracted services	(78,293)
Net position - June 30, 2020	<u>\$ 2,181,576</u>

Overall, the Lincoln Benefit Trust has a net position of \$ 99,063,582 as of June 30, 2020 and showed an increase in net position of \$ 4,432,063 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.

FAIRFIELD AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2020 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, 2020, 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, 2020, \$ 8,700,000 has been incurred; however, the School District has paid \$ 9,332,550 of this contract with \$ 632,550 included with prepaid expenditures recorded in the Capital Projects Fund.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRFIELD AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final	(Budgetary/ GAAP Basis)	with Final Budget
REVENUES				
Local Sources				
Taxes	\$ 11,102,613	\$ 11,102,613	\$ 11,512,686	\$ 410,073
Investment earnings	30,000	30,000	35,943	5,943
Revenue from intermediate sources	147,429	147,429	144,587	(2,842)
Other	130,450	130,450	145,714	15,264
State sources	7,009,693	7,009,693	7,142,908	133,215
Federal sources	158,082	158,082	242,829	84,747
Total revenues	<u>18,578,267</u>	<u>18,578,267</u>	<u>19,224,667</u>	<u>646,400</u>
EXPENDITURES				
Instruction				
Regular programs	6,975,054	6,984,687	6,517,101	467,586
Special programs	2,497,196	2,306,906	2,291,137	15,769
Vocational education programs	881,692	985,001	876,959	108,042
Other instructional programs	126,411	90,963	85,874	5,089
Total instruction	<u>10,480,353</u>	<u>10,367,557</u>	<u>9,771,071</u>	<u>596,486</u>
Support Services				
Pupil personnel	586,210	629,349	571,439	57,910
Instructional staff	346,320	291,403	252,686	38,717
Administration	1,406,485	1,488,120	1,770,950	(282,830)
Pupil health	212,822	352,746	309,018	43,728
Business	345,857	426,362	397,787	28,575
Operation and maintenance of plant	1,206,236	1,317,535	1,190,565	126,970
Student transportation	984,866	902,896	842,906	59,990
Central	361,923	380,394	274,918	105,476
Other support services	13,873	4,873	1	4,872
Total support services	<u>5,464,592</u>	<u>5,793,678</u>	<u>5,610,270</u>	<u>183,408</u>
Operation of Noninstruction Services				
Student activities and community services	563,258	587,852	502,853	84,999
Total operation of noninstructional services	<u>563,258</u>	<u>587,852</u>	<u>502,853</u>	<u>84,999</u>
Debt Service				
Principal	1,030,000	1,013,185	905,979	107,206
Interest	907,795	799,725	810,894	(11,169)
Total debt service	<u>1,937,795</u>	<u>1,812,910</u>	<u>1,716,873</u>	<u>96,037</u>
Total expenditures	<u>18,445,998</u>	<u>18,561,997</u>	<u>17,601,067</u>	<u>960,930</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term financing	-	-	11,222,406	11,222,406
Payment to refund long term refinancing	-	-	(12,492,228)	(12,492,228)
Bond premium	-	-	1,618,850	1,618,850
Interfund transfers	(176,000)	(60,000)	(563,571)	(503,571)
Total other financing sources and (uses)	<u>(176,000)</u>	<u>(60,000)</u>	<u>(214,543)</u>	<u>(154,543)</u>
Net change in fund balances	<u>\$ (43,731)</u>	<u>\$ (43,730)</u>	<u>\$ 1,409,057</u>	<u>\$ 1,452,787</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
2020	0.0494%	\$ 23,110,608	\$ 6,812,129	339.26%	55.66%
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
2020	\$ 2,268,480	\$ 2,268,480	\$ -	\$ 6,867,129	33.0%
2019	2,228,884	2,228,884	-	6,812,129	32.7%
2018	2,108,803	2,108,803	-	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**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 78,629	\$ 74,455	\$ 84,829
Interest	36,373	36,128	30,160
Changes of benefit terms	49,007	-	-
Difference between expected and actual experience	(468,117)	-	-
Changes in assumptions	(22,751)	(1,011)	(113,330)
Benefit payments	<u>(49,080)</u>	<u>(45,512)</u>	<u>(51,509)</u>
Net change in total OPEB liability	(375,939)	64,060	(49,850)
 Total OPEB liability - beginning	 <u>1,168,526</u>	 <u>1,104,466</u>	 <u>1,154,316</u>
Total OPEB liability - ending	<u>\$ 792,587</u>	<u>\$ 1,168,526</u>	<u>\$ 1,104,466</u>
 Covered employee payroll	 \$ 6,397,830	 N/A	 \$ 6,272,363
 Total OPEB liability as a percentage of covered employee payroll	 12.39%	 N/A	 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
2020	0.0494%	\$ 1,050,660	\$ 6,812,129	15.42%	5.56%
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
2020	\$ 57,120	\$ 57,120	-	\$ 6,867,129	0.84%
2019	56,748	56,748	-	6,812,129	0.84%
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, 2020

	Original	Actual	Variance
REVENUES FROM LOCAL SOURCES			
Taxes			
Current and interim real estate taxes	\$ 8,616,950	\$ 8,806,280	\$ 189,330
Public utility realty taxes	10,670	-	(10,670)
Payments in lieu of taxes	14,377	25,361	10,984
Current Act 511 taxes - flat rate assessments	2,285,616	2,425,936	140,320
Delinquencies on taxes levied/assessed	<u>175,000</u>	<u>255,109</u>	<u>80,109</u>
Total taxes	<u>11,102,613</u>	<u>11,512,686</u>	<u>410,073</u>
Earnings on investments	30,000	35,943	5,943
Revenue from intermediary sources	147,429	144,587	(2,842)
Rentals	13,830	12,579	(1,251)
Contributions and donations from private sources	4,000	24,068	20,068
Refunds and other miscellaneous revenue	<u>112,620</u>	<u>109,067</u>	<u>(3,553)</u>
Total revenue from local sources	<u>11,410,492</u>	<u>11,838,930</u>	<u>428,438</u>
REVENUE FROM STATE SOURCES			
Basic instructional funding	3,724,833	3,569,217	(155,616)
Tuition for orphans and private-home placements	1,100	43,108	42,008
Vocational education	20,050	14,850	(5,200)
Special education funding for school aged pupils	658,017	659,755	1,738
Transportation	506,930	676,998	170,068
Rental and sinking fund payments	178,269	162,700	(15,569)
Health services	18,500	11,341	(7,159)
State property tax reduction allocation	460,189	460,189	-
Ready to Learn block grant	-	147,924	147,924
Pasmart targeted grant	-	26,644	26,644
State share of social security and retirement	<u>1,441,805</u>	<u>1,370,182</u>	<u>(71,623)</u>
Total revenue from state sources	<u>7,009,693</u>	<u>7,142,908</u>	<u>133,215</u>
REVENUE FROM FEDERAL SOURCES			
ESEA - Title I	110,494	95,237	(15,257)
ESEA - Title II	27,311	25,959	(1,352)
ESEA - Title IV	10,000	10,000	-
Vocational education	10,277	11,511	1,234
Vocational education	<u>-</u>	<u>100,122</u>	<u>100,122</u>
Total revenue from federal sources	<u>158,082</u>	<u>242,829</u>	<u>84,747</u>
Total revenues	<u>\$ 18,578,267</u>	<u>\$ 19,224,667</u>	<u>\$ 646,400</u>

FAIRFIELD AREA SCHOOL DISTRICT
Detailed Original Budget Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2020

	Original	Actual	Variance
INSTRUCTION			
Regular programs			
Elementary/Secondary	\$ 6,975,054	\$ 6,517,101	\$ 457,953
Special programs			
Gifted students	77,977.00	79,928	(1,951)
Learning support	2,419,219	2,211,209	208,010
Total special programs	2,497,196	2,291,137	206,059
Vocational educational programs			
Agricultural education	110,934	131,536	(20,602)
Home economics education	104,119	109,142	(5,023)
Industrial arts education	118,122	119,822	(1,700)
Business education	172,350	193,272	(20,922)
Technical education	376,167	323,187	52,980
Total vocational education	881,692	876,959	4,733
Other instructional programs			
Drivers education	60,990	62,717	(1,727)
Additional education	65,421	23,157	42,264
Total other instructional programs	126,411	85,874	40,537
Total instruction	10,480,353	9,771,071	709,282
SUPPORT SERVICES			
Pupil personnel guidance	586,210	571,439	14,771
Instructional staff			
School library	255,156	175,261	79,895
Curriculum and staff development	91,164	77,425	13,739
Total instructional staff	346,320	252,686	93,634
Administration			
Board services	81,841	86,125	(4,284)
Tax assisted services	76,917	75,310	1,607
Legal	35,000	34,239	761
Office of Superintendent	391,788	532,451	(140,663)
Community relations	9,000	9,935	(935)
Office of Principal	810,439	840,346	(29,907)
Other	1,500	192,544	(191,044)
Total administration	\$ 1,406,485	\$ 1,770,950	\$ (364,465)

FAIRFIELD AREA SCHOOL DISTRICT
Detailed Original Budget Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2020

	Original	Actual	Variance
Pupil health	\$ 212,822	\$ 309,018	\$ (96,196)
Business	345,857	397,787	(51,930)
Operation and maintenance of plant services	1,206,236	1,190,565	15,671
Student transportation	984,866	842,906	141,960
Central and other support services	375,796	274,919	100,877
Total support services	5,464,592	5,610,270	(145,678)
OPERATION OF NON-INSTRUCTIONAL SERVICES			
Student activities and community services			
School sponsored student activities	105,334	97,372	7,962
School sponsored athletics	457,624	405,481	52,143
School sponsored community services	300	-	300
Total operations of non-instructional services	563,258	502,853	60,405
DEBT SERVICE			
Principal	1,030,000	905,979	124,021
Interest	907,795	810,894	96,901
Total debt service	1,937,795	1,716,873	220,922
Total expenditures	18,445,998	17,601,067	844,931
OTHER FINANCING SOURCES (USES)			
Proceeds from long term financing	-	11,222,406	11,222,406
Payment to refund long term financing	-	(12,492,228)	(12,492,228)
Bond premium	-	1,618,850	1,618,850
Interfund transfers	(176,000)	(563,571)	(387,571)
Total other financing sources (uses)	(176,000)	(214,543)	(38,543)
Net change in fund balance	\$ (43,731)	\$ 1,409,057	\$ 1,452,788