

FOREST CITY REGIONAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION**

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*Brian T. Kelly, CPA
& Associates, LLC*

INDEPENDENT AUDITORS' REPORT

To the School Board of the
Forest City Regional School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Forest City Regional School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 activity, each major fund and the aggregate remaining fund information of the Forest City Regional School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13 to the financial statements, the District has restated fund balance of its General Fund and net position of its governmental activities to correct errors in the recording and reporting of state subsidies receivable, payroll liabilities and a cash account improperly reported as a fiduciary fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, and the required supplementary information on pages 57 through 61, 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.



Carbondale, Pennsylvania
February 4, 2021

FOREST CITY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Forest City Regional School District (the "District") for the year ended June 30, 2020. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

Total net position of the District increased \$366,370 in 2020 to \$(11,716,738) at June 30, 2020. Net position of the governmental activities increased \$331,750 from 2019. Net position of the business-type activity increased \$34,620 from 2019.

The District had \$15,561,855 in expenses related to governmental activities in 2020; only \$4,541,661 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$10,913,677 were adequate to provide for these programs but our net position decreased due to long-term liabilities, specifically the net pension liability.

In the District's business-type activity, net position increased by \$34,620. In addition to meeting all National School Lunch Program requirements, the District has continued to provide a Universal Free Breakfast through March 2020. Subsequently, the District operated under the Seamless Summer Option through the end of June 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The statement of net position presents information on all of the District's assets and liabilities and deferred inflows and outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 17 and 18 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the District's major funds, the General Fund, the Capital Projects Fund and the Debt Service Fund.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 23 of this report to demonstrate compliance with this budget.

PROPRIETARY FUND

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

FIDUCIARY FUND

The District accounts for its activity fund as a fiduciary fund. The basic fiduciary fund financial statement can be found on page 27 of this report.

NOTES TO THE FINANCIAL STATEMENTS

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

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a budget each year for its General fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2020 included revenue of \$15,211,644 and expenditures and other financing uses of \$15,689,624. There were no amendments made to the budget in 2020.

Actual revenues were higher than budgeted revenues in 2020 by \$282,226. Actual expenditures were lower than budgeted expenditures in 2020 by \$315,906. This was true across all areas of expenditures due to the effects of the pandemic and the closure of our buildings from March through June. Although we maintained staff and virtual learning during the closure, our expenses were reduced by not utilizing our support staff as we would in a normal year.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed government-wide financial statements are presented comparatively as follows:

CONDENSED STATEMENT OF NET ASSETS (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 7,242	\$ 7,470	\$ 207	\$ 153	\$ 7,449	\$ 7,623	-2.28%
Capital Assets	<u>13,681</u>	<u>14,280</u>	<u>41</u>	<u>50</u>	<u>13,722</u>	<u>14,330</u>	-4.24%
Deferred Outflows of Resources	<u>3,349</u>	<u>3,449</u>	<u>-</u>	<u>-</u>	<u>3,349</u>	<u>3,449</u>	-2.90%
TOTAL	\$ 24,272	\$ 25,199	\$ 248	\$ 203	\$ 24,520	\$ 25,402	-3.47%
Current Liabilities	\$ 1,854	\$ 2,419	\$ 10	\$ -	\$ 1,864	\$ 2,419	-22.94%
Long-term liabilities:							
Due within one year	532	537	-	-	532	537	-0.93%
Due after one year	<u>32,021</u>	<u>34,258</u>	<u>-</u>	<u>-</u>	<u>32,021</u>	<u>34,258</u>	-6.53%
Total Liabilities	<u>34,407</u>	<u>37,214</u>	<u>10</u>	<u>-</u>	<u>34,417</u>	<u>37,214</u>	-7.52%
Deferred Inflows of Resources	<u>1,820</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>1,820</u>	<u>271</u>	571.59%
Net Position:							
Net investment in capital assets	5,173	5,239	41	50	5,214	5,289	-1.42%
Restricted	10	391			10	391	-97.44%
Unrestricted	<u>(17,138)</u>	<u>(17,916)</u>	<u>197</u>	<u>153</u>	<u>(16,941)</u>	<u>(17,763)</u>	4.63%
Total Net Position	<u>(11,955)</u>	<u>(12,286)</u>	<u>238</u>	<u>203</u>	<u>(11,717)</u>	<u>(12,083)</u>	3.03%
TOTAL	\$ 24,272	\$ 25,199	\$ 248	\$ 203	\$ 24,520	\$ 25,402	-3.47%

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Program Revenues:							
Charges for Services	\$ 294	\$ 72	\$ 171	\$ 230	\$ 465	\$ 302	53.97%
Operating grants and contributions	4,247	4,794	497	404	4,744	5,198	-8.73%
General Revenues:							
Taxes levied for general purposes	6,753	7,177			6,753	7,177	-5.91%
Grants, subsidies and contributions not restricted	3,894	3,482			3,894	3,482	11.83%
Other	<u>267</u>	<u>226</u>	<u>4</u>	<u>5</u>	<u>271</u>	<u>231</u>	17.32%
Total Revenues	<u>15,455</u>	<u>15,751</u>	<u>672</u>	<u>639</u>	<u>16,127</u>	<u>16,390</u>	-1.60%
Program Expenses:							
Instruction	9,466	9,582			9,466	9,582	-1.21%
Instructional student support	807	1,585			807	1,585	-49.09%
Administration and financial support services	1,668	1,013			1,668	1,013	64.66%
Operation and maintenance of plant services	1,118	2,308			1,118	2,308	-51.56%
Pupil transportation	1,239	1,214			1,239	1,214	2.06%
Student activities	263	243			263	243	8.23%
Interest on bonds payable	319	197			319	197	61.93%
Loss on disposal of capital assets	83	-			83	-	>100.00%
Unallocated depreciation	599	416			599	416	43.99%
Food service	<u>-</u>	<u>-</u>	<u>637</u>	<u>652</u>	<u>637</u>	<u>652</u>	-2.30%
Total expenses	<u>15,562</u>	<u>16,558</u>	<u>637</u>	<u>652</u>	<u>16,199</u>	<u>17,210</u>	-5.87%
Change in net position	<u>(107)</u>	<u>(807)</u>	<u>35</u>	<u>(13)</u>	<u>(72)</u>	<u>(820)</u>	91.22%
Net position, beginning as restated	<u>(11,848)</u>	<u>(11,479)</u>	<u>203</u>	<u>216</u>	<u>(11,645)</u>	<u>(11,263)</u>	-3.39%
Net Position, ending	<u>\$ (11,955)</u>	<u>\$ (12,286)</u>	<u>\$ 238</u>	<u>\$ 203</u>	<u>\$ (11,717)</u>	<u>\$ (12,083)</u>	3.03%

FOREST CITY REGIONAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (UNAUDITED)

GOVERNMENTAL ACTIVITIES

The net position of the governmental activities increased by \$331,750 in 2020. Revenues decreased by \$296,107 or less than 2% from 2019. Overall, district expenses decreased by \$996,230 or 6%.

BUSINESS-TYPE ACTIVITY

The net position of the District's food service operation increased by approximately \$34,620 from 2019 due to an increase in food service revenue reimbursements from meals served and changing to a seamless summer food distribution system that required families to pick up meals at our buildings.

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR)

The following represents a summary of General Fund revenue, by source, along with changes from 2019:

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Local sources	\$7,296,013	\$6,879,922	\$ 416,091	6.05 %
State sources	7,711,431	8,007,730	(296,299)	(3.70)%
Federal sources	<u>486,446</u>	<u>771,883</u>	<u>(285,437)</u>	(36.98)%
Total	<u>\$15,493,890</u>	<u>\$15,659,535</u>	<u>\$ (165,645)</u>	(1.06)%

LOCAL SOURCES

The majority of the increase in local source revenue is attributable to increases in real estate transfer taxes, a consortium health coverage rebate, and an IDEA pass-through grant with the NEIU.

STATE SOURCES

A decrease in state sources is due to the prior year reimbursement of a construction reimbursement subsidy and a safety and security grant.

FOREST CITY REGIONAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (UNAUDITED)

FEDERAL SOURCES

The decrease in federal sources is primarily due to a prior year IDEA monies received in the fiscal 2018-2019 year.

The following represents a summary of General Fund expenditures, by function, along with changes from 2019:

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Instruction	\$ 9,501,731	\$ 9,130,104	\$ 371,627	4.08 %
Support services	4,798,142	4,585,458	212,684	4.64 %
Non-instructional services	260,826	242,794	18,032	7.43 %
Other	<u>811,900</u>	<u>806,746</u>	<u>5,154</u>	0.64 %
Total	<u>\$15,306,077</u>	<u>\$14,765,102</u>	<u>\$ 607,497</u>	4.11 %

INSTRUCTION

The District had increased costs related to Special Education, along with salaries and benefits.

SUPPORT SERVICES

The District had increased costs due to increased salaries and benefits costs.

NON-INSTRUCTIONAL SERVICES

The District had increased costs for technology services all related to the pandemic closure from March through June 2020.

OTHER

The debt service remained relatively stable with a slight increase from our May 2019 borrowing.

FOREST CITY REGIONAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (UNAUDITED)

CAPITAL PROJECTS FUNDS (MAJOR)

The Capital Projects Fund accounts for major construction projects in the District. Fund balance at June 30, 2020 was \$10,323, which represents capital reserve funds for future capital needs.

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for the proceeds of, and payment on, notes and bonds payable. In 2020, the District paid a total of \$726,655 in current debt service, including \$470,000 of principal.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2020 is summarized below.

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITY</u>	<u>TOTALS</u>
Land	\$ 7,624		\$ 7,624
Land improvements	344,288		344,288
Buildings and improvements	23,009,804		23,009,804
Furniture and equipment	<u>1,517,677</u>	<u>\$ 234,849</u>	<u>1,752,526</u>
Total	24,879,393	234,849	25,114,242
Less accumulated depreciation	<u>11,198,564</u>	<u>193,572</u>	<u>11,392,136</u>
Net	<u>\$ 13,680,829</u>	<u>\$ 41,277</u>	<u>\$13,722,106</u>

Additional information on the District's capital assets can be found on page 38 of this report.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

LONG TERM DEBT

At June 30, 2020, the District's general obligation debt was \$8,490,000. This amount is approximately 28.5% of its legal limit of \$29.7 million. \$480,000 of this debt is scheduled for payment in 2021. The District's bonds have an A1 enhanced rating from Moody's Investors Service and a AAA rating from Standard and Poor's. The enhanced outlook is stable. Additional information on the District's long-term debt can be found on page 39 of this report.

ECONOMIC CONDITION AND OUTLOOK

The District is residential in nature and has experienced only modest growth in its tax base and student enrollment remains static.

As a result of the minimal tax growth in the tax base and the state's lack of progress in addressing adequate funding for school districts, the District raised its real estate tax levies to the maximum amount allowed under Act 1. Although the Act 1 index was 3.3%, this allowed for a 2.73% increase in Wayne County, a 3.07% increase in Susquehanna County, and a 3.3% increase in Lackawanna County for fiscal year 2020.

COVID 19: On March 6, 2020 Governor Wolf declared a disaster emergency for the Commonwealth of Pennsylvania and on March 13, 2020 Governor Wolf closed all K-12 education facilities. At the time, the closure was for a two-week period, but with the rising number of COVID 19 cases in the Commonwealth, that closure continued until the end of June 2020, per Governor Wolf's orders. The District maintained continuity of education for our students and kept all full/part time employees employed along with all transportation contracts in tact as per Act 13 of 2020. Act 13 guaranteed continued state education funding and the commonwealth's share of employee benefits along with their share of transportation expenses as if the transportation contractors continued to transport our students for the remainder of the school year.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted March 27, 2020. The District received \$187,215 in funds to assist us with implementing new cleaning and sanitizing procedures throughout our buildings and purchasing technology for a one-to-one initiative that allowed our students to work virtually from home when needed. This one-to-one initiative was an important step for our district as we moved into the 2020-2021 School Year.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

For fiscal year 2022, the District can raise taxes without PDE approval or voter referendum by a 3.0% index. The Board of Education is considering a resolution stating that the District will not increase the rate of any tax for the support of its public schools for the 2021 fiscal year by more than the index established by the Department of Education for the district. The District is able to do this now that our Fund Balance has grown and we continue to see increases to our tax base and to our revenue from Real Estate Transfer Taxes and Wage Taxes.

The District has labor contracts with both the Professional and Support Professional unions that run through Fiscal Year 2021 and 2023, respectively.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michelle Gogolski, Business Manager, Forest City Regional School District, 100 Susquehanna Street, Forest City, PA 18421.

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITY	TOTAL
<u>ASSETS & DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets:			
Cash and cash equivalents	\$ 4,762,920	\$ 424,585	\$ 5,187,505
Taxes receivable, net	478,276		478,276
Due from other governments	1,137,617	42,711	1,180,328
Due (to) from other funds	295,408	(292,558)	2,850
Other receivables	266,457		266,457
Inventories		31,825	31,825
Total current assets	6,940,678	206,563	7,147,241
ASSETS HELD FOR CAPITAL PROJECTS	301,673		301,673
CAPITAL ASSETS	<u>13,680,829</u>	<u>41,277</u>	<u>13,722,106</u>
Total assets	20,923,180	247,840	21,171,020
DEFERRED OUTFLOWS OF RESOURCES	<u>3,349,058</u>		<u>3,349,058</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,272,238</u>	<u>\$ 247,840</u>	<u>\$ 24,520,078</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 117,428		\$ 117,428
Accrued salaries and benefits	1,543,227		1,543,227
Current maturities of bonds payable	480,000		480,000
Current portion of capital lease payable	17,448		17,448
Current portion of compensated absences	35,166		35,166
Accrued interest	126,478		126,478
Unearned revenues	66,118	\$ 10,059	76,177
Total current liabilities	2,385,865	10,059	2,395,924
BONDS PAYABLE	8,010,000		8,010,000
COMPENSATED ABSENCES	316,493		316,493
OTHER POSTEMPLOYMENT BENEFITS	1,893,651		1,893,651
NET PENSION LIABILITY	<u>21,801,000</u>		<u>21,801,000</u>
Total liabilities	<u>34,407,009</u>	<u>10,059</u>	<u>34,417,068</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,819,748</u>		<u>1,819,748</u>
NET POSITION:			
Net investment in capital assets	5,173,381	41,277	5,214,658
Restricted	10,323		10,323
Unrestricted	<u>(17,138,223)</u>	<u>196,504</u>	<u>(16,941,719)</u>
Total net position	<u>(11,954,519)</u>	<u>237,781</u>	<u>(11,716,738)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 24,272,238</u>	<u>\$ 247,840</u>	<u>\$ 24,520,078</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES	OPERATING	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
		FOR	GRANTS AND			
		SERVICES	CONTRIBUTIONS			
Governmental activities:						
Instruction	\$ (9,466,260)	\$ 288,847	\$ 2,441,688	\$ (6,735,725)		\$ (6,735,725)
Instructional student support	(806,700)		126,782	(679,918)		(679,918)
Administration and financial support services	(1,668,043)		158,714	(1,509,329)		(1,509,329)
Operation and maintenance of plant services	(1,118,368)	2,250	169,059	(947,059)		(947,059)
Pupil transportation	(1,238,698)		889,849	(348,849)		(348,849)
Student activities	(262,717)	3,391	23,981	(235,345)		(235,345)
Interest on bonds payable	(318,579)		437,100	118,521		118,521
Loss on disposal of capital assets	(83,721)			(83,721)		(83,721)
Unallocated depreciation expenses	(598,769)			(598,769)		(598,769)
Total governmental activities	(15,561,855)	294,488	4,247,173	(11,020,194)		(11,020,194)
Business-type activity,						
Food service	(637,099)	171,373	496,759		\$ 31,033	31,033
TOTAL	<u>\$ (16,198,954)</u>	<u>\$ 465,861</u>	<u>\$ 4,743,932</u>	<u>(11,020,194)</u>	<u>31,033</u>	<u>(10,989,161)</u>
General revenues:						
				6,752,517		6,752,517
				3,894,084		3,894,084
				192,278		192,278
				74,798	3,587	78,385
Total general revenues				<u>10,913,677</u>	<u>3,587</u>	<u>10,917,264</u>
Change in net position				<u>(106,517)</u>	<u>34,620</u>	<u>(71,897)</u>
Net position, beginning, as previously reported				(12,286,269)	203,161	(12,083,108)
Restatement				<u>438,267</u>		<u>438,267</u>
Net position, beginning, as restated				<u>(11,848,002)</u>	<u>203,161</u>	<u>(11,644,841)</u>
Net position, ending				<u>\$ (11,954,519)</u>	<u>\$ 237,781</u>	<u>\$ (11,716,738)</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	MAJOR FUNDS			TOTALS
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	
ASSETS:				
Cash and cash equivalents	\$ 4,696,398	\$ 301,673	\$ 66,522	\$ 5,064,593
Taxes receivable	478,276			478,276
Due from other funds	586,758			586,758
Due from other governments	1,137,617			1,137,617
Other receivables	<u>266,457</u>			<u>266,457</u>
Total assets	<u>\$ 7,165,506</u>	<u>\$ 301,673</u>	<u>\$ 66,522</u>	<u>\$ 7,533,701</u>
LIABILITIES:				
Accounts payable	\$ 117,428			\$ 117,428
Due to other funds		\$ 291,350		291,350
Accrued salaries and benefits	1,543,227			1,543,227
Payroll deductions and withholdings	<u>66,118</u>			<u>66,118</u>
Total liabilities	<u>1,726,773</u>	<u>291,350</u>	<u>-</u>	<u>2,018,123</u>
DEFERRED INFLOWS OF RESOURCES,				
Unavailable revenue - property taxes	<u>305,784</u>			<u>305,784</u>
FUND BALANCES:				
Restricted		10,323		10,323
Committed	3,113,000			3,113,000
Assigned			\$ 66,522	66,522
Unassigned	<u>2,019,949</u>			<u>2,019,949</u>
Total fund balances	<u>5,132,949</u>	<u>10,323</u>	<u>66,522</u>	<u>5,209,794</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,165,506</u>	<u>\$ 301,673</u>	<u>\$ 66,522</u>	<u>\$ 7,533,701</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,209,794
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	13,680,829
Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds	305,784
Accrued interest payable is included on the statement of net position	(126,478)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Bonds payable	(8,490,000)
Capital lease payable	(17,448)
Total OPEB liability and related deferred outflows and inflows of resources	(1,646,341)
Compensated absences	(351,659)
Net pension liability and related deferred outflows and inflows of resources	<u>(20,519,000)</u>
TOTAL NET POSITION - GOVERNMENT ACTIVITIES	<u>\$ (11,954,519)</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	MAJOR FUNDS			TOTALS
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES:				
Local sources	\$ 7,296,013	\$ 39,503		\$ 7,335,516
State sources	7,711,431			7,711,431
Federal sources	<u>486,446</u>			<u>486,446</u>
Total revenues	<u>15,493,890</u>	<u>39,503</u>	<u>-</u>	<u>15,533,393</u>
EXPENDITURES:				
Instruction	9,501,731			9,501,731
Support services	4,798,142			4,798,142
Noninstructional services	260,826			260,826
Capital outlay		128,749		128,749
Debt service	17,637		726,655	744,292
Refund of prior year revenues	<u>1,086</u>			<u>1,086</u>
Total expenditures	<u>14,579,422</u>	<u>128,749</u>	<u>726,655</u>	<u>15,434,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>914,468</u>	<u>(89,246)</u>	<u>(726,655)</u>	<u>98,567</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			793,177	793,177
Transfers out	<u>(793,177)</u>			<u>(793,177)</u>
Total other financing sources (uses)	<u>(793,177)</u>	<u>-</u>	<u>793,177</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>121,291</u>	<u>(89,246)</u>	<u>66,522</u>	<u>98,567</u>
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	4,573,391	99,569		4,672,960
RESTATEMENT	<u>438,267</u>			<u>438,267</u>
FUND BALANCE, BEGINNING, AS RESTATED	<u>5,011,658</u>	<u>99,569</u>	<u>-</u>	<u>5,111,227</u>
FUND BALANCE, ENDING	<u>\$ 5,132,949</u>	<u>\$ 10,323</u>	<u>\$ 66,522</u>	<u>\$ 5,209,794</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 98,567
Amounts reported for governmental activities in the statement of activities are different because:	
Capital asset additions are reported as expenditures in the funds	83,141
Depreciation expense is reported in the statement of activities	(598,769)
The statement of activities reports the difference between the gross proceeds and the carrying value of disposed assets as either a gain or loss on the disposal of capital assets	(83,721)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds. This amount is the net change in revenue accrued between the prior and current year	(78,055)
Repayment of long-term obligations uses current financial resources and is reported in the funds but not the statement of activities	534,049
Change in prepaid expenses	(59,019)
Change in accrued interest on bonds payable	(61,389)
Change in total OPEB liability and related deferred outflows and inflows	214,542
Change in compensated absences	(29,671)
Change in net pension liability and related deferred outflows and inflows	<u>(126,192)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (106,517)</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:			
Local sources	\$ 7,001,057	\$ 7,296,013	\$ 294,956
State sources	7,560,522	7,711,431	150,909
Federal sources	<u>650,085</u>	<u>486,446</u>	<u>(163,639)</u>
Total revenues	<u>15,211,664</u>	<u>15,493,890</u>	<u>282,226</u>
EXPENDITURES:			
Instruction	9,790,866	9,501,731	289,135
Support services	4,888,987	4,798,142	90,845
Noninstructional services	215,475	260,826	(45,351)
Debt service		17,637	(17,637)
Refund of prior year revenues		<u>1,086</u>	<u>(1,086)</u>
Total expenditures	<u>14,895,328</u>	<u>14,579,422</u>	<u>315,906</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>316,336</u>	<u>914,468</u>	<u>598,132</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	<u>(794,296)</u>	<u>(793,177)</u>	<u>1,119</u>
NET CHANGE IN FUND BALANCE	<u>(477,960)</u>	<u>121,291</u>	<u>599,251</u>
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	4,004,602	4,573,391	568,789
RESTATEMENT		<u>438,267</u>	<u>438,267</u>
FUND BALANCE, BEGINNING, AS RESTATED	<u>4,004,602</u>	<u>5,011,658</u>	<u>1,007,056</u>
FUND BALANCE, ENDING	<u>\$ 3,526,642</u>	<u>\$ 5,132,949</u>	<u>\$ 1,606,307</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2020**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 424,585
Due from other governments	42,711
Inventories	<u>31,825</u>

Total current assets 499,121

CAPITAL ASSETS

41,277

TOTAL \$ 540,398

LIABILITIES AND NET POSITION

LIABILITIES:

Current liabilities:

Due to other funds	\$ 292,558
Unearned revenues	<u>10,059</u>

Total current liabilities 302,617

NET POSITION:

Invested in capital assets	41,277
Unrestricted	<u>196,504</u>

Total net position 237,781

TOTAL \$ 540,398

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES,	
Food service revenue	<u>\$ 171,373</u>
OPERATING EXPENSES:	
Salaries	193,238
Employee benefits	141,533
Purchased property services	3,324
Other purchased services	1,648
Food and supplies	285,504
Depreciation	9,092
Other	<u>2,760</u>
Total operating expenses	<u>637,099</u>
OPERATING LOSS	<u>(465,726)</u>
NONOPERATING REVENUES:	
Earnings on investments	3,587
State sources	61,394
Federal sources	<u>435,365</u>
Total nonoperating revenues	<u>500,346</u>
NET INCOME	34,620
TOTAL NET POSITION, BEGINNING	<u>203,161</u>
TOTAL NET POSITION, ENDING	<u>\$ 237,781</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 180,600
Cash payments to employees for services	(206,210)
Cash paid to suppliers for goods and services	<u>(261,909)</u>
Net cash used in operating activities	<u>(287,519)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	14,684
Federal sources	<u>228,375</u>
Net cash used in noncapital financing activities	<u>243,059</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,	
Earnings on investments	<u>3,587</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(40,873)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>465,458</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 424,585</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS,	
USDA donated commodities	<u>\$ 41,707</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (465,726)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,092
USDA donated commodities	41,707
Increase or decrease in:	
Due to/from other funds	124,669
Other receivables	3,777
Inventories	(11,097)
Unearned revenues	<u>10,059</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (287,519)</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>ACTIVITY</u>
<u>ASSETS</u>	
CASH AND CASH EQUIVALENTS	<u>\$106,641</u>
<u>LIABILITIES</u>	
DUE TO OTHER FUNDS	\$ 2,850
OTHER CURRENT LIABILITIES	<u>103,791</u>
TOTAL LIABILITIES	<u>\$106,641</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the Forest City Regional School District (the "District") are summarized below:

NATURE OF OPERATIONS

The District provides elementary and secondary education to the residents of the following municipalities: Clinton Township, Mount Pleasant Township, Vandling Borough, Forest City Borough, Union Dale Borough and Herrick Township.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Statement 14, as amended by Statement 39 issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General and Debt Service Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

GENERAL FUND (MAJOR)

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

Capital Projects Fund (Major)

The Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation or construction of major capital facilities. The District accounts for its Capital Reserve Fund as a Capital Projects Fund.

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term obligations.

PROPRIETARY FUND TYPE

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating.

FIDUCIARY FUND TYPES

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The fund included in this category is:

ACTIVITY FUND

The Activity Fund accounts for the collections and disbursements of assets of various student activities and clubs.

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position.

FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

ACCRUAL BASIS

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

MODIFIED ACCRUAL BASIS

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. Expenditures, other than principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments are recorded as fund liabilities when due and unpaid.

ALLOCATION OF INDIRECT EXPENSES

The District does not allocate any indirect expenses, including depreciation.

BUDGETARY DATA

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the administration to prepare and submit a plan of financial operation to the School Board.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and money market funds, which are carried at cost.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value, as determined by the U.S. Department of Agriculture, at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 used by the Food Service Fund are reported both in the business-type activity of the government-wide statement of net position and in the fund financial statements.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$5,000. 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 not. Assets acquired through capital leases are included in furniture and equipment and are amortized over the life of the asset. Amortization is included in depreciation expense in the accompanying financial statements.

All capital assets except land and construction in progress are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITY</u>
Land improvements	15 – 20 years	N/A
Buildings and improvements	5 – 40 years	N/A
Furniture and equipment	5 – 20 years	5 - 30 years

The District does not have any infrastructure capital assets.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The balance sheet and statement of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, which are reported after total assets, are defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). Deferred inflows of resources, which are reported after total liabilities, are defined by GASB as an acquisition of net assets that applies to future periods. The revenue, or reduction of expense, is recognized in the applicable future period(s). Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The District is required to report the following as deferred outflows of resources and deferred inflows of resources:

- Unavailable revenue – property taxes, which represents the portion of taxes receivable that does not meet both the measurable and available criteria for recognition in the current period in the governmental funds balance sheet. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.
- For the defined benefit pension plan and the other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the District's proportion of expenses and liabilities to the pension as a whole, differences between the District's pension contributions and its proportionate share of contributions, and District contributions subsequent to the valuation measurement date.

UNEARNED REVENUE

The District reports unearned revenue on its financial statements. Unearned revenue arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when cash is received prior to the provision of services. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

COMPENSATED ABSENCES

The District's collective bargaining agreements with its professional staff and employment agreements with support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated (subject to maximum accumulations). The rate paid varies by position. Vacation leave is available only to administrative and twelve month support employees and may be carried over in certain instances; however, there is no provision for payout of unused vacation days.

PENSIONS

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

GOVERNMENT FUND BALANCE CLASSIFICATIONS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the District's "highest level of decision-making authority" which do not lapse at year-end. The School Board is its highest level of decision-making authority, and the School Board commits funds through resolutions.

- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through formal action of the School Board.
- *Unassigned* – includes fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

NET POSITION

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The District maintains the following classifications of net position:

- Net investment in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
- Restricted – the portion of net position subject to externally imposed conditions.
- Unrestricted – all other categories of net position. Net position may be designated for specific purposes by the School Board.

ELIMINATIONS AND INTERNAL BALANCES

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled “internal balances” on the statement of net position.

RESTRICTED RESOURCES

When both restricted and unrestricted resources are available for use, the District’s policy is to use restricted resources first, and then unrestricted resources as needed.

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENTS

The District has implemented GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later. The effective dates for Statement Nos. 84 and 89 were postponed by one year and the effective date for Statement No. 87 was postponed by eighteen months. Statement No. 94 and those issued thereafter were not affected by Statement No. 95. See Note 16 for the revised effective dates of all pending changes in accounting principles.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to these statutes.

CUSTODIAL CREDIT RISK

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 District's has adopted a policy requiring that deposits in excess of insurance limits shall be collateralized pursuant to law. At June 30, 2020, the bank balance of the District's deposits with financial institutions, including cash equivalents and certificates of deposit, was \$5,892,456, compared to the carrying amount of \$5,595,819. The difference is primarily due to deposits in transit and outstanding checks. \$5,392,456 of the District's deposits was exposed to custodial credit risk, all of which was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with Commonwealth of Pennsylvania Act 72 of 1971, as amended.

3. REAL ESTATE TAXES

The real estate taxes for the District are collected from two boroughs and three townships. The tax on real estate, as levied by the School Board, was 93.76 mills (\$93.76 per \$1,000 of assessed valuation) in Lackawanna County, 43.88 mills (\$43.88 per \$1,000 of assessed valuation) in Susquehanna County and 16.89 mills (\$16.89 per \$1,000 of assessed valuation) in Wayne County. Each county determines the assessed valuation of property and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	Levy Date
August 1 – September 30	2% discount period
October 1 – November 30	Face payment period
December 1 – December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at June 30, 2020 amounted to \$478,276. The amount of taxes receivable is reported net of an allowance for doubtful collections of \$49,742.

4. DUE FROM OTHER GOVERNMENTS

The amount reported in the General Fund at June 30, 2020 as due from other governments is summarized below:

Commonwealth of Pennsylvania:	
State source revenue	\$ 615,240
Federal source revenue	277,200
Northeastern Educational Intermediate Unit #19:	
Local source revenue	2,250
Federal source revenue	141,767
Reimbursement of expenditures	13,834
County of Lackawanna	152
County of Susquehanna	2,531
County of Wayne	1,519
Other local education agencies	<u>83,124</u>
 Total	 <u>\$ 1,137,617</u>

The amount reported in the Food Service Fund as due from other governments of \$42,711 represents \$1,719 due from the PDE for state subsidies, as well as \$40,992 in federal funds passed through the PDE.

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in the District's capital assets in 2020 are summarized as follows:

	BALANCE JULY 1, <u>2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE JUNE 30, <u>2020</u>
<u>Governmental activities:</u>				
Cost:				
Assets not being depreciated:				
Land	\$ 7,624			\$ 7,624
Assets being depreciated:				
Land improvements	331,488	\$ 12,800		344,288
Buildings and improvements	23,009,804			23,009,804
Furniture and equipment	<u>3,065,860</u>	<u>70,341</u>	<u>\$(1,618,524)</u>	<u>1,517,677</u>
Subtotal	<u>26,407,152</u>	<u>83,141</u>	<u>(1,618,524)</u>	<u>24,871,769</u>
Total cost	<u>26,414,776</u>	<u>83,141</u>	<u>(1,618,524)</u>	<u>\$24,879,393</u>
Less accumulated depreciation:				
Land improvements	(331,488)	(640)		(332,128)
Buildings and improvements	(9,066,100)	(565,270)		(9,631,370)
Furniture and equipment	<u>(2,737,010)</u>	<u>(32,859)</u>	<u>1,534,803</u>	<u>(1,235,066)</u>
Total accumulated depreciation	<u>(12,134,598)</u>	<u>(598,769)</u>	<u>1,534,803</u>	<u>(11,198,564)</u>
Governmental activities capital assets, net	<u>\$ 14,280,178</u>	<u>\$ (515,628)</u>	<u>\$ (83,721)</u>	<u>\$13,680,829</u>
<u>Business-type activity:</u>				
Furniture and equipment	\$ 234,849			\$ 234,849
Less accumulated depreciation	<u>(184,480)</u>	<u>\$ (9,092)</u>		<u>(193,572)</u>
Business-type activity capital assets, net	<u>\$ 50,369</u>	<u>\$ (9,092)</u>		<u>\$ 41,277</u>

6. BONDS PAYABLE

During its June 30, 2012 fiscal year, the District issued \$3,190,000 of general obligation bonds (Series of 2012) to currently refund the Series A and B of 2007 bonds. These bonds are due in varying annual installments plus interest at rates ranging from 0.65% to 2.375%, with final maturity scheduled for 2022. Principal due in 2021 is \$65,000.

During its June 30, 2016 fiscal year, the District issued \$9,920,000 of general obligation bonds (Series of 2015) to finance various capital projects. These bonds are due in varying annual installments plus interest at rates ranging from 1.00% to 4.00%, with final maturity scheduled for 2035. Principal due in 2021 is \$415,000.

The following summarizes the changes in bonds and notes payable in 2020:

	<u>BALANCE</u> <u>JULY 1, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>JUNE 30, 2020</u>
Bond Series of 2012	\$ 205,000		\$ (70,000)	\$ 135,000
Bond Series of 2020	<u>8,755,000</u>	_____	<u>(400,000)</u>	<u>8,355,000</u>
Total	<u>\$ 8,960,000</u>	<u>\$ _____</u>	<u>\$ (470,000)</u>	<u>\$ 8,490,000</u>

Total interest paid on these bonds and notes in 2020 was \$256,655. No interest was capitalized in 2020. No interest is reported as a direct expense in the statement of activities.

The following summarizes the District's future debt service requirements as of June 30, 2020:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 480,000	\$ 248,114	\$ 728,114
2022	490,000	238,243	728,243
2023	500,000	227,711	727,711
2024	510,000	216,346	726,346
2025	525,000	204,181	729,181
2026-2030	2,840,000	793,316	3,633,316
2031-2035	<u>3,145,000</u>	<u>293,225</u>	<u>3,438,225</u>
TOTAL	<u>\$ 8,490,000</u>	<u>\$ 2,221,136</u>	<u>\$10,711,136</u>

7. CAPITAL LEASE PAYABLE

During its June 30, 2006 fiscal year, the District entered into a capital lease for technology equipment. The lease agreement requires monthly payments of \$1,470 and contains a lease rate of 2.00%. The annual payments are required through 2021.

The following is a summary of future minimum lease payments required under the capital lease along with the present value of the lease payments as of June 30, 2020:

<u>YEAR ENDING JUNE 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2021	\$ 17,621
Less amounts representing interest	<u>173</u>
Present value of lease payments	<u>\$ 17,448</u>

The following summarizes the change in the principal balance of capital leases payable in 2020:

Balance, July 1, 2019	\$ 81,497
Increases	
Decreases	<u>(64,049)</u>
Balance, June 30, 2020	<u>\$ 17,448</u>

The District normally pays its capital lease payments from the General Fund. The remaining balance of the capital lease is payable in the year ended June 30, 2021 so the entire amount is presented as current in the accompanying financial statements.

8. COMPENSATED ABSENCES

The changes in the District's compensated absences in 2020 are summarized as follows:

Balance, July 1, 2019	\$ 321,988
Increase	29,671
Decrease	<u> </u>
Balance, June 30, 2020	351,659
Less current portion	<u>35,166</u>
Long-term compensated absences	<u>\$ 316,493</u>

The District normally pays its compensated absences from the General Fund.

9. POSTEMPLOYMENT BENEFITS

DISTRICT OPEB PLAN

PLAN DESCRIPTION

The District provides postretirement healthcare benefits for employees who retire with at least 30 years of credited service in the Pennsylvania School Employees' Retirement System and must be retiring under a normal or early PSERS retirement. Employees may also be eligible after completing 10 years of service with the District. The benefits are provided by the District for a maximum of ten years or until the individual reaches age sixty-five. The cost of such medical coverage for retirees and spouses is determined by the contract provisions at the time of retirement. The plan provides post-retirement medical, prescription drug, dental and vision benefits. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired teachers who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. Eligible members of the support personnel bargaining unit may also participate in the plan at their own expense.

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The contribution requirements of plan members and the District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retirees do not contribute to the plan. The plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing benefits to plan member, or are legally protected from creditors.

A total of 111 participants are covered by the benefit terms, including 89 active participants and 22 inactive (retired) participants currently receiving benefits. There are no participants entitled to but not receiving benefits under the plan.

FINANCIAL INFORMATION

The following is the District's other postemployment benefit (OPEB) liability, deferred outflows and inflows of resources related to OPEB and the OPEB expense for the fiscal year ended June 30, 2020:

Total OPEB liability	\$ 902,651
Plan fiduciary net position	<u> </u>
Net OPEB liability	<u>\$ 902,651</u>
Deferred outflows of resources:	
Differences between expected and actual experience	\$ 65,056
Changes of assumptions	3,290
Benefit payments subsequent to the measurement date	<u>156,712</u>
Total deferred outflows of resources	<u>\$ 225,058</u>
Deferred inflows of resources,	
Changes of assumptions	<u>\$ 21,748</u>
Covered-employee payroll	\$5,410,235
Plan fiduciary net position as a % of total OPEB liability	0.0%
Total OPEB liability as a % of covered-employee payroll	16.68%
Service cost	\$ 30,311
Interest on total OPEB liability	28,980
Amortization of deferred outflows of resources	6,213
Amortization of deferred inflows of resources	<u>(1,856)</u>
OPEB expense	<u>\$ 63,648</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The District will recognize the \$156,712 reported as deferred outflows of resources resulting from plan contributions after the measurement date as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2021	\$ 4,357
2022	4,357
2023	4,357
2024	4,357
2025	4,357
Thereafter	<u>24,813</u>
TOTAL	<u>\$ 46,598</u>

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The actuarial valuation on which the total OPEB liability is based is dated July 1, 2018. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method was entry age normal, level basis of pay.
- Healthcare cost trend rate of 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Salary increases are composed of a 2.5% cost of living adjustment, 1.0% real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.0% to 2.75%.
- 50% of employees are assumed to elect coverage. 20% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial. Wives are assumed to be two years younger than husbands.
- Assumed retirement rates are based on PSERS plan experience and vary by age, gender and years of service. Withdrawal rates also vary by age, gender and years of service.
- The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation (See Note 10). Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- The discount rate decreased from 2.98% to 3.36%, based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.
- Participant data is based on census information as of March 2018.

The following table presents the District's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$828,944</u>	<u>\$902,651</u>	<u>\$989,307</u>

The following table presents the District's total OPEB liability calculated using the discount rate of 3.36%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage point higher (4.36%) than the current rate:

	1% Decrease <u>2.36%</u>	Current Discount Rate <u>3.36%</u>	1% Increase <u>4.36%</u>
Total OPEB liability	<u>\$949,091</u>	<u>\$902,651</u>	<u>\$859,090</u>

TOTAL OPEB LIABILITY

The District's total OPEB liability of \$902,651 was measured as of July 1, 2019 and was determined by an actuarial valuation as of July 1, 2018. The following table presents the changes in the District's total OPEB liability for the fiscal year ending June 30, 2020:

Balance, July 1, 2018	<u>\$ 1,038,501</u>
Service cost	30,311
Interest on total OPEB liability	28,980
Differences between expected and actual experience	-
Changes of assumptions	(17,314)
Benefit payments	<u>(177,827)</u>
Net changes	<u>(135,850)</u>
Balance, June 30, 2019	<u>\$ 902,651</u>

PSERS PLAN

PLAN DESCRIPTION

PSERS provides premium assistance through a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

PREMIUM ASSISTANCE ELIGIBILITY CRITERIA

Retirees of PSERS can participate in the premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and

- Participate in the HOP or employer-sponsored health insurance program.

DISTRICT CONTRIBUTIONS

The District's contractually required contribution rate for the year ended June 30, 2020 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS plan from the District were approximately \$55,000 for the year ended June 30, 2020.

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2020, the District reported a liability of \$991,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0466%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$38,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 2,000	
Changes in proportion	27,000	\$ 50,000
Changes of assumptions	33,000	29,000
Difference between expected and actual experience	6,000	
Contributions after the measurement date	<u>55,000</u>	<u> </u>
	<u>\$ 123,000</u>	<u>\$ 79,000</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The District will recognize the \$55,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2021	\$ (4,000)
2022	(4,000)
2023	(4,000)
2024	(4,000)
2025	6,000
Thereafter	<u>(1,000)</u>
TOTAL	<u>\$ (11,000)</u>

ACTUARIAL ASSUMPTIONS

The PSERS total OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return – 2.79 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50 percent
 - Eligible retirees will elect to participate post age 65 at 70 percent

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019
- Cost method: Amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value
- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits).

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

The Plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 PSERS Plan's total OPEB liability was 2.79 percent. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79 percent which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

SENSITIVITY TO CHANGE IN HEALTHCARE COST TREND RATES

The following table presents the District's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$991,000</u>	<u>\$991,000</u>	<u>\$991,000</u>

SENSITIVITY TO CHANGES IN DISCOUNT RATE

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

	1% Decrease <u>1.79%</u>	Current Discount Rate <u>2.79%</u>	1% Increase <u>3.79%</u>
Total OPEB liability	<u>\$1,129,000</u>	<u>\$991,000</u>	<u>\$877,000</u>

OPEB PLAN FIDUCIARY NET POSITION

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

10. PENSION BENEFITS

PLAN DESCRIPTION

The Public School Employees Retirement System (PSERS) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, the "Code") is the authority by which PSERS benefits provisions and contribution requirements are established and may be amended. The Code requires contributions by active members, the employer (the District) and the Commonwealth. PSERS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained from the PSERS website 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 sixty-two with at least one year of credited service; (b) age sixty with thirty or more years of credited service; or (c) thirty-five 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: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age sixty-five with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011 vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of ten years of service.

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

Death benefits are payable upon death of an active member who has reached age sixty-two with at least one year of credited service (age sixty-five with at least three years of credited service for Class T-E and Class T-F members) or 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.

MEMBER CONTRIBUTIONS

Active members who joined PSERS prior to July 22, 1983 contribute 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.50% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001 and before July 1, 2011 contribute at 7.50% (Automatic Class T-D). For all new hires and members who elected Class T-D membership, the higher contribution rate began with services rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. 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 contribution rate to fluctuate between 7.50% and 9.50% for Class T-E and 10.30% and 12.30% for Class T-F.

EMPLOYER CONTRIBUTIONS

The District's contractually required contribution rate for PSERS for the fiscal year ended June 30, 2020 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were approximately \$2,192,000.

ACTUARIAL ASSUMPTIONS

The total PSERS pension liability as of June 30, 2019 was determined by rolling forward PSERS' total pension liability as of the 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 is entry age normal, level percent of pay.
- Investment return of 7.25% including inflation at 2.75%.
- Salary increases based on an effective average of 5.00%, which reflects an allowance for inflation of 2.75% and 2.25% for real wage growth and merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0 %	5.6 %
Fixed income	36.0 %	1.9 %
Commodities	8.0 %	2.7 %
Absolute return	10.0 %	3.4 %
Risk parity	10.0 %	4.1 %
Infrastructure/MLPs	8.0 %	5.5 %
Real estate	10.0 %	4.1 %
Alternative investments	15.0 %	7.4 %
Cash	3.0 %	0.3 %
Financing (LIBOR)	<u>(20.0)%</u>	0.7 %
	<u>100.0 %</u>	

DISCOUNT RATE

The discount rate used to measure the total PSERS 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, PSERS' 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 PSERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the District's proportionate share of the PSERS 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Proportionate share of the net pension liability	<u>\$27,155,000</u>	<u>\$21,801,000</u>	<u>\$17,267,000</u>

FIDUCIARY NET POSITION

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

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2020, the District reported a liability of \$21,801,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability as calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion of .0466%, which was a decrease of .0021% from its proportion calculated as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,318,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings		\$ 62,000
Changes in proportions	\$ 420,000	934,000
Changes in assumptions	208,000	
Difference between expected and actual experience	120,000	723,000
Difference between employer contributions and proportionate share of total contributions	61,000	
Contributions after the measurement date	<u>2,192,000</u>	<u> </u>
	<u>\$ 3,001,000</u>	<u>\$ 1,719,000</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The District will recognize the \$2,192,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2021	\$ -
2022	(488,000)
2023	(460,000)
2024	<u>38,000</u>
TOTAL	<u>\$ 910,000</u>

11. INTERNAL BALANCES/INTERFUND TRANSFERS

The following summarizes the interfund transfers in 2020:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund, Debt Service Fund		<u>\$ 793,177</u>
Debt Service Fund, General Fund	<u>\$ 793,177</u>	

The General Fund transferred funds to the Debt Service Fund to pay long-term debt as it came due.

At June 30, 2020, the Food Service Fund owed the General Fund \$292,558 for uncollected student accounts as of the end of the year and subsidies received but not transferred, net of operating expenses paid by the General Fund on behalf of the Food Service Fund. The Capital Projects Fund owed the General Fund \$291,350 to reimburse capital expenditures from a prior period. The Fiduciary Funds owed the General Fund \$2,850 for expenditures paid by the General Fund on behalf of the Fiduciary Funds.

12. CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The District is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

COVID-19 PANDEMIC

COVID-19 may impact various parts of the operations and financial results of the District, including method of educational delivery, transportation and food service. Management believes that the District is taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is not known and cannot be reasonably estimated at June 30, 2020.

13. RESTATEMENT

Fund balance of the District's General Fund and net position of the District's governmental activities was increased by \$438,267 at July 1, 2019 to correct errors in the recording and reporting of state subsidies receivable, payroll liabilities and a cash account improperly reported as a fiduciary fund. The effect of this error on the change in net position for 2019 was \$438,267.

14. SUBSEQUENT EVENT

During October 2020, the District issued \$7,960,000 of general obligation bonds to currently refund the Series of 2015 general obligation bonds. These bonds are due in varying annual installments plus interest at rates ranging from 0.37% to 4.00% with final maturity scheduled for 2034.

15. NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued its Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how they should be reported. GASB Statement No. 84 will be effective for the District's fiscal year ending June 30, 2021.

In June 2017, the GASB issued its Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for the District's fiscal year ending June 30, 2022.

In June 2018, the GASB issued its Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. GASB Statement No. 89 will be effective for the District's fiscal year ending June 30, 2022.

In March 2020, the GASB issued its Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. This statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. GASB Statement No. 94 will be effective for the District's fiscal year ending June 30, 2023.

In May 2020, the GASB issued its Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs) for government end users by (1) defining a SBITA; (2) establishing that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) providing capitalization criteria for outlays other than subscription payments; and (4) requiring certain note disclosures regarding a SBITA. GASB Statement No. 91 will be effective for the District's fiscal year ending June 30, 2023.

The District has not yet determined the effects of the adoption of the aforementioned GASB Statements on its financial statements.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - PSERS
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE PSERS NET PENSION LIABILITY
 YEARS ENDED JUNE 30
 (UNAUDITED)

	2020	2019	2018	2017	2016	2015
District's proportion of the PSERS net pension liability	0.0466%	0.0487%	0.0469%	0.0479%	0.0480%	0.4620%
District's proportionate share of the PSERS net pension liability (in thousands)	<u>\$21,801</u>	<u>\$23,378</u>	<u>\$23,163</u>	<u>\$23,738</u>	<u>\$20,791</u>	<u>\$18,286</u>
District's covered employee payroll (in thousands)	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>	<u>\$ 6,197</u>	<u>\$ 6,181</u>	<u>\$ 5,890</u>
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	339.21%	356.26%	371.20%	383.06%	336.37%	310.46%
PSERS fiduciary net position as a percentage of the PSERS total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - PSERS
 SCHEDULE OF THE DISTRICT'S PSERS PENSION CONTRIBUTIONS
 YEARS ENDED JUNE 30
 (UNAUDITED)

	2020	2019	2018	2017	2016	2015
PSERS contractually required contribution (in thousands)	\$2,192	\$2,103	\$2,091	\$1,836	\$1,584	\$1,202
Contributions in relation to the contractually required contribution (in thousands)	<u>(2,192)</u>	<u>(2,103)</u>	<u>(2,091)</u>	<u>(1,836)</u>	<u>(1,584)</u>	<u>(1,202)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll (in thousands)	<u>\$6,427</u>	<u>\$6,562</u>	<u>\$6,240</u>	<u>\$6,197</u>	<u>\$6,181</u>	<u>\$5,890</u>
Contributions as a percentage of covered-employee payroll	34.11%	32.05%	33.51%	29.63%	25.63%	20.41%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY - DISTRICT PLAN
 YEARS ENDED JUNE 30
 (UNAUDITED)

	2020	2019	2018
Changes in the total OPEB liability:			
Service cost	\$ 30,311	\$ 26,559	\$ 25,899
Interest	28,980	32,006	29,397
Changes of benefit terms		-	-
Differences between expected and actual experience		76,884	-
Changes of assumptions	(17,314)	3,888	(7,338)
Benefit payments	(177,827)	(211,310)	(201,167)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Net change in pension liability	(135,850)	(71,973)	(153,209)
Total OPEB liability, beginning	<u>1,038,501</u>	<u>1,110,474</u>	<u>1,263,683</u>
Total OPEB liability, ending	<u>\$ 902,651</u>	<u>\$ 1,038,501</u>	<u>\$ 1,110,474</u>
Covered-employee payroll	\$5,410,235	\$ 5,410,236	\$ 5,529,594
Total OPEB liability as a percentage of covered-employee payroll	16.68%	19.20%	20.08%

Notes to schedule:

The District's OPEB plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018.

Information for years prior to 2018 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PSERS NET OPEB LIABILITY
YEARS ENDED JUNE 30
(UNAUDITED)

	2020	2019	2018
District's proportion of the PSERS net OPEB liability	0.0466%	0.0487%	0.0469%
District's proportionate share of the PSERS net OPEB liability (in thousands)	<u>\$ 991</u>	<u>\$ 1,015</u>	<u>\$ 956</u>
District's covered-employee payroll (in thousands)	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	15.42%	15.47%	15.32%
Plan fiduciary net position as a percentage of the PSERS net OPEB liability	5.56%	5.56%	5.73%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF THE DISTRICT'S PSERS OPEB CONTRIBUTIONS
YEARS ENDED JUNE 30
(UNAUDITED)

	2020	2019	2018
PSERS contractually required contribution (in thousands)	\$ 55	\$ 54	\$ 52
Contributions in relation to the contractually required contribution (in thousands)	<u>(55)</u>	<u>(54)</u>	<u>(52)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (in thousands)	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>
Contributions as a percentage of covered-employee payroll	0.86%	0.82%	0.83%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.
