

Steel Valley School District

Financial Statements and
Required Supplementary and
Supplementary Information

Year Ended June 30, 2020
with Independent Auditor's Reports

MaherDuessel

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STEEL VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

Board of Directors
Steel Valley School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages i through viii and 54 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*,

Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Mahe Duessel

Pittsburgh, Pennsylvania
March 25, 2021

**Steel Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Our Management's Discussion and Analysis of Steel Valley School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2020. Please review in conjunction with the School District's financial statements.

Financial Highlights

The School District's governmental activities recognized revenues of approximately \$36.9 million for fiscal year ending June 30, 2020, and Net Position decreased by approximately \$4.0 million.

The School District's General Fund fund balance was approximately \$7.6 million at June 30, 2020, an increase of approximately \$3.9 million from the prior year primarily due to proceeds from the 2019 bond issuance.

Actual revenues exceeded budgeted revenues by \$212,900, or 0.60% for 2019-2020. Actual expenditures exceeded budgeted expenditures by \$2,611,374 or 6.69% for 2019-2020.

The final tax rate millage for 2020 fiscal year was 24.2170 mills, which represents an increase of .7280 mills from the 2019 fiscal year.

Using the Basic Financial Statement Report

This Basic Financial Statement Report consists of a Financial Section. Within the Financial Section is the Management's Discussion and Analysis (this section), a series of financial statements, and notes to those statements. The Statement of Net Position and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. For the School District, the General Fund, Capital Projects Fund, Capital Reserves Fund, and the Food Service Fund are the most significant funds. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Reporting the School District as a Whole

While the Fund Financial Statements contain the majority of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader, for the School District as a whole, whether the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility conditions, required educational programs, and other factors.

Overview of Financial Statements

The Government-Wide Financial Statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

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

Proprietary fund – This fund is used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District's only proprietary fund and uses the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position – Government-Wide Financial Statements – Governmental Activities

At June 30, 2020, the value of the School District's assets totaled \$34.6 million, of which 52.1%, or approximately \$18.0 million, consisted of cash, investments, intergovernmental receivables, and taxes receivable.

Deferred outflows of resources totaled \$10,513,529, which relates to the School District's deferred outflows of resources for pension and OPEBs.

The liabilities total of \$84.9 million consisted of accounts payable and other current liabilities, accrued payroll and benefits, accrued interest payable, unearned revenue, and other non-current liabilities including bonds and notes outstanding, capital leases, retirement incentive, OPEB obligation, and net pension liability.

Deferred inflows of resources totaled \$3,383,495, which relates to the School District's deferred inflows of resources for pension and OPEBs.

Total unrestricted net position is approximately (\$40.5) million and net investment in capital assets is approximately (\$2.6) million at June 30, 2020, for a total net deficit of (\$43,139,978).

Revenues and Expenses – Government-Wide Financial Statements – Governmental Activities

Program revenues consist mainly of operating grants and contributions. Operating grants and contributions totaled \$3,121,926 and \$3,178,156 in fiscal years 2020 and 2019, respectively.

General revenues for governmental activities as displayed in the Statement of Activities for fiscal years ended June 30, 2020 and 2019 are as follows:

Description	2020	2019	Increase (Decrease)
Property taxes, levied for general purposes	\$ 16,018,509	\$ 19,004,634	\$ (2,986,125)
Taxes levied for general purposes	2,078,314	2,075,236	3,078
Grants/subsidies	14,470,261	13,672,813	797,448
Investment earnings	171,731	220,758	(49,027)
Miscellaneous income	81,722	211,551	(129,829)

Property taxes decreased by \$2,986,125, or 15.7% from 2019. 2019 property tax revenue was higher than normal due to an additional final payment of \$3,121,346 from the TIF. Other taxes levied for general purposes include earned income, delinquent/liened taxes, amusement, and emergency municipal services. Grants/subsidies include basic subsidy, grants from foundations, and grants from the state and federal governments. Grants/subsidies increased by \$797,448, or 5.8% due to increased Basic Education funding and State Retirement revenue. Miscellaneous income comes from tuition paid by other school districts for students attending the School District’s schools, telephone commissions, truancy, refunds from Steel Center Vocational School for prior years, and vendor contributions to the School District for allowing use of their vending machines in our school buildings. Miscellaneous income decreased by \$129,829, or 61.4% as the School District received increased revenues from a grant by a local Foundation for athletic functions in fiscal year 2019.

Expenses for governmental activities as displayed in the Statement of Activities for the fiscal years ended June 30, 2020 and 2019 are as follows:

Description	2020	2019	Increase (Decrease)
Instructional services	\$ 28,370,398	\$ 26,217,825	\$ 2,152,573
Support services	9,923,407	10,636,728	(713,321)
Non-instructional services	708,965	758,823	(49,858)
Debt service and authority obligations	961,428	643,228	318,200

Instructional services expenses increased by \$2,152,573, or 8.2% primarily due to increases in Charter School costs and increases in the retirement contribution rate from 33.43 to 34.29 percent, an increase of 2.6% from fiscal year 2019, an increase in salaries, and an increase in pension expenses related to the School District's net pension liability. Support services expenses decreased by \$713,321, or 6.7% primarily due to a decrease in consultants for counseling, psychological and occupational therapy services, and pension expenses related to the School District's net pension liability. Debt service and authority obligations increased by \$318,200, or 49.5% percent primarily due to an increase in the School District's debt service requirements from the issuance of the Taxable Pension Obligation Bonds, Series A of 2019 and the General Obligation Bonds, Series B and C of 2019, 2019 Bonds.

Overall, the School District experienced a decrease in net position of approximately \$4.0 million in fiscal year 2020 compared to an increase in net position of \$0.2 million for fiscal year 2019.

Revenues and Expenditures – Fund Statements

The revenue of the School District for the fiscal year ended June 30, 2020 came from three sources – local, state, and federal. Revenues from local sources, which include real estate, earned income tax, delinquent/liened taxes, amusement, and other sources, accounted for \$18,770,558 of total revenue received. The major source of revenue on the local level is current year real estate taxes, which represented \$14,790,347 of the total local revenue, which exceeded budget projections by \$128,208. The revenue received from delinquent/liened real estate tax collections totaled \$1,215,446, which came in under budget projections by \$74,554, primarily due to the slow down of the economy due to the Pandemic environment.

Revenue from state sources during fiscal year 2020 totaled \$16,120,712, which was \$185,572 over budget due to an under budgeted Basic Education funding increase of \$202,152 and Transportation increase of \$111,842 and over budgeted Rental and Sinking Fund decrease of receipts of \$144,300. The major subsidies received from state sources are basic subsidy of \$9,502,152 and special education subsidy of \$1,535,086. Of the \$919,120 revenue from federal sources, \$690,655 is from Title I improving basic programs. The remaining funds represent minor grants for improving teacher quality and medical assistance.

School District revenues for the fiscal year ended June 30, 2020 were used to pay expenditures of approximately \$41.7 million for instruction, support services, student activities, community services, facilities acquisition construction and improvements services, debt service, and other financing uses. The following is a comparison of costs for the fiscal years ended June 30, 2020 and 2019:

Program	2020 Expenditures	2019 Expenditures	Increase/(Decrease) from Prior Year
Instruction programs	\$ 25,949,934	\$ 24,614,763	\$ 1,335,171
Support services	9,760,000	9,746,120	13,880
Non-instruction services	661,113	727,166	(66,053)
Debt service	5,284,919	1,759,793	3,525,126
Facilities/improvement	16,630	38,204	(21,574)

The variance for the fiscal year 2020 compared with the prior year concerning instruction programs is primarily the result of increases in Charter School enrollment and increases in the retirement contribution rate from 32.57 to 33.43 percent, an increase of 0.86% from fiscal year 2019, and an increase in salaries. The variance for the fiscal year 2020 compared with the prior year concerning debt services is the result of issuance of the 2019 bonds.

Capital Reserves Fund activity consisted of various land and building improvements at the School District's schools totaling \$17,713. The District created a new fund, Capital Projects Fund, in fiscal year 2020. The fund was created to address the air filtration system and installation of two new boilers for the high school and middle school and the total cost estimate of the \$3,050,000 of which \$694,344 was expended this fiscal period.

Business-Type Activity

The only business-type activity of the School District is the Food Service operations. This program had revenues, operating and non-operating of \$928,406 and total operating and non-operating expenses of \$992,982 for fiscal year 2020. The cafeteria operation is designed to be self-sustaining; however, funds are provided by the General Fund whenever revenue is lagging from the state/federal subsidies. Approximately 93% of the revenue of the food service operation comes from the state and federal government. Subsidies received represent lunch and breakfasts served for free, reimbursed under the Community Eligibility Provision (CEP). For fiscal year 2020, the School District's school lunch and breakfast program operated under CEP, in which all students in the School District received free breakfast and lunch.

Capital Assets

At June 30, 2020, the School District's governmental funds had \$13,894,109 invested in a broad range of capital assets, including land, site improvements, buildings, furniture and equipment,

and vehicles. This amount represents a net decrease (including additions, deletions, and depreciation) of \$48,788 or 0.35% from last year.

Government Activities
Fiscal Years Ended June 30, 2020 and 2019
Capital Assets - Net of Depreciation

	2020	2019
Land and land improvements	\$ 1,682,199	\$ 1,901,888
Buildings and building improvements	10,992,650	11,465,228
Equipment, furniture, and fixtures	443,028	479,809
Vehicles	81,888	95,972
Construction in progress	694,344	-

More detailed information about our capital assets is included in Note 4 to the financial statements.

Debt Administration

As of July 1, 2019, the School District had bonds and notes payable of \$15,609,760. During the year, the School District issued Taxable Pension Obligation Bonds, Series A of 2019, and General Obligation Bonds, Series B and C, collectively Series of 2019 Bonds, in the amount of \$12,245,000, incurred additional accretion of \$453,357, and made principal payments totaling \$4,870,761. The total outstanding bonds and notes payable as of June 30, 2020 is \$23,437,356.

Outstanding Debt

General Obligation Bond/Note	As of June 30, 2020	As of June 30, 2019
Series of 2005 Capital Appreciation	\$ 9,798,457	\$ 9,395,051
Series of 2015 General Obligation Notes	-	4,676,811
Series of 2018 General Obligation Notes	1,393,899	1,537,898
Series of 2019 Taxable Pension Obligation Bonds	5,075,000	-
Series of 2019 General Obligation Bonds	7,170,000	-
Total	<u>\$ 23,437,356</u>	<u>\$ 15,609,760</u>

Other obligations include accrued sick leave for specific employees of the School District, pension and other post-employment benefits, and retirement incentive. More detailed information about the School District's long-term liabilities is included in Notes 5 through 11 to the financial statements.

Major Financial Issues

At June 30, 2020, the General Fund fund balance had a surplus of approximately \$7.64 million, consisting of non-spendable of \$267,359, assigned of \$1,500,000, and unassigned of \$5,872,322. The \$1,500,000 assigned was for real estate tax refunds, health insurance increases, charter school challenge to include federal fund expenditures in the tuition calculation, future debt service payments, and for future CBA-collective bargaining agreements.

Strategic Plan

The School District's strategic plan was approved by the PDE in September of 2006. The School District's mission is to educate students who come from diverse communities with an array of abilities and interests and prepare them to be the most productive citizens of tomorrow in a global marketplace. The areas which formed the School District's strategic direction include planned instruction, assessment, professional development, technology, and external partnerships.

Labor Relations

The bargaining groups for employees of the School District consist of the Steel Valley Education Association for the teachers, whose five-year contract was signed during fiscal year 2019 and ends on June 30, 2024. A second CBA with the Steel Valley Educational Support Personnel was ratified during fiscal year 2020 and ends on June 30, 2025 and covers the secretaries and the aides/paraprofessionals. A third CBA with Support Personnel Association was ratified during fiscal year 2020 and ends on June 30, 2025.

The teachers and administrative agreements provide a benefit for retirees who have retired under certain contracts, an amount of \$150,000 and \$120,000, respectively, to be distributed over a five-year period.

Contacting the School District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board of the Directors' accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mr. Edward Wehrer, Superintendent for the Steel Valley School District, 220 East Oliver Road, Munhall, PA 15120, (412) 464-3600.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 8,989,130	\$ 40,001	\$ 9,029,131
Restricted cash and cash equivalents	7,285,292	-	7,285,292
Investments	302,069	-	302,069
Taxes receivable, net of allowance for uncollectibles	1,399,794	-	1,399,794
Internal balances	(48,075)	58,282	10,207
Due from other governments	2,494,416	-	2,494,416
Inventory	-	5,950	5,950
Prepaid expenses	267,359	-	267,359
Capital assets, not being depreciated	2,147,771	-	2,147,771
Capital assets, net of accumulated depreciation	11,746,338	82,575	11,828,913
Total Assets	34,584,094	186,808	34,770,902
Deferred Outflows of Resources			
Deferred outflows of resources for pension	10,084,944	-	10,084,944
Deferred outflows of resources for OPEBs	428,585	-	428,585
Total Deferred Outflows of Resources	10,513,529	-	10,513,529
Liabilities			
Accounts payable and other current liabilities	2,594,664	2,225	2,596,889
Accrued payroll and benefits	4,555,164	31,259	4,586,423
Accrued interest payable	62,546	-	62,546
Unearned revenue	126,068	1,009	127,077
Noncurrent liabilities:			
Other noncurrent liabilities due within one year	772,263	-	772,263
Other noncurrent liabilities due in more than one year	24,819,641	-	24,819,641
Net OPEB liability	3,316,760	-	3,316,760
Net pension liability	48,607,000	-	48,607,000
Total Liabilities	84,854,106	34,493	84,888,599
Deferred Inflows of Resources			
Deferred inflows of resources for pension	3,221,000	-	3,221,000
Deferred inflows of resources for OPEBs	162,495	-	162,495
Total Deferred Inflows of Resources	3,383,495	-	3,383,495
Net Position			
Net investment in capital assets	(2,649,614)	82,575	(2,567,039)
Unrestricted	(40,490,364)	69,740	(40,420,624)
Total Net Position	\$ (43,139,978)	\$ 152,315	\$ (42,987,663)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
Instructional services:							
Regular instruction	\$ 19,200,103	\$ -	\$ 819,765	\$ -	\$ (18,380,338)	\$ -	\$ (18,380,338)
Special instruction	8,878,909	-	2,036,796	-	(6,842,113)	-	(6,842,113)
Vocational instruction	234,430	-	-	-	(234,430)	-	(234,430)
Other instructional programs	56,956	-	-	-	(56,956)	-	(56,956)
Total instructional services	28,370,398	-	2,856,561	-	(25,513,837)	-	(25,513,837)
Support services:							
Pupil personnel	1,159,274	-	-	-	(1,159,274)	-	(1,159,274)
Instructional staff	1,144,873	-	-	-	(1,144,873)	-	(1,144,873)
Administration	1,666,469	-	-	-	(1,666,469)	-	(1,666,469)
Pupil health	431,485	-	8,523	-	(422,962)	-	(422,962)
Business	518,643	-	-	-	(518,643)	-	(518,643)
Operation and maintenance of plant services	3,294,639	-	-	-	(3,294,639)	-	(3,294,639)
Student transportation services	783,461	-	256,842	-	(526,619)	-	(526,619)
Central services	380,433	-	-	-	(380,433)	-	(380,433)
Other support services	544,130	-	-	-	(544,130)	-	(544,130)
Total support services	9,923,407	-	265,365	-	(9,658,042)	-	(9,658,042)
Noninstructional services:							
Student activities	697,828	70,232	-	-	(627,596)	-	(627,596)
Community services	2,786	-	-	-	(2,786)	-	(2,786)
Scholarship awards	8,351	-	-	-	(8,351)	-	(8,351)
Total noninstructional services	708,965	70,232	-	-	(638,733)	-	(638,733)
Unallocated expenses - excluding direct expenses reported as a function above:							
Interest, amortization, and accretion on long-term debt	961,428	-	-	-	(961,428)	-	(961,428)
Total governmental activities	39,964,198	70,232	3,121,926	-	(36,772,040)	-	(36,772,040)

(Continued)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

(Continued)

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food services	992,982	64,459	863,256	-	(65,267)	(65,267)	
Total Primary Government	<u>\$ 40,957,180</u>	<u>\$ 134,691</u>	<u>\$ 3,985,182</u>	<u>\$ -</u>	<u>(36,772,040)</u>	<u>(65,267)</u> <u>(36,837,307)</u>	
General revenues:							
Taxes:							
Property taxes, levied for general purposes				16,018,509	-	16,018,509	
Taxes levied for general purposes				2,078,314	-	2,078,314	
Grants, subsidies, and contributions not restricted to specific programs				14,470,261	-	14,470,261	
Investment earnings				171,731	691	172,422	
Miscellaneous income				81,722	-	81,722	
Transfers				-	30,000	30,000	
Total general revenues				<u>32,820,537</u>	<u>30,691</u>	<u>32,851,228</u>	
Change in Net Position				<u>(3,951,503)</u>	<u>(34,576)</u>	<u>(3,986,079)</u>	
Net Position:							
Beginning of year				<u>(39,188,475)</u>	<u>186,891</u>	<u>(39,001,584)</u>	
End of year				<u>\$ (43,139,978)</u>	<u>\$ 152,315</u>	<u>\$ (42,987,663)</u>	

(Concluded)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Capital Reserves	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 6,109,141	\$ 2,879,989	\$ -	\$ 8,989,130
Restricted cash and cash equivalents	4,900,000	-	2,385,292	7,285,292
Investments	302,069	-	-	302,069
Taxes receivable, net of allowance for uncollectibles	1,399,794	-	-	1,399,794
Due from other funds	10,207	-	-	10,207
Due from other governments	2,494,416	-	-	2,494,416
Prepaid expenses	267,359	-	-	267,359
Total Assets	<u>\$ 15,482,986</u>	<u>\$ 2,879,989</u>	<u>\$ 2,385,292</u>	<u>\$ 20,748,267</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 2,028,005	\$ -	\$ 566,659	\$ 2,594,664
Accrued payroll and benefits	4,555,164	-	-	4,555,164
Unearned revenue	126,068	-	-	126,068
Due to other funds	58,282	-	-	58,282
Total Liabilities	<u>6,767,519</u>	<u>-</u>	<u>566,659</u>	<u>7,334,178</u>
Deferred Inflows of Resources:				
Unavailable revenue - taxes	1,075,786	-	-	1,075,786
Fund Balance:				
Nonspendable	267,359	-	-	267,359
Restricted	4,900,000	-	1,818,633	6,718,633
Assigned	1,500,000	2,879,989	-	4,379,989
Unassigned	972,322	-	-	972,322
Total Fund Balance	<u>7,639,681</u>	<u>2,879,989</u>	<u>1,818,633</u>	<u>12,338,303</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 15,482,986</u>	<u>\$ 2,879,989</u>	<u>\$ 2,385,292</u>	<u>\$ 20,748,267</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF POSITION

JUNE 30, 2020

Total Fund Balance - Governmental Funds \$ 12,338,303

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$32,449,520, and the accumulated depreciation is \$18,555,411. 13,894,109

Property taxes receivable are expected to be collected, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,075,786

The actuarially accrued net OPEB liability and deferred inflows and outflows of resources for OPEBs for the School District employees is not recorded on the fund financial statements. (3,050,670)

The actuarially accrued net pension liability and deferred inflows and outflows of resources for pension for the School District's employees are not recorded on the fund financial statements. (41,743,056)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Additionally, accrued interest payable is not reported as a liability in the fund financial statements. Long-term liabilities at year-end consist of:

Bonds and notes payable, net	\$ (23,437,356)	
Capital leases	(89,600)	
Accrued interest on bonds	(62,546)	
Retirement incentive program	(1,246,220)	
Compensated absences	(818,728)	(25,654,450)

Total Net Position - Governmental Activities \$ (43,139,978)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	General Fund	Capital Reserves	Capital Projects	Total
Revenues:				
Local sources	\$ 18,770,558	\$ 176,618	\$ 12,971	\$ 18,960,147
State sources	16,120,712	-	-	16,120,712
Federal sources	919,120	-	-	919,120
Total revenues	35,810,390	176,618	12,971	35,999,979
Expenditures:				
Instructional services	25,949,934	-	-	25,949,934
Support services	9,760,000	-	-	9,760,000
Operation of noninstructional services	661,113	-	-	661,113
Debt service:				
Principal and interest payments	5,165,129	-	-	5,165,129
Bond issue costs	119,790	-	-	119,790
Capital outlay	16,630	17,713	694,344	728,687
Total expenditures	41,672,596	17,713	694,344	42,384,653
Excess (Deficiency) of Revenues Over Expenditures	(5,862,206)	158,905	(681,373)	(6,384,674)
Other Financing Sources (Uses):				
Interfund transfers	(40,006)	-	10,006	(30,000)
Proceeds from bond issuance	9,755,000	-	2,490,000	12,245,000
Proceeds from capital lease	112,000	-	-	112,000
Refunds of prior year receipts	(38,667)	-	-	(38,667)
Total other financing sources (uses)	9,788,327	-	2,500,006	12,288,333
Net Change in Fund Balance	3,926,121	158,905	1,818,633	5,903,659
Fund Balance:				
Beginning of year	3,713,560	2,721,084	-	6,434,644
End of year	<u>\$ 7,639,681</u>	<u>\$ 2,879,989</u>	<u>\$ 1,818,633</u>	<u>\$ 12,338,303</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Governmental Funds \$ 5,903,659

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays (net of deletions):

	\$	731,103	
Capital outlays (net of deletions)			
Less: depreciation expense		<u>(779,891)</u>	(48,788)

In the statement of activities, certain operating expenses for accumulated employee benefits (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 642,727

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (7,964,842)

Pension benefits not payable from current year resources are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses in the current year. (2,441,657)

Some taxes and grants will not be collected for several months after the School District's year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues increased by this amount during the year. 12,716

The actuarially accrued other post-employment benefits (OPEB) liability for the School District's employees is not recorded on the fund financial statements. The value of this obligation changed by this amount during the year. (55,318)

Change in Net Position of Governmental Activities \$ (3,951,503)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ 18,642,350	\$ 18,642,350	\$ 18,770,558	\$ 128,208
State sources	15,935,140	15,935,140	16,120,712	185,572
Federal sources	1,020,000	1,020,000	919,120	(100,880)
Total revenues	<u>35,597,490</u>	<u>35,597,490</u>	<u>35,810,390</u>	<u>212,900</u>
Expenditures:				
Instructional services:				
Regular instruction	18,336,054	18,336,054	17,180,640	1,155,414
Special instruction	7,871,476	7,871,476	8,484,519	(613,043)
Vocational instruction	320,059	320,059	233,710	86,349
Other instructional programs	92,595	92,595	51,065	41,530
Total instructional services	<u>26,620,184</u>	<u>26,620,184</u>	<u>25,949,934</u>	<u>670,250</u>
Support services:				
Pupil personnel	1,282,707	1,282,707	1,065,975	216,732
Instructional staff	1,094,856	1,094,856	1,059,096	35,760
Administration	2,153,961	2,153,961	2,150,171	3,790
Pupil health	400,558	400,558	397,211	3,347
Business	476,401	476,401	471,978	4,423
Operation and maintenance of plant services	3,027,132	3,027,132	2,912,205	114,927
Student transportation services	932,250	932,250	779,440	152,810
Central services	192,700	192,700	379,794	(187,094)
Other support services	425,010	425,010	544,130	(119,120)
Total support services	<u>9,985,575</u>	<u>9,985,575</u>	<u>9,760,000</u>	<u>225,575</u>
Operation of noninstructional services:				
Student activities	652,618	652,618	650,204	2,414
Community services	8,000	8,000	2,558	5,442
Scholarship awards	14,635	14,635	8,351	6,284
Total operation of noninstructional services	<u>675,253</u>	<u>675,253</u>	<u>661,113</u>	<u>14,140</u>
Capital outlay	-	-	16,630	(16,630)
Other expenditures and financing uses:				
Debt service	1,780,210	1,780,210	5,165,129	(3,384,919)
Bond issue costs	-	-	119,790	(119,790)
Total other expenditures and financing uses	<u>1,780,210</u>	<u>1,780,210</u>	<u>5,284,919</u>	<u>(3,504,709)</u>
Total expenditures	<u>39,061,222</u>	<u>39,061,222</u>	<u>41,672,596</u>	<u>(2,611,374)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,463,732)</u>	<u>(3,463,732)</u>	<u>(5,862,206)</u>	<u>(2,398,474)</u>
Other Financing Sources (Uses):				
Interfund transfers	(25,000)	(25,000)	(40,006)	(15,006)
Proceeds from capital lease	-	-	112,000	112,000
Proceeds from note issuance	-	-	9,755,000	9,755,000
Refunds of prior year receipts	-	-	(38,667)	(38,667)
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>9,788,327</u>	<u>9,813,327</u>
Net Change in Fund Balance	<u>\$ (3,488,732)</u>	<u>\$ (3,488,732)</u>	<u>\$ 3,926,121</u>	<u>\$ 7,414,853</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2020

	<u>Food Service Fund</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 40,001
Due from other governments	-
Due from other funds	58,282
Inventory	5,950
	<hr/>
Total current assets	104,233
	<hr/>
Non-current assets:	
Capital assets	316,262
Less accumulated depreciation	(233,687)
	<hr/>
Total non-current assets	82,575
	<hr/>
Total Assets	186,808
	<hr/>
Liabilities	
<hr/>	
Accounts payable	2,225
Accrued payroll	31,259
Unearned revenue	1,009
	<hr/>
Total Liabilities	34,493
	<hr/>
Net Position	
<hr/>	
Net investment in capital assets	82,575
Unrestricted	69,740
	<hr/>
Total Net Position	\$ 152,315
	<hr/> <hr/>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Food Service Fund
Operating Revenues:	
Food service revenue	\$ 64,459
Operating Expenses:	
Personnel services - salaries	331,051
Personnel services - employee benefits	265,364
Purchased property services	2,678
Other purchased services	1,860
Food and supplies	375,811
Depreciation	15,000
Miscellaneous	1,218
Total operating expenses	992,982
Net Operating Loss	(928,523)
Non-Operating Revenues (Expenses):	
Interest income	691
State subsidies	91,136
Federal:	
Subsidies	712,404
Donated commodities	59,716
Total non-operating revenues (expenses)	863,947
Interfund Transfers:	
Transfer in	30,000
Change in Net Position	(34,576)
Net Position:	
Beginning of year	186,891
End of year	\$ 152,315

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Food Service Fund
Cash Flows From Operating Activities:	
Cash received from users	\$ 64,459
Cash payments to employees for services	(595,609)
Cash payments to suppliers for goods and services	(332,750)
Net cash used in operating activities	<u>(863,900)</u>
Cash Flows From Noncapital Financing Activities:	
State subsidies	91,534
Federal subsidies	721,407
Transfers from other funds	30,000
Net cash provided by noncapital financing activities	<u>842,941</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	<u>(21,788)</u>
Cash Flows From Investing Activities:	
Earnings on investments	<u>691</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(42,056)
Cash and Cash Equivalents:	
Beginning of year	<u>82,057</u>
End of year	<u><u>\$ 40,001</u></u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:	
Net operating loss	\$ (928,523)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	15,000
Donated commodities	59,716
Change in:	
Due from other funds	(10,422)
Inventories	(1,174)
Accounts payable	257
Other liabilities	1,246
Net cash used in operating activities	<u><u>\$ (863,900)</u></u>
Non-Cash, Non-Capital Financing Transactions:	
The Food Service Fund received donated commodities from the U.S. Department of Agriculture in the amount of \$59,716 during the year.	

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2020

	Scholarship Private-Purpose Trust Fund	Activity Funds
<hr/> Assets <hr/>		
Cash and cash equivalents	\$ 40,582	\$ 360,715
<hr/> Liabilities and Net Position <hr/>		
Liabilities:		
Due to other funds	\$ 10,207	\$ -
Deposits held for others	-	360,715
Total Liabilities	10,207	360,715
Net Position:		
Held in trust for scholarships	30,375	-
Total Liabilities and Net Position	\$ 40,582	\$ 360,715

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

YEAR ENDED JUNE 30, 2020

	Scholarship Private-Purpose Trust Fund
Additions:	
Revenues:	
Local sources	\$ 4,302
Deductions:	
Current:	
Operation of noninstructional services	4,636
Change in Net Position	(334)
Net Position:	
Beginning of year	30,709
End of year	\$ 30,375

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Steel Valley School District (School District) is governed by an elected nine-member Board of Directors (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the School District as the entire reporting entity (primary government and component unit). Management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the School District to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up the legal entity.
2. Legally separate organizations if the School District Board appoints a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District.
 - a. Impose its Will – If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the School District (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

3. Organizations that are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the School District.
4. In management's judgment, exclusion of the component unit would render the financial statements mislead.

Certain potential component units were assessed to determine if the significance of their operational or financial relationship with the School District would require inclusion in the reporting entity. The School District presently has no component units that meet the above criteria.

The Boroughs of Munhall, Homestead, and West Homestead (Boroughs) (areas served by the School District) by themselves are primary governments due to the following: the members of their governing bodies are chosen in general elections; each Borough functions as a separate legal entity; and each Borough is fiscally independent. Accordingly, the Boroughs are not a component unit of the School District.

The School District participates in two joint ventures as described in Note 14.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a particular function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to pension, post-employment benefits, compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include 1) charges to parents for tuition, 2) operating grants and contributions as required by the Pennsylvania Department of Education, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's proprietary fund are charges to

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

students and faculty for the sale of food. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Governmental Funds:

The School District presents the following major governmental funds:

General Fund

The General Fund is the principal operating fund of the School District that is used to account for all financial transactions except those required to be accounted for in other funds, covering the majority of School District operations.

Capital Reserves Fund

The Capital Reserves Fund is used to account for financial resources to be used for the acquisition, construction, debt repayment, school buses and deferred maintenance. To conform to PDE requested reporting, this fund was renamed from prior years; it had been previously presented as the Capital Projects Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or repair of major capital facilities other than those financed by the proprietary fund. This fund is new for 2020 and was funded primarily by bond issue proceeds.

Proprietary Fund:

Enterprise (Food Service) Fund

The Enterprise Fund is used to account for the food service department operations, which are conducted on a charge for service basis in a manner similar to commercial

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

enterprises. The School District's intent is that the costs of meals to the School District's population be recovered primarily through consumer charges and government subsidies.

Fiduciary Funds:

Scholarship Private-Purpose Trust Fund

The Scholarship Private-Purpose Trust Fund is used to account for the School District's Scholarship Trust Funds.

Agency Funds

The Student Activity Funds, Middle School Fund, and the PTO Fund are custodial in nature and do not involve measurement of results of operations. These funds account for the receipt and disbursement of monies for student activity organizations and outside groups. These organizations exist with the explicit approval of, and are subject to revocation by, the Board.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the School District.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Currently, the School District does not have any investments which require categorization.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities, business-type activities,

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

and fiduciary funds are reported in the government-wide financial statement as “internal balances.”

Tax receivables are shown net of an allowance, where applicable, for uncollectible amounts. There is no allowance for the other receivables, since they are deemed fully collectible by management.

Inventory and Prepaid Items

Inventory used in governmental fund types, principally supplies, are accounted for as expenditures when purchased. Materials, supplies, and food commodities of the proprietary fund are recorded at latest invoice cost and are subsequently charged to expenditures when consumed. Amounts on hand at year-end are not significant.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost and donated capital assets are recorded at estimated acquisition value at the date of donation. The School District maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method, over the following useful lives:

Land improvements	5 years
Buildings and improvements	20-50 years
Machinery, equipment, furniture, and vehicles	3-15 years

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the government-wide statement of net position and/or the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources or deferred inflows of resources. These separate financial statement elements represent a consumption (acquisition) of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) or an inflow of resources (revenue) until then. The School District reports the following deferred inflows/outflows of resources:

- Unavailable revenue represents delinquent property taxes which will not be collected within the available period. This amount is reported as a deferred inflow of resources on the balance sheet.
- In conjunction with pension and OPEB accounting requirements, differences between expected and actual experience, changes in assumptions, the effect of the change in the School District's proportion, the net difference between expected and actual investment earnings, and payments made to the plans subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions and OPEBs on the government-wide financial statements. These amounts are determined based on the actuarial valuation performed for each plan. Notes 7 through 9 present additional information about the School District's pension and OPEB plans.

Long-Term Obligations

In the government-wide statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and deferred charges on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

STEEL VALLEY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2020

In both the fund and government-wide financial statements, issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

It is expected that the General Fund will continue to provide funds for the debt service payments.

Postemployment Benefits

Certain employees are entitled to medical, dental, and vision coverage for various years after retirement as well as term-life insurance coverage and pension benefits. In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance are calculated based on actuarial valuations as described in Notes 7 through 9.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

Nonspendable – This category represents funds that are not in spendable form and includes prepaid expenditures.

Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The School District has restricted funds for capital projects and \$4,900,000 for future pension obligations.

Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. The School District does not currently have committed fund balance.

Assigned – This category represents intentions of the School District to use the funds for specific purposes. The Board delegates the authority to assign amounts to be used for specific purposes to the Business Manager. This authority is granted solely for the purpose of reporting these amounts in the annual financial statements. This category includes amounts set aside for real estate tax refunds, health insurance increases,

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

charter school payments, future collective bargaining agreements, future debt service payments, and amounts set aside for capital improvements costs.

Unassigned – This category represents all other funds not otherwise defined.

If funds are available in more than one fund balance level, the School District's policy is to use funds in the order of the most restrictive to the least restrictive.

Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or the "restricted" components of net position.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Budgets and Budgetary Accounting

The School District is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting is held after 30 of days of public notification.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
4. The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

The Public School Code allows the Board to authorize budget transfer amendments between functions during the year. The budget data reflected in the budgetary comparison information includes the effect of such approved budget transfer amendments. The School District's management does not have the authority to approve the budget or any budget transfer amendments. The School District's expenditures may not legally exceed the revised budget amounts by function and object. Accordingly, the legal level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure, such as salaries or supplies.

Annual appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for the Capital Reserves and Capital Projects Funds is maintained through provisions of related grant agreements and bond indentures.

Expenditures in Excess of Appropriations

The School District exceeded certain budgetary appropriations in the special instruction, central services, other support services, capital outlay, debt service, bond issue costs,

STEEL VALLEY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2020

interfund transfers, and refunds of prior year receipts categories of the General Fund. The excess was primarily covered by other favorable variances in expenditure categories.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Adoption of Accounting Pronouncement

The requirements of the following Governmental Accounting Standards Board (GASB) Statement were adopted for the financial statements:

GASB Statement No. 95, *“Postponement of the Effective Dates of Certain Authoritative Guidance,”* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The provisions of this statement have been adopted.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 90 (Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the School District’s financial statements.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

2. Cash and Cash Equivalents

Deposits

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by Federal Deposit Insurance Corporation to the extent such deposits are so insured and, for any amounts above the insured maximum, approved collateral as provided by law is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided (a) the funds are invested in the investments listed above, (b) the investment company is managed to maintain its share at a constant net asset value, and (c) the investment company is rated in the highest category by a nationally recognized rating agency.

In March 2016, Act 10 was passed, which expanded the scope of investment options available to school districts including repurchase agreements, commercial paper, negotiable certificates of deposit, and bankers' acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents held by a Trustee of the School District. There were no deposits or investments during the year that violated either the state statutes or the policy of the School District.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The following is a description of the School District's deposit and investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. A portion of the School District's investments are held in U.S. Government Obligations and are therefore not exposed to this type of risk. These include investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) (described below), which has received an AAA rating from Standard & Poor's.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$428,800 of the School District's bank balance of \$678,101 was exposed to custodial credit risk. Deposits are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have a carrying amount of \$678,101 as of June 30, 2020.

Investments

PSDLAF was established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The School District's deposits in these pooled funds are not subject to direct custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet and the statement of net position. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

In accordance with GASB, investments in PSDLAF are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuation interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities

STEEL VALLEY SCHOOL DISTRICT

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from the value of the assets and dividing the remainder by the number of shares outstanding.

The School District can withdraw funds from the external investment pools without limitations or fees upon adequate notice. Otherwise, breakage fees may be charged.

The School District's pooled investment funds consist of the above-noted PSDLAF accounts. The School District's PSDLAF investments have a maturity of less than 90 days, and a fair market value of \$16,111,836 and carrying amount of \$15,636,322 as of June 30, 2020.

Included as investments on the balance sheet and statement of net position are certificates of deposit in the amount of \$302,938 and \$302,069 bank and book value, respectively, as of June 30, 2020.

Fiduciary Fund

The School District maintains bank accounts for the various student activities, PTO, and scholarship funds. The balance of these accounts is reflected in the statement of fiduciary net position. Revenues and expenditures for student activities, PTO, and the scholarship funds were \$493,574 and \$389,550, respectively, for the year ended June 30, 2020. As of June 30, 2020, \$17,030 of the various fiduciary funds' bank balances of \$40,582 was exposed to custodial credit risk. The uninsured bank balance is collateralized in accordance with Act 72 of the Pennsylvania State Legislature. Of the total fiduciary funds cash and cash equivalent amount of \$401,297, the carrying amount of deposits for the fiduciary funds is \$40,342 as of June 30, 2020. PSDLAF investments presented within fiduciary funds cash and cash equivalents have a fair market value of \$367,518 and a carrying amount of \$360,955 as of June 30, 2020. Fiduciary fund amounts are not included in the PSDLAF amounts given in the prior section of this footnote.

3. Real Estate Taxes

Real estate taxes are levied each July 1 on the assessed value listed as of January for all real estate located in the School District. These taxes are billed and collected by elected tax collectors of the individual Boroughs within the School District. Taxes paid through August 31st are given a 2% discount. Amounts paid after October 31st are assessed a 10% penalty. Taxpayers also have the option to pay on three installments at face value. The due dates are August 31, October 31, and December 31. An outside agency collects delinquent real

STEEL VALLEY SCHOOL DISTRICT

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estate taxes and handles the property liens. The lien date is approximately two years after the taxes were originally due.

The levy for fiscal year 2020 was based on assessed value on January 1, 2019 of approximately \$714.0 million. The tax rate assessed for the year ended June 30, 2020 was equal to 24.2170 mills.

There is an ongoing appeal process through which a taxpayer may contest the assessed value of their property. This process could result in the reduction of future assessed values and consequently a loss of tax revenues. Due to the nature of the real estate refund process, the School District generally records refunds at the time the refunds are made back to the taxpayer. At June 30, 2020, there is one major realty assessment appeal pending that has an assessed value of \$8,200,000, and is still in the process of being court determined. As indicated on page 21, the School District has assigned \$1,500,000 of fund balance; a portion of that assigned fund balance is for potential real estate tax refunds.

The real estate tax receivable amount is net of an uncollectible allowance of approximately \$4.30 million.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

4. Capital Assets

The following represents the changes in the School District's governmental activities' capital assets:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,453,427	\$ -	\$ -	\$ 1,453,427
Construction in progress	-	694,344	-	694,344
	<u>1,453,427</u>	<u>694,344</u>	<u>-</u>	<u>2,147,771</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Land and land improvements	2,502,094	-	-	2,502,094
Building and improvements	25,350,702	23,973	-	25,374,675
Equipment, furniture, and fixtures	1,185,018	12,786	-	1,197,804
Vehicles	277,322	-	-	277,322
Library and text books	949,854	-	-	949,854
	<u>30,264,990</u>	<u>36,759</u>	<u>-</u>	<u>30,301,749</u>
Total capital assets, being depreciated				
Less: accumulated depreciation for:				
Land and land improvements	(2,053,633)	(219,689)	-	(2,273,322)
Building and improvements	(13,885,474)	(496,551)	-	(14,382,025)
Equipment, furniture, and fixtures	(705,209)	(49,567)	-	(754,776)
Vehicles	(181,350)	(14,084)	-	(195,434)
Library and text books	(949,854)	-	-	(949,854)
	<u>(17,775,520)</u>	<u>(779,891)</u>	<u>-</u>	<u>(18,555,411)</u>
Total accumulated depreciation				
Governmental activities, capital assets, net	<u>\$ 13,942,897</u>	<u>\$ (48,788)</u>	<u>\$ -</u>	<u>\$ 13,894,109</u>

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The following represents the changes in the School District's business-type activities' capital assets:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Business-Type Activities:				
Equipment	\$ 294,474	\$ 21,788	\$ -	\$ 316,262
Less: accumulated depreciation for:	(218,687)	(15,000)	-	(233,687)
Business-type activities, capital assets, net	\$ 75,787	\$ 6,788	\$ -	\$ 82,575

Depreciation expense for the governmental activities was charged to functions/programs of the School District as follows:

Governmental Activities:

Instructional services:		
Regular		\$ 506,225
Vocational		720
Support services:		
Instructional staff		8,395
Administration		400
Operation of plant and maintenance services		254,648
Student transportation services		4,021
Central services		639
Noninstructional services:		
Student activities		4,843
		\$ 779,891

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

5. Long-Term Liabilities

Long-term liabilities at June 30, 2020 are comprised of the following items:

Description	Interest Rates	Final Maturity	Amount	Due Within One Year
2005 Capital Appreciation Bonds	3.30% - 4.93%	2031	\$ 9,798,457	\$ 50,000
2018 General Obligation Notes	3.89%	2022	1,393,899	149,673
2019 Taxable Pension Obligation Bonds	2.35% - 3.25%	2040	5,075,000	5,000
2019 General Obligation Bonds	2.13% - 4.00%	2035	7,170,000	55,000
Total bonds and notes			<u>23,437,356</u>	<u>259,673</u>
Capital leases	3.54%	2024	89,600	22,400
Retirement incentive program	n/a	n/a	1,246,220	490,190
Compensated absences	n/a	n/a	818,728	-
Total long-term liabilities			<u>\$ 25,591,904</u>	<u>\$ 772,263</u>

6. Bonds and Notes Payable

The following is a summary of bonds and notes payable transactions of the School District for the year ended June 30, 2020:

Balance at July 1, 2019	\$ 15,609,760
Debt Issuance	12,245,000
Accretion on capital appreciation bonds	453,357
Principal payments	<u>(4,870,761)</u>
Balance at June 30, 2020	<u>\$ 23,437,356</u>

STEEL VALLEY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2020

Debt service requirements, including interest, are as follows:

Years Ending June 30,	Principal Payment	Interest Payment	Total Payment
2021	\$ 259,673	\$ 425,963	\$ 685,636
2022	490,600	414,894	905,494
2023	1,786,762	393,288	2,180,050
2024	2,088,168	366,997	2,455,165
2025	2,109,828	342,620	2,452,448
2026-2030	10,498,847	1,330,022	11,828,869
2031-2035	8,325,000	694,331	9,019,331
2036-2040	1,690,000	141,050	1,831,050
	27,248,878	4,109,165	31,358,043
Unaccrued interest	(3,811,522)	3,811,522	-
	<u>\$ 23,437,356</u>	<u>\$ 7,920,687</u>	<u>\$ 31,358,043</u>

During fiscal year 2006, the School District issued General Obligation Bonds, Capital Appreciation Series of 2005 (2005 Bonds) in the principal amount of \$5,398,416. The bond proceeds were issued for the purpose of construction and renovation of various school facilities. Annual maturity values beginning in fiscal year 2007 through fiscal year 2032 yield rates of 3.30% to 4.93%. The 2005 Bonds accrue and compound interest on a semiannual basis and are carried at cost plus accrued interest. Total maturity value of the Capital Appreciation Bonds is \$13,660,000 as of June 30, 2020.

During fiscal year 2016, the School District issued General Obligation Notes, Series A, Series B, and Series C of 2015 (2015 Notes) in the amount of \$6,191,811. The purpose of this issue was to currently refund the General Obligation Bonds, Series A, Series B, and Series C of 2010 and to pay all costs and expenses incurred by the School District in connection with the issuance of the 2015 Notes. The 2015 notes bear interest at 1.87%. The Series A and Series B of 2015 Notes are scheduled to mature on November 21, 2021, and the Series C of 2015 Note is scheduled to mature on November 21, 2022. The notes were paid in full in October 2019 with the refunding issuance of the 2019 Bonds.

During fiscal year 2019, the School District issued General Obligation Notes, Series of 2018 (2018 Notes) in the amount of \$1,665,000. The purpose of this issue was to pay settlement to five individuals in an arbitration case who were not paid at the proper step level for the school years 2015-2016, 2016-2017, and 2017-2018. The 2018 Notes bear interest at 3.89%. The 2018 Notes are scheduled to mature on July 25, 2028. Total maturity value of the notes is \$1,393,899 at June 30, 2020.

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During fiscal year 2020, the School District issued Taxable Pension Obligation Bonds, Series A of 2019 in the amount of \$5,075,000 and General Obligation Bonds, Series B and C of 2019 (2019 Bonds) in the amount of \$7,170,000. The purpose of this issue was to fund future pension obligations and to currently refund the General Obligation Bonds, Series A, B, and C of 2015. The 2019 Bonds bear interest at 3.89%. The 2019 Bonds are scheduled to mature on November 1, 2039. Total maturity value of the bonds is \$12,245,000 at June 30, 2020.

7. Public School Employees' Retirement System (PSERS)

Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance), to public school employees of the Commonwealth of Pennsylvania (Commonwealth). PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits 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.

Retirees can participate in the Premium Assistance 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 PSERS Health Options Program or an employer-sponsored health insurance program.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB expense, information about the fiduciary net position of 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

STEEL VALLEY SCHOOL DISTRICT

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refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PSERS' fiduciary net position related to pension and OPEBs is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at www.pasers.pa.gov.

The net pension liability and the net OPEB liability are recorded as governmental activities, as the future obligations are expected to be paid from the General Fund.

Benefits Provided – Pension Plan

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially

STEEL VALLEY SCHOOL DISTRICT

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equivalent to the benefit that would have been effective if the member had retired on the day before death.

Benefits Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C 5.25%
Membership Class T-D 6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C 6.25%
Membership Class T-D 7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D 7.50%

Members who joined PSERS after June 30, 2011:

Membership Class T-E* 7.50%
Membership Class T-F** 10.30%

*Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

**Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

Members who joined PSERS on or after July 1, 2019:

Membership Class T-G (hybrid)* 8.25% (combined rate)
Membership Class T-H (hybrid)** 7.50% (combined rate)

STEEL VALLEY SCHOOL DISTRICT

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Defined Contribution only 7.50%

*Shared risk program could cause future contribution rates to fluctuate between 5.25% and 11.25%.

**Shared risk program could cause future contribution rates to fluctuate between 4.50% and 10.50%.

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit retirement plan is no longer available to new members after June 30, 2019.

Employer Contributions

The School District's contractually required PSERS contribution rate for the fiscal year ended June 30, 2020 was 34.29% 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. This rate is composed of a 33.36% rate for the Pension Plan, a 0.84% rate for the Premium Assistance, and a 0.09% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2020 was an increase from the fiscal year ended June 30, 2019 combined rate of 33.43%. The combined contribution rate will increase to 34.51% in fiscal year 2021 and is projected to grow to 38.17% by fiscal year 2028.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$1.8 million is owed to PSERS as of June 30, 2020, which represents the School District's required contribution for the end of year payroll. The School District's contributions which were recognized by PSERS for the year ended June 30, 2020 were as follows:

Pension Plan	\$ 4,510,944
Premium Assistance	<u>113,585</u>
Total	<u>\$ 4,624,529</u>

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

In accordance with Act 29, the Commonwealth reimburses school districts for at least one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth approximating \$2.8 million during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

Proportionate Share

The School District's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the School District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2019 (measurement date), the School District's proportion was 0.1039%, which was an increase of 0.0100% from its proportion measured as of June 30, 2018.

8. Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2020, the School District reported a liability of \$48,607,000 for its proportionate share of PSERS' 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 PSERS' total pension liability as of June 30, 2018 to June 30, 2019 (measurement date).

For the year ended June 30, 2020, the School District recognized pension expense of \$6,952,601.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 268,000	\$ 1,611,000
Changes in assumptions	465,000	-
Net difference between projected and actual earnings on pension plan investments	-	139,000
Changes in proportion	4,841,000	1,471,000
School District contributions subsequent to the measurement date	<u>4,510,944</u>	<u>-</u>
Total	<u>\$ 10,084,944</u>	<u>\$ 3,221,000</u>

\$4,510,944 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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>	
2021	\$ 1,650,000
2022	(75,000)
2023	692,000
2024	<u>86,000</u>
Total	<u>\$ 2,353,000</u>

Actuarial Assumptions

The actuarial valuation used for the June 30, 2019 measurement date contained the following methods and assumptions:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

- Salary growth – Effective average of 5.00%, comprised of 2.75% for inflation 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
- Experience study – July 1, 2010 through June 30, 2015

Changes in Assumptions

There were no changes in assumptions affecting the actuarial valuation used for the June 30, 2019 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2019 measurement date.

Pension Plan Investments

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

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

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<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)	-20.0%	0.7%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2019, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.58%.

Discount Rate

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

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Sensitivity of the School District's Proportionate Share of PSERS' Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of PSERS' net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of PSERS' net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
School District's proportionate share of PSERS' net pension liability	<u>\$ 60,546,000</u>	<u>\$ 48,607,000</u>	<u>\$ 38,498,000</u>

9. Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The School District maintains two separate OPEB plans – the Premium Assistance previously described in Note 7 and the School District's retiree plan (retiree plan) described below. At June 30, 2020, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 2,210,000
School District's total OPEB liability for its retiree plan	<u>1,106,760</u>
Net OPEB liability	<u>\$ 3,316,760</u>

PSERS' net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate PSERS' net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's retiree plan's total OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the retiree plan's total OPEB liability was determined by rolling forward the retiree plan's total OPEB liability as of July 1, 2019 to June 30, 2020.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

OPEB expense related to PSERS		
Premium Assistance	\$	122,095
OPEB expense related to School		
District's retiree plan		<u>46,942</u>
Total OPEB expense	\$	<u><u>169,037</u></u>

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 12,000	\$ -	\$ 12,000
Changes in assumptions	73,000	-	73,000
Net difference between projected and actual earnings on pension plan investments	4,000	-	4,000
Changes in proportion	226,000	-	226,000
School District contributions subsequent to the measurement date	<u>113,585</u>	<u>-</u>	<u>113,585</u>
Total	<u><u>\$ 428,585</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 428,585</u></u>

Deferred Inflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Changes in assumptions	\$ 66,000	\$ -	\$ 66,000
Net difference between actual and expected experience	-	495	495
Changes in proportion	<u>96,000</u>	<u>-</u>	<u>96,000</u>
Total	<u><u>\$ 162,000</u></u>	<u><u>\$ 495</u></u>	<u><u>\$ 162,495</u></u>

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

\$113,585 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 22,866
2022	22,866
2023	21,866
2024	21,907
2025	27,000
2026	<u>36,000</u>
Total	<u>\$ 152,505</u>

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The actuarial valuation used for the June 30, 2019 measurement date contained the following methods and assumptions:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 2.79% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and 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
- Experience study – July 1, 2010 through June 30, 2015
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Changes in Assumptions

The discount rate decreased from 2.98% to 2.79% for the actuarial valuation used for the June 30, 2019 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2019 measurement date.

OPEB Plan Investments

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<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	3.7%	0.0%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2019, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expense, was 2.68%.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the 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 the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate used to measure the Total OPEB liability decreased from 2.98% as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 2,517,000</u>	<u>\$ 2,210,000</u>	<u>\$ 1,955,000</u>

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 2,209,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>

Additional Required Disclosures for the School District's Retiree Plan

Plan Description

The School District administers a single-employer defined benefit healthcare plan to provide additional postemployment benefits to eligible retirees (retiree plan). The School District has not accumulated assets for the retiree plan in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; benefits are paid on a pay-as-you-go basis.

Benefits Provided

The benefit limits and employee and employer contributions are established through employee contracts and past practices. The School District provides the following postemployment benefits to those who retired early from the School District. Details of the benefits provided are as follows:

Teachers and Administrators (Option A)

The School District provides medical, term life, and AD&D in the amount of \$30,000. Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays any increase in cost after retirement. Life insurance is fully paid for by the School District. Surviving spouse is not eligible for life insurance. There are no current retirees under this option and this option is closed.

Teachers and Administrators (Option B)

The School District provides medical, term life, and AD&D in the amount of \$30,000. Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays \$500 per year. Life insurance is fully paid for by the

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

School District. Surviving spouse is not eligible for life insurance. There are no current retirees under this option and this option is closed.

Teachers and Administrators (Other than Options A & B)

Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays 100% of rate for coverage tier year.

Support Staff

The School District provides medical, dental, and vision coverage for three years with no retiree contribution.

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>219</u>
	<u>226</u>

For the year ended June 30, 2020, the School District contributed \$38,419 and retirees contributed \$103,437 to the retiree plan.

Actuarial Assumptions

The total OPEB liability was determined as of the June 30, 2020 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- actuarial cost method – entry age actuarial cost method;
- discount rate – 3% compounded annually;
- mortality – RP-2014 Morality Fully Generational using Projection Scale MP-2018;
- health care cost trend rates – increase of 6% for 2019 to 2021, then 5.5% for 2022 to 2024, and 5% for 2025 and after; and
- dental/vision care cost trend rates – constant increase of 5% and 3%, respectively, per year

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Changes in Assumptions

No changes noted.

Changes in Benefit Terms

No changes noted.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the School District's retiree plan for the year ended June 30, 2020 were as follows:

Total OPEB liability, July 1, 2019	\$	1,059,818
Changes for the year:		
Service cost		71,022
Interest on the total OPEB liability		33,074
Differences between expected and actual experience		-
Changes of assumptions		-
Contributions - employer		(57,154)
		<hr/>
Total OPEB liability, June 30, 2020	\$	<u>1,106,760</u>

Sensitivity of the School District's Total OPEB Liability to Changes in the Discount Rate

The following presents the School District's total OPEB liability calculated using the discount rate described above, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (2.0%)</u>	<u>Current Discount Rate (3.0%)</u>	<u>1% Increase (4.0%)</u>
School District's total OPEB liability	<u>\$ 1,156,609</u>	<u>\$ 1,106,760</u>	<u>\$ 1,058,657</u>

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Sensitivity of the School District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's total OPEB liability	<u>\$ 1,021,303</u>	<u>\$ 1,106,760</u>	<u>\$ 1,201,683</u>

10. Retirement Incentive Program (Program)

Beginning in fiscal year 2002, any eligible employee electing to retire and participate in the Retirement Incentive Program (Program) qualifies for a \$15,000 retirement incentive each year for ten years. Beginning with the teacher contract effective July 1, 2006, the retirement incentive amount is \$12,000 for new entrants. An eligible employee is defined as anyone who (1) is fifty-five years of age or older with a minimum of ten years of service (fifteen years of service beginning with the 2015-2016 school year) with the School District or (2) who has thirty years of service or greater regardless of age; and who has attained step seventeen or greater on the School District's salary scale. Those employees who elect to participate in the Program must submit to the Superintendent, 120 days prior to the date he/she intends to retire, an irrevocable written notification that he/she will retire. At June 30, 2020, there were 25 retired participants in this Program receiving payments. As of June 30, 2020, benefit payments have been fulfilled for 73 participants. Payments related to these benefits of \$514,190 have been made during the year ended June 30, 2020. The total obligation remaining at June 30, 2020 is approximately \$1.3 million (discounted present value) and is to be paid through fiscal year 2026. The School District's liability is measured at the discounted present value of expected future benefit payments. Included in noncurrent liabilities at June 30, 2020 are noncurrent liabilities due within one year of \$490,190 and due in more than one year of \$756,030, related to the Program.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

11. Accumulated Compensated Absences

The School District accrues for certain accumulated unused sick and vacation days. The accrual is based on sick and vacation payments that would be available to employees if they left or retired from the School District. The accrual is recorded as a long-term liability in the government-wide financial statements. As of June 30, 2020, the amount accrued for sick and vacation days is \$818,728.

12. Health Insurance Consortium

The School District is one of seventy members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool which affords health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. The Consortium establishes rates with the objective of satisfying current costs and claims of covered health care services, as well as maintaining working capital requirements and a Premium Stabilization Fund for periods when actual costs of coverage exceed premiums collected from members. At the end of each fiscal year, actual claims experience is compared with premiums paid. The difference results in either a retroactive refund or charge. Included in the retroactive refund/charge is a calculation for the reserve needed to cover expenses incurred but not yet reported by health providers. Any retroactive charge may be paid from the Premium Stabilization Fund, up to ten percent of total premiums paid. The remainder may be charged to the schools. The School District paid approximately \$3.18 million to the Consortium during fiscal year 2020.

At June 30, 2020, the Consortium's net assets available for benefits approximated \$62.2 million. The School District's share of this amount is approximately \$722,000. The Consortium also maintains a portion of the Premium Stabilization Fund to cover potential future catastrophic losses. Independent insurance coverage for catastrophic losses is not maintained by the Consortium or the School District.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

13. Interfund Receivable and Payable

Interfund transactions at June 30, 2020 are summarized below:

	Interfund Receivable	Interfund Payable
	<u> </u>	<u> </u>
Major Funds:		
General	\$ 10,207	\$ 58,282
Major Funds:		
Food Service	58,282	-
Fiduciary Funds:		
Scholarship Private-Purpose Trust	-	10,207
Total	<u>\$ 68,489</u>	<u>\$ 68,489</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. During fiscal year 2020, the General Fund transferred \$30,000 to the Cafeteria Fund and \$10,006 to the Capital Projects Fund.

14. Joint Ventures

The School District is one of eleven-member school districts of the Steel Center Career Technical School (Steel Center). Steel Center provides vocational-technical education and training for high school students. Direct oversight of Steel Center's operations is the responsibility of its Board, which consists of one representative from each participating school district. In addition, the School District is one of ten members of the Southeastern Area Special School (Southeastern). Southeastern, which provides special education and training programs for exceptional children, is controlled and governed by the Joint School Committee, which is composed of representatives from each participating school district. The School District's share of annual operating and capital costs for Steel Center and Southeastern (collectively known as Special Schools) fluctuates based on the percentage enrollment in the applicable school and are reflected as expenditures of the General Fund. The School District's contributions to the Steel Center and Special Schools in the current fiscal year amounted to \$13,548 and \$7,285, respectively. The School District's portion of the net current assets of the Steel Center and Special Schools at June 30, 2020 is to be used to fund future years' operations and the amounts are not material to the financial

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

statements of the School District. Separate financial statements for the Special Schools are available at the administrative offices of the School District.

15. Contingencies

The School District is involved in claims and lawsuits incidental to its operations. In the opinion of the Administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

The School District maintains insurance through independent insurance carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the School District against potential losses. There have been no significant changes in insurance coverage from the prior fiscal year.

16. COVID-19

In early 2020, an outbreak of a novel strain of coronavirus was identified, and the infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the School District's operational and financial performance is uncertain and cannot be predicted.

During the spring of 2020, the School District was awarded approximately \$557,161 in Elementary and Secondary School Emergency Relief Funds from the Pennsylvania Department of Education and \$188,000 in School Health and Safety Grants from the Pennsylvania Commission on Crime and Delinquency. None of the funding was spent for eligible expenditures as of June 30, 2020 and thus none was recognized in the District's financial statements or in the schedule of expenditures of federal awards during the fiscal year ended June 30, 2020.

**REQUIRED SUPPLEMENTARY
INFORMATION**

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET PENSION LIABILITY

Last 10 Fiscal Years¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of PSERS' net pension liability	0.10%	0.09%	0.10%	0.10%	0.09%	0.08%
School District's proportionate share of PSERS' net pension liability	\$ 48,607,000	\$ 45,077,000	\$ 49,487,000	\$ 47,872,000	\$ 38,638,000	\$ 33,209,000
School District's covered payroll	\$ 14,325,258	\$ 12,644,979	\$ 13,337,948	\$ 12,507,857	\$ 11,476,022	\$ 10,704,703
School District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	339.31%	356.48%	371.02%	382.74%	336.68%	310.23%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PENSION PLAN

Last 10 Fiscal Years²

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 4,510,944	\$ 4,474,601	\$ 4,340,839	\$ 4,024,348	\$ 3,166,309	\$ 2,276,902
School District's covered payroll	\$ 13,749,189	\$ 13,249,117	\$ 13,733,017	\$ 13,342,454	\$ 12,496,470	\$ 11,429,596
Contributions as a percentage of covered payroll	32.81%	33.77%	31.61%	30.16%	25.34%	19.92%

²The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

STEEL VALLEY SCHOOL DISTRICT

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF PSERS' NET OPEB LIABILITY**

Last 10 Fiscal Years¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of PSERS' net OPEB liability	0.10%	0.09%	0.10%
School District's proportionate share of PSERS' net OPEB liability	\$ 2,210,000	\$ 1,958,000	\$ 2,041,000
School District's covered payroll	\$ 14,325,258	\$ 12,644,979	\$ 13,337,948
School District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	15.43%	15.48%	15.30%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%	5.56%	5.73%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required employer contribution	\$ 113,585	\$ 111,095	\$ 113,512
School District's covered payroll	\$ 13,749,189	\$ 13,249,117	\$ 13,733,017
Contributions as a percentage of covered payroll	0.83%	0.84%	0.83%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 71,022	\$ 68,953	\$ 64,995
Interest	33,074	31,654	30,272
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	-	(763)
Changes of assumptions	-	-	-
Contributions - employer	<u>(57,154)</u>	<u>(53,919)</u>	<u>(50,868)</u>
Net Changes in Total OPEB Liability	46,942	46,688	43,636
Total OPEB Liability - Beginning	<u>1,059,818</u>	<u>1,013,130</u>	<u>969,494</u>
Total OPEB Liability - Ending	<u>\$ 1,106,760</u>	<u>\$ 1,059,818</u>	<u>\$ 1,013,130</u>
Covered Payroll	<u>\$ 13,749,189</u>	<u>\$ 13,249,117</u>	<u>\$ 13,733,017</u>
Total OPEB Liability as a Percentage of Covered Payroll	8.05%	8.00%	7.38%

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

1. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 68 for the PSERS Pension Plan

Actuarial Valuation Date/ Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
School District Fiscal Year In Which NPL is Recorded	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000
Changes in Benefits	A new hybrid defined benefit/ defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

STEEL VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

2. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the PSERS Premium Assistance (OPEBs)

Actuarial Valuation Date/ Measurement Date	6/30/2019	6/30/2018	6/30/2017
School District Fiscal Year In Which NOL is Recorded	6/30/2020	6/30/2019	6/30/2018
Discount Rate	2.79%	2.98%	3.13%
Salary Increases	5.00%	5.00%	5.00%
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Changes in Benefits	A new hybrid defined benefit/defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.82%	0.84%	0.83%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2021	6/30/2020	6/30/2019

STEEL VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

3. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the Retiree OPEB Plan

The retiree plan is not administered through a trust and assets are not accumulated in a trust to pay related benefits.

Actuarial Valuation Date	07/01/2018	07/01/2018	07/01/2018
School District Fiscal Year In Which NOL is Recorded	6/30/2020	6/30/2019	6/30/2018
Measurement Date	07/01/2020	07/01/2019	07/01/2018
Discount Rate	3.00%	3.00%	3.00%
Salary Increases	3.00%	3.00%	3.00%
Mortality	RP-2014 Scale MP-2018	RP-2014 Scale MP-2018	RP-2014 Scale MP-2018
Changes in Benefits	N/A	N/A	N/A

STEEL VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET ALL AGENCY FUNDS

June 30, 2020

	<u>Student Activities</u>	<u>Middle School</u>	<u>PTO</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 230,981</u>	<u>\$ 33,211</u>	<u>\$ 96,523</u>	<u>\$ 360,715</u>
<u>Liabilities</u>				
Deposits held for others	<u>\$ 230,981</u>	<u>\$ 33,211</u>	<u>\$ 96,523</u>	<u>\$ 360,715</u>

STEEL VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

YEAR ENDED JUNE 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Student Activities:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 162,057	\$ 229,310	\$ 160,386	\$ 230,981
	\$ 162,057	\$ 229,310	\$ 160,386	\$ 230,981
Liabilities:				
Deposits held for others	\$ 162,057	\$ 229,310	\$ 160,386	\$ 230,981
	\$ 162,057	\$ 229,310	\$ 160,386	\$ 230,981
Middle School:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 28,978	\$ 38,874	\$ 34,641	\$ 33,211
	\$ 28,978	\$ 38,874	\$ 34,641	\$ 33,211
Liabilities:				
Deposits held for others	\$ 28,978	\$ 38,874	\$ 34,641	\$ 33,211
	\$ 28,978	\$ 38,874	\$ 34,641	\$ 33,211
PTO:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 65,656	\$ 225,390	\$ 194,523	\$ 96,523
	\$ 65,656	\$ 225,390	\$ 194,523	\$ 96,523
Liabilities:				
Deposits held for others	\$ 65,656	\$ 225,390	\$ 194,523	\$ 96,523
	\$ 65,656	\$ 225,390	\$ 194,523	\$ 96,523

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF REAL ESTATE TAXES

YEAR ENDED JUNE 30, 2020

	West Homestead Borough	Munhall Borough	Homestead Borough	Total
Current Taxes				
Real Estate Valuation	\$ 156,595,892	\$ 376,779,758	\$ 180,586,608	\$ 713,962,258
Taxes Assessed:				
Real estate (24.2170 mills)	\$ 3,792,283	\$ 9,124,475	\$ 4,373,266	\$ 17,290,024
Additions	-	790	-	790
Penalties	3,625	12,622	3,918	20,165
Total taxes assessed	3,795,908	9,137,887	4,377,184	17,310,979
Deductions:				
Tax collections	(3,462,919)	(7,473,953)	(3,843,897)	(14,780,769)
Homestead exemption	(151,436)	(717,163)	(98,162)	(966,761)
Exonerations	-	(156,489)	(32,760)	(189,249)
Discounts allowed	(64,023)	(130,994)	(72,725)	(267,742)
Total deductions	(3,678,378)	(8,478,599)	(4,047,544)	(16,204,521)
Unpaid taxes at June 30, 2020	\$ 117,530	\$ 659,288	\$ 329,640	\$ 1,106,458
Delinquent Taxes				
Delinquent taxes at July 1, 2019				\$ 5,315,350
Add: 2019-2020 unpaid taxes				1,106,458
Total unpaid taxes				6,421,808
Deductions:				
Tax collections				(806,814)
Adjustments to face amount due to either court order, assessment change, or proof of payment				(236,065)
Total deductions				(1,042,879)
Delinquent taxes at June 30, 2020				5,378,929
Less: estimate for uncollectibles				(4,303,143)
Delinquent taxes estimated receivable at June 30, 2020				\$ 1,075,786

Note: Delinquent tax information is not available on a by Borough basis for June 30, 2020.

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF MONTHLY REAL ESTATE TAX COLLECTIONS

YEAR ENDED JUNE 30, 2020

Monthly Real Estate Tax Collections	West Homestead Borough	Munhall Borough	Homestead Borough	Total
July 2019	\$ 314,396	\$ 1,009,410	\$ 613,693	\$ 1,937,499
August 2019	2,419,180	5,381,116	2,722,045	10,522,341
September 2019	453,410	272,330	284,143	1,009,883
October 2019	102,977	479,118	137,108	719,203
November 2019	52,098	129,476	49,552	231,126
December 2019 - January 2020	120,858	202,503	37,356	360,717
Total monthly collections	\$ 3,462,919	\$ 7,473,953	\$ 3,843,897	\$ 14,780,769

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources:				
Current real estate taxes	\$ 14,649,997	\$ 14,649,997	\$ 14,790,347	\$ 140,350
Public utility realty tax	15,500	15,500	14,601	(899)
Payments in lieu of current taxes - state/local reimbursement	1,100	1,100	17,992	16,892
Current Act 511 taxes - flat rate assessments	35,003	35,003	31,824	(3,179)
Current Act 511 taxes - proportional assessments	1,955,000	1,955,000	2,013,897	58,897
Delinquencies on taxes levied - assessed by LEA	1,290,000	1,290,000	1,215,446	(74,554)
Earnings on investments	165,000	165,000	132,142	(32,858)
Revenues from district activities	-	-	70,232	70,232
Revenue from intermediary sources - pass-through funds	410,750	410,750	402,355	(8,395)
Rentals	35,000	35,000	7,537	(27,463)
Refunds and other miscellaneous revenue	85,000	85,000	74,185	(10,815)
Total local sources	<u>18,642,350</u>	<u>18,642,350</u>	<u>18,770,558</u>	<u>128,208</u>
State sources:				
Basic education funding (gross)	9,300,000	9,300,000	9,502,152	202,152
Special education funding for school aged pupils	1,465,000	1,465,000	1,535,086	70,086
Transportation (regular and additional)	145,000	145,000	256,842	111,842
Rental and sinking fund payments - building reimbursement subsidy	144,300	144,300	-	(144,300)
Health services (medical, dental, nurse, Act 25)	36,949	36,949	8,523	(28,426)
State property tax reduction allocation	968,651	968,651	968,651	-
PA accountability grant	159,000	159,000	156,458	(2,542)
Ready to learn block grant	351,240	351,240	351,241	1
State share of Social Security and Medicare taxes	555,000	555,000	531,434	(23,566)
State share of retirement contributions	2,810,000	2,810,000	2,810,325	325
Total state sources	<u>15,935,140</u>	<u>15,935,140</u>	<u>16,120,712</u>	<u>185,572</u>
Federal sources:				
NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	825,000	825,000	690,655	(134,345)
NCLB, Title II - Preparing, Training, and Recruitment Highly Qualified Teachers and Principals	110,000	110,000	94,941	(15,059)
Other restricted federal grants-in-aid through the Commonwealth	-	-	34,169	34,169
Medical assistance reimbursement (ACCESS) - early intervention	85,000	85,000	99,355	14,355
Total federal sources	<u>1,020,000</u>	<u>1,020,000</u>	<u>919,120</u>	<u>(100,880)</u>
Other financing sources:				
Proceeds from leases	-	-	112,000	112,000
Proceeds from refunding bond issuance	-	-	9,755,000	9,755,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>9,867,000</u>	<u>9,867,000</u>
Total revenues	<u>35,597,490</u>	<u>35,597,490</u>	<u>45,677,390</u>	<u>10,079,900</u>
Expenditures:				
Instructional services:				
Regular programs - elementary/secondary:				
Personnel services - salaries	8,845,082	8,845,082	8,166,562	678,520
Personnel services - employee benefits	5,671,085	5,671,085	5,185,815	485,270
Purchased professional and technical services	-	-	46,800	(46,800)
Purchased property services	89,506	89,506	85,913	3,593
Other purchased services	3,276,000	3,276,000	3,080,436	195,564
Supplies	368,516	368,516	330,036	38,480
Property	78,900	78,900	285,078	(206,178)
Other objects	6,965	6,965	-	6,965
Total regular instruction	<u>18,336,054</u>	<u>18,336,054</u>	<u>17,180,640</u>	<u>1,155,414</u>
Special programs - elementary/secondary:				
Personnel services - salaries	1,965,664	1,965,664	2,180,376	(214,712)
Personnel services - employee benefits	1,390,312	1,390,312	1,488,256	(97,944)
Purchased professional and technical services	245,500	245,500	87,863	157,637
Purchased property services	5,000	5,000	-	5,000
Other purchased services	4,201,900	4,201,900	4,702,419	(500,519)
Supplies	47,100	47,100	25,410	21,690
Property	16,000	16,000	195	15,805
Total special instruction	<u>7,871,476</u>	<u>7,871,476</u>	<u>8,484,519</u>	<u>(613,043)</u>

(Continued)

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020
(Continued)

Expenditures (Continued):	Budget		Actual	Variance with Final Budget
	Original	Final		
Instructional services (continued):				
Vocational education:				
Purchased property services	59	59	-	59
Other purchased services	320,000	320,000	233,710	86,290
Total vocational education	320,059	320,059	233,710	86,349
Other instructional programs - elementary/secondary:				
Personnel services - salaries	59,500	59,500	33,006	26,494
Personnel services - employee benefits	29,095	29,095	14,034	15,061
Purchased professional and technical services	-	-	3,248	(3,248)
Other purchased services	4,000	4,000	777	3,223
Total other instructional programs - elementary/secondary	92,595	92,595	51,065	41,530
Total instructional services	26,620,184	26,620,184	25,949,934	670,250
Support services:				
Pupil personnel:				
Personnel services - salaries	517,204	517,204	524,476	(7,272)
Personnel services - employee benefits	352,303	352,303	332,360	19,943
Purchased professional and technical services	377,800	377,800	192,625	185,175
Other purchased services	11,400	11,400	2,365	9,035
Supplies	21,400	21,400	13,718	7,682
Property	2,000	2,000	-	2,000
Other objects	600	600	431	169
Total pupil personnel	1,282,707	1,282,707	1,065,975	216,732
Instructional staff:				
Personnel services - salaries	388,960	388,960	436,241	(47,281)
Personnel services - employee benefits	242,755	242,755	259,426	(16,671)
Purchased professional and technical services	160,506	160,506	84,324	76,182
Purchased property services	47,500	47,500	44,069	3,431
Other purchased services	6,000	6,000	3,300	2,700
Supplies	84,135	84,135	65,043	19,092
Property	165,000	165,000	166,215	(1,215)
Other objects	-	-	478	(478)
Total instructional staff	1,094,856	1,094,856	1,059,096	35,760
Administration:				
Personnel services - salaries	944,067	944,067	977,444	(33,377)
Personnel services - employee benefits	577,804	577,804	619,743	(41,939)
Purchased professional and technical services	498,250	498,250	457,128	41,122
Purchased property services	12,000	12,000	(27,370)	39,370
Other purchased services	61,935	61,935	49,566	12,369
Supplies	44,105	44,105	36,335	7,770
Property	-	-	24,092	(24,092)
Other objects	15,800	15,800	13,233	2,567
Total administration	2,153,961	2,153,961	2,150,171	3,790
Pupil health:				
Personnel services - salaries	196,977	196,977	189,154	7,823
Personnel services - employee benefits	105,216	105,216	114,246	(9,030)
Purchased professional and technical services	93,500	93,500	88,833	4,667
Other purchased services	-	-	87	(87)
Supplies	4,865	4,865	4,891	(26)
Total pupil health	400,558	400,558	397,211	3,347

(Continued)

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020
(Continued)

Expenditures (Continued):	Budget		Actual	Variance with Final Budget
	Original	Final		
Support services (continued):				
Business:				
Personnel services - salaries	263,348	263,348	267,516	(4,168)
Personnel services - employee benefits	181,903	181,903	184,525	(2,622)
Purchased property services	8,000	8,000	6,484	1,516
Other purchased services	8,050	8,050	4,950	3,100
Supplies	8,000	8,000	5,811	2,189
Property	6,000	6,000	2,412	3,588
Other objects	1,100	1,100	280	820
Total business	476,401	476,401	471,978	4,423
Operation and maintenance of plant services:				
Personnel services - salaries	735,486	735,486	640,641	94,845
Personnel services - employee benefits	496,266	496,266	477,872	18,394
Purchased professional and technical services	424,300	424,300	296,226	128,074
Purchased property services	443,400	443,400	440,522	2,878
Other purchased services	132,680	132,680	121,676	11,004
Supplies	769,500	769,500	902,289	(132,789)
Property	23,500	23,500	31,915	(8,415)
Other objects	2,000	2,000	1,064	936
Total operation and maintenance of plant services	3,027,132	3,027,132	2,912,205	114,927
Student transportation services:				
Purchased property services	92,500	92,500	56,479	36,021
Other purchased services	839,750	839,750	722,961	116,789
Total student transportation services	932,250	932,250	779,440	152,810
Central services:				
Purchased professional and technical services	-	-	78,740	(78,740)
Purchased property services	-	-	57,017	(57,017)
Other purchased services	73,100	73,100	89,472	(16,372)
Supplies	73,100	73,100	57,008	16,092
Property	46,500	46,500	97,557	(51,057)
Total central services	192,700	192,700	379,794	(187,094)
Other support services:				
Personnel services - employee benefits	425,010	425,010	524,731	(99,721)
Other purchased services	-	-	19,399	(19,399)
Total other support services	425,010	425,010	544,130	(119,120)
Total support services	9,985,575	9,985,575	9,760,000	225,575

(Continued)

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Operation of noninstructional services:				
Student activities:				
Personnel services - salaries	317,266	317,266	305,006	12,260
Personnel services - employee benefits	144,253	144,253	117,979	26,274
Purchased professional and technical services	9,200	9,200	32,058	(22,858)
Purchased property services	-	-	726	(726)
Other purchased services	76,750	76,750	66,348	10,402
Supplies	66,649	66,649	43,219	23,430
Property	32,500	32,500	529	31,971
Other objects	6,000	6,000	84,339	(78,339)
Total student activities	<u>652,618</u>	<u>652,618</u>	<u>650,204</u>	<u>2,414</u>
Community services:				
Personnel services - salaries	-	-	1,275	(1,275)
Personnel services - employee benefits	-	-	548	(548)
Other purchased services	8,000	8,000	735	7,265
Total community services	<u>8,000</u>	<u>8,000</u>	<u>2,558</u>	<u>5,442</u>
Scholarship awards:				
Other objects	14,635	14,635	8,351	6,284
Total scholarship awards	<u>14,635</u>	<u>14,635</u>	<u>8,351</u>	<u>6,284</u>
Total operation of noninstructional services	<u>675,253</u>	<u>675,253</u>	<u>661,113</u>	<u>14,140</u>
Building improvement services:				
Purchased property services	-	-	16,630	(16,630)
Other expenditures and financing uses:				
Debt service:				
Other objects	183,115	183,115	371,494	(188,379)
Other uses of funds	1,597,095	1,597,095	4,913,425	(3,316,330)
Total debt service	<u>1,780,210</u>	<u>1,780,210</u>	<u>5,284,919</u>	<u>(3,504,709)</u>
Interfund transfers - out				
Other uses of funds	25,000	25,000	40,006	(15,006)
Total interfund transfers - out	<u>25,000</u>	<u>25,000</u>	<u>40,006</u>	<u>(15,006)</u>
Refund of prior year receipts				
	-	-	38,667	(38,667)
Total other expenditures and financing uses	<u>1,805,210</u>	<u>1,805,210</u>	<u>5,363,592</u>	<u>(3,558,382)</u>
Total expenditures	<u>39,086,222</u>	<u>39,086,222</u>	<u>41,751,269</u>	<u>(2,665,047)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,488,732)</u>	<u>(3,488,732)</u>	<u>3,926,121</u>	<u>7,414,853</u>
Net Change in Fund Balance	<u>\$ (3,488,732)</u>	<u>\$ (3,488,732)</u>	<u>\$ 3,926,121</u>	<u>\$ 7,414,853</u>

(Concluded)

SUPPLEMENTARY INFORMATION

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor / Pass-Through Grantor / Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received For the Year</u>	<u>Accrued (Unearned) Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue at June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education										
Passed Through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-190419	7/1/18-9/30/19	\$ 690,912	\$ 138,322	\$ 112,832	\$ 25,490	\$ 25,490	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-200419	8/8/19-9/30/20	678,352	180,911	-	648,459	648,459	467,548	-
Title I - Set Aside	84.010	042-180419	7/1/18-9/30/19	75,630	17,923	1,217	16,706	16,706	-	-
Total Title I					337,156	114,049	690,655	690,655	467,548	-
Supporting Effective Instruction State Grants	84.367	020-190419	7/1/18-9/30/19	90,952	6,068	6,068	-	-	-	-
Supporting Effective Instruction State Grants	84.367	020-200419	8/8/19-9/30/20	94,941	25,233	-	94,941	94,941	69,708	-
Supporting Effective Instruction State Grants	84.367	020-150419	7/1/14-9/30/15	128,619	-	1,704	-	-	1,704	-
Total Supporting Effective Instruction State Grants					31,301	7,772	94,941	94,941	71,412	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-180419	7/1/17-9/30/18	15,765	-	(10,135)	-	-	(10,135)	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-190419	7/1/18-9/30/19	50,398	-	(16,799)	-	-	(16,799)	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-200419	8/8/19-9/30/20	51,711	13,790	-	34,169	34,169	20,379	-
Total Title IV					13,790	(26,934)	34,169	34,169	(6,555)	-
Passed Through the Allegheny Intermediate Unit:										
Special Education Preschool Grants (IDEA, Section 619)	84.173	131-20-0-003	7/1/19-6/30/20	4,456	-	-	4,456	4,456	4,456	-
Special Education Grants to States (IDEA, Part B)	84.027	062-20-0-003	7/1/19-6/30/20	380,481	409,342	409,342	380,481	380,481	380,481	-
Special Education Grants to States (IDEA, Part B)	84.027	062-20-0-0033	7/1/19-6/30/20	20,000	-	-	17,418	17,418	17,418	-
Total Special Education Cluster					409,342	409,342	402,355	402,355	402,355	-
Total U.S. Department of Education					791,589	504,229	1,222,120	1,222,120	934,760	-
U.S. Department of Agriculture										
Passed Through the Pennsylvania Department of Education:										
School Breakfast Program	10.553	365/367	7/1/19-6/30/20	n/a	205,546	2,382	203,164	203,164	-	-
National School Lunch Program	10.555	362	7/1/19-6/30/20	n/a	515,862	6,622	509,240	509,240	-	-
Passed Through the Pennsylvania Department of Agriculture:										
National School Lunch Program (Commodities)	10.555	n/a	7/1/19-6/30/20	n/a	59,716	(3,004)	59,716	59,716	(3,004)	-
Total National School Lunch Program					575,578	3,618	568,956	568,956	(3,004)	-
Total Child Nutrition Cluster					781,124	6,000	772,120	772,120	(3,004)	-
Total U.S. Department of Agriculture					781,124	6,000	772,120	772,120	(3,004)	-
Total Expenditures of Federal Awards					\$ 1,572,713	\$ 510,229	\$ 1,994,240	\$ 1,994,240	\$ 931,756	\$ -

See accompanying notes to schedule of expenditures of federal awards.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following cost principles contained in the Uniform Guidance. The School District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation to Federal Subsidy Confirmation

Amount received per SEFA	\$	1,572,713
Less:		
USDA Commodities received		(59,716)
Amounts passed through the AIU		(409,342)
Plus: amounts included on confirmation not required to be reported on SEFA:		
National School Lunch Program		21,414
School Breakfast Program		9,731
		<hr/>
Amount received per subsidy confirmation	\$	<u>1,134,800</u>

Steel Valley School District

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2020

**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**Board of Directors
Steel Valley School District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Steel Valley School District (School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated March 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

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

Board of Directors
Steel Valley School District
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
March 25, 2021

Independent Auditor’s Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Steel Valley School District**

Report on Compliance for the Major Federal Program

We have audited the Steel Valley School District’s (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District’s major federal program for the year ended June 30, 2020. The School District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the School District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District’s compliance.

Board of Directors
Steel Valley School District
Independent Auditor's Report on Compliance for the
Major Program and on Internal Control over Compliance

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

Board of Directors
Steel Valley School District
Independent Auditor's Report on Compliance for the
Major Program and on Internal Control over Compliance

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

Mahe Duessel

Pittsburgh, Pennsylvania
March 25, 2021

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles.

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

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

7. Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553

Child Nutrition Cluster:

School Breakfast Program

10.555

National School Lunch Program

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

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

STEEL VALLEY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

NONE