

# **Steel Valley School District**

Financial Statements and  
Required Supplementary and  
Supplementary Information

Year Ended June 30, 2019  
with Independent Auditor's Reports

**MaherDuessel**

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# STEEL VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2019, 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 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* 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 February 14, 2020 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.

*Maher Duessel*

Pittsburgh, Pennsylvania  
February 14, 2020

**Steel Valley School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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, 2019. Please review in conjunction with the School District's financial statements.

**Financial Highlights**

The School District's governmental activities recognized revenues of approximately \$39.5 million for fiscal year ending June 30, 2019, and net position increased by approximately \$0.2 million.

The School District's General Fund fund balance was approximately \$3.7 million at June 30, 2019, an increase of approximately \$1.3 million from the prior year primarily due to increased in real estate tax revenue from the TIF.

Actual revenues exceeded budgeted revenues by \$3,323,267, or 9.46% for 2018-2019. Actual expenditures exceeded budgeted expenditures by \$1,801,317 or 4.86% for 2018-2019.

The final tax rate millage for 2019 fiscal year was 23.4890 mills, which represents an increase of .7280 mills from the 2018 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, 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 2019?" 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, 2019, the value of the School District's assets totaled \$26.2 million, of which 45.8%, or approximately \$12.0 million, consisted of cash, investments, intergovernmental receivables, and taxes receivable.

Deferred outflows of resources totaled \$8,891,696, which relates to the School District's deferred outflows of resources for pension and OPEBs.

The liabilities total of \$71.2 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, retirement incentive, OPEB obligation, and net pension liability.

Deferred inflows of resources totaled \$3,093,629, which relates to the School District's deferred inflows of resources for pension and OPEBs.

Total unrestricted net position is approximately (\$37.5) million and net investment in capital assets is approximately (\$1.7) million at June 30, 2019, for a total net deficit of (\$39,188,475).

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

Program revenues consist mainly of operating grants and contributions. Operating grants and contributions totaled \$3,178,156 and \$3,258,068 in fiscal years 2019 and 2018, respectively.

General revenues for governmental activities as displayed in the Statement of Activities for fiscal years ended June 30, 2019 and 2018 are as follows:

Description	2019	2018	Increase (Decrease)
Property taxes, levied for general purposes	\$ 19,004,634	\$ 14,026,707	\$ 4,977,927
Taxes levied for general purposes	2,075,236	1,880,539	194,697
Grants/subsidies	13,672,813	13,374,976	297,837
Investment earnings	220,758	74,784	145,974
Miscellaneous income	211,551	152,772	58,779
Transfers	-	(45,000)	45,000

Property taxes increased by \$4,977,927, or 35.5%, due to a .7280 increase in the real estate tax millage and a final payment received from the TIF in the amount of \$3,121,346. 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 \$297,837, or 2.2% due to increased Basic Education funding and State social security 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 increased by \$58,779, or 38.5% 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, 2019 and 2018 are as follows:

Description	2019	2018	Increase (Decrease)
Instructional services	\$ 26,217,825	\$ 26,088,414	\$ 129,411
Support services	10,636,728	10,545,663	91,065
Non-instructional services	758,823	706,786	52,037
Debt service and authority obligations	643,228	556,870	86,358

Instructional services expenses increased by \$129,411, or 0.5% primarily due to increases in Charter School costs and increases in the retirement contribution rate from 32.57 to 33.43 percent, an increase of 2.6% from fiscal year 2018, an increase in salaries, and an increase in pension expenses related to the School District's net pension liability. Support services expenses increased by \$91,065, or 0.9% primarily due to an increase 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 decreased by \$105,937, or 15.5% percent primarily due to a increase in the School District's debt service requirements from the issuance of the General Obligation Notes, Series of 2018.

Overall, the School District experienced an increase in net position of approximately \$0.2 million in fiscal year 2019 compared to a decrease in net position of \$5.1 million for fiscal year 2018.

### **Revenues and Expenditures – Fund Statements**

The revenue of the School District for the fiscal year ended June 30, 2019 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 \$22,022,720 of total revenue received. The major source of revenue on the local level is current year real estate taxes, which represented \$14,396,796 of the total local revenue, which exceeded budget projections by \$219,300. The revenue received from delinquent/liened real estate tax collections totaled \$4,564,201, which came in over budget projections by \$3,239,201, primarily due to the final payment from the TIF.

Revenue from state sources during fiscal year 2019 totaled \$15,499,295, which was \$18,365 over budget due to an under budgeted Basic Education funding of \$87,772 and over budgeted State share of retirement contributions of \$142,137. The major subsidies received from state sources are basic subsidy of \$9,187,772 and special education subsidy of \$1,464,170. Of the \$942,332 revenue from federal sources, \$738,017 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, 2019 were used to pay expenditures of approximately \$36.9 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, 2019 and 2018:

Program	2019 Expenditures	2018 Expenditures	Increase/(Decrease) from Prior Year
Instruction programs	\$ 24,614,763	\$ 23,656,209	\$ 958,554
Support services	9,746,120	9,717,456	28,664
Non-instruction services	727,166	656,901	70,265
Building improvement services	-	15,000	(15,000)
Debt service	1,759,793	1,472,045	287,748
Facilities/improvement	38,204	39,820	(1,616)

The variance for the fiscal year 2018 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 30.03 to 32.57 percent, an increase of 2.54% from fiscal year 2017, and an increase in salaries. The variance for the fiscal year 2018 compared with the prior year concerning support services is a result of increase in the amount of purchased special education services.

Capital Project Fund activity consisted of various land and building improvements at the School District's schools totaling \$38,204.

### **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 \$1,012,698 and total operating and non-operating expenses of \$1,066,225 for fiscal year 2019. 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 90% 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 2019, 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, 2019, the School District's governmental funds had \$13,942,897 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 \$741,556 or 5.05% from last year.

Government Activities  
Fiscal Years Ended June 30, 2019 and 2018  
Capital Assets - Net of Depreciation

	2019	2018
Land and land improvements	\$ 1,901,888	\$ 2,125,485
Buildings and building improvements	11,465,228	11,961,180
Equipment, furniture, and fixtures	479,809	487,733
Vehicles	95,972	110,055
Library and textbooks	-	-

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

### Debt Administration

As of July 1, 2018, the School District had bonds and notes payable of \$15,609,760. During the year, the School District issued General Obligation Bonds, Series of 2018, incurred additional accretion of \$434,549, and made principal payments totaling \$1,573,151. The total outstanding bonds and notes payable as of June 30, 2019 is \$15,609,760.

Outstanding Debt		
General Obligation Bond/Note	As of June 30, 2018	As of June 30, 2017
Series of 2005 Capital Appreciation	\$ 9,395,051	\$ 9,010,502
Series of 2015 General Obligation Notes	4,676,811	6,072,860
Series of 2018 General Obligation Notes	1,537,898	-
Total	<u>\$ 15,609,760</u>	<u>\$ 15,083,362</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, 2019, the General Fund fund balance had a surplus of approximately \$3.71 million, consisting of non-spendable of \$264,070, assigned of \$2,000,000, and unassigned of \$1,449,490. The \$2,000,000 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 2015 and ends on June 30, 2024. A second CBA with the Steel Valley Educational Support Personnel was ratified during fiscal year 2016 and ends on June 30, 2020, and covers the secretaries and the aides/paraprofessionals. A third CBA with Support Personnel Association, was ratified during fiscal year 2017 and ends on June 30, 2021.

The teachers and administrative agreements provide a benefit for retirees who have retired under certain contracts, an amount of \$150,000 to be distributed over a 5-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, 2019

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 8,370,992	\$ 82,057	\$ 8,453,049
Investments	302,069	-	302,069
Taxes receivable, net of allowance for uncollectibles	1,405,888	-	1,405,888
Internal balances	(39,260)	47,860	8,600
Due from other governments	1,971,363	9,401	1,980,764
Inventory	-	4,776	4,776
Prepaid expenses	264,070	-	264,070
Capital assets, not being depreciated	1,453,427	-	1,453,427
Capital assets, net of accumulated depreciation	12,489,470	75,787	12,565,257
<b>Total Assets</b>	<b>26,218,019</b>	<b>219,881</b>	<b>26,437,900</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources for pension	8,679,601	-	8,679,601
Deferred outflows of resources for OPEBs	212,095	-	212,095
<b>Total Deferred Outflows of Resources</b>	<b>8,891,696</b>	<b>-</b>	<b>8,891,696</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	436,473	1,968	438,441
Accrued payroll and benefits	4,213,440	30,453	4,243,893
Accrued interest payable	14,900	-	14,900
Unearned revenue	127,495	569	128,064
Noncurrent liabilities:			
Other noncurrent liabilities due within one year	2,132,442	-	2,132,442
Other noncurrent liabilities due in more than one year	16,184,993	-	16,184,993
Net OPEB liability	3,017,818	-	3,017,818
Net pension liability	45,077,000	-	45,077,000
<b>Total Liabilities</b>	<b>71,204,561</b>	<b>32,990</b>	<b>71,237,551</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources for pension	2,904,000	-	2,904,000
Deferred inflows of resources for OPEBs	189,629	-	189,629
<b>Total Deferred Inflows of Resources</b>	<b>3,093,629</b>	<b>-</b>	<b>3,093,629</b>
<b>Net Position</b>			
Net investment in capital assets	(1,666,863)	75,787	(1,591,076)
Unrestricted	(37,521,612)	111,104	(37,410,508)
<b>Total Net Position</b>	<b>\$ (39,188,475)</b>	<b>\$ 186,891</b>	<b>\$ (39,001,584)</b>

See accompanying notes to financial statements.



# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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
<b>Primary Government:</b>							
Governmental activities:							
Instructional services:							
Regular instruction	\$ 18,110,927	\$ -	\$ 828,970	\$ -	\$ (17,281,957)	\$ -	\$ (17,281,957)
Special instruction	7,752,550	-	1,986,874	-	(5,765,676)	-	(5,765,676)
Vocational instruction	279,270	-	-	-	(279,270)	-	(279,270)
Other instructional programs	75,078	-	-	-	(75,078)	-	(75,078)
Total instructional services	26,217,825	-	2,815,844	-	(23,401,981)	-	(23,401,981)
Support services:							
Pupil personnel	1,142,359	-	-	-	(1,142,359)	-	(1,142,359)
Instructional staff	1,156,180	-	-	-	(1,156,180)	-	(1,156,180)
Administration	2,567,166	-	-	-	(2,567,166)	-	(2,567,166)
Pupil health	398,944	-	32,403	-	(366,541)	-	(366,541)
Business	519,223	-	-	-	(519,223)	-	(519,223)
Operation and maintenance of plant services	3,245,476	-	-	-	(3,245,476)	-	(3,245,476)
Student transportation services	906,686	-	162,107	-	(744,579)	-	(744,579)
Central services	226,506	-	-	-	(226,506)	-	(226,506)
Other support services	474,188	-	-	-	(474,188)	-	(474,188)
Total support services	10,636,728	-	194,510	-	(10,442,218)	-	(10,442,218)
Noninstructional services:							
Student activities	730,230	163,656	-	-	(566,574)	-	(566,574)
Community services	5,708	-	-	-	(5,708)	-	(5,708)
Scholarship awards	22,885	-	-	-	(22,885)	-	(22,885)
Total noninstructional services	758,823	163,656	-	-	(595,167)	-	(595,167)
Unallocated expenses - excluding direct expenses reported as a function above:							
Interest, amortization, and accretion on long-term debt	643,228	-	167,802	-	(475,426)	-	(475,426)
Total governmental activities	38,256,604	163,656	3,178,156	-	(34,914,792)	-	(34,914,792)

(Continued)

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(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	1,066,225	76,125	935,238	-	-	(54,862)	(54,862)
<b>Total Primary Government</b>	<u>\$ 39,322,829</u>	<u>\$ 239,781</u>	<u>\$ 4,113,394</u>	<u>\$ -</u>	(34,914,792)	(54,862)	(34,969,654)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				19,004,634	-		19,004,634
Taxes levied for general purposes				2,075,236	-		2,075,236
Grants, subsidies, and contributions not restricted to specific programs				13,672,813	-		13,672,813
Investment earnings				220,758	1,335		222,093
Miscellaneous income				211,551	-		211,551
Total general revenues				<u>35,184,992</u>	<u>1,335</u>		<u>35,186,327</u>
<b>Change in Net Position</b>				270,200	(53,527)		216,673
<b>Net Position:</b>							
Beginning of year				(39,458,675)	240,418		(39,218,257)
End of year				<u>\$ (39,188,475)</u>	<u>\$ 186,891</u>		<u>\$ (39,001,584)</u>
							(Concluded)

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Projects	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,649,908	\$ 2,721,084	\$ 8,370,992
Investments	302,069	-	302,069
Taxes receivable, net of allowance for uncollectibles	1,405,888	-	1,405,888
Due from other funds	8,600	-	8,600
Due from other governments	1,971,363	-	1,971,363
Prepaid expenses	264,070	-	264,070
<b>Total Assets</b>	<b>\$ 9,601,898</b>	<b>\$ 2,721,084</b>	<b>\$ 12,322,982</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 436,473	\$ -	\$ 436,473
Accrued payroll and benefits	4,213,440	-	4,213,440
Unearned revenue	127,495	-	127,495
Due to other funds	47,860	-	47,860
<b>Total Liabilities</b>	<b>4,825,268</b>	<b>-</b>	<b>4,825,268</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue - taxes	1,063,070	-	1,063,070
<b>Fund Balance:</b>			
Nonspendable	264,070	-	264,070
Assigned	2,000,000	2,721,084	4,721,084
Unassigned	1,449,490	-	1,449,490
<b>Total Fund Balance</b>	<b>3,713,560</b>	<b>2,721,084</b>	<b>6,434,644</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 9,601,898</b>	<b>\$ 2,721,084</b>	<b>\$ 12,322,982</b>

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

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

JUNE 30, 2019

<b>Total Fund Balance - Governmental Funds</b>		\$	6,434,644
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$31,679,366, and the accumulated depreciation is \$16,994,913.</p>			13,942,897
<p>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.</p>			1,063,070
<p>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.</p>			(2,995,352)
<p>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.</p>			(39,301,399)
<p>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. Long-term liabilities at year-end consist of:</p>			
	Bonds and notes payable, net	\$ (15,609,760)	
	Accrued interest on bonds	(14,900)	
	Retirement incentive program	(1,995,239)	
	Compensated absences	(712,436)	
		(18,332,335)	(18,332,335)
<b>Total Net Position - Governmental Activities</b>			<b>\$ (39,188,475)</b>

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, 2019

	General Fund	Capital Projects	Total
<b>Revenues:</b>			
Local sources	\$ 22,022,720	\$ 18,820	\$ 22,041,540
State sources	15,499,295	-	15,499,295
Federal sources	942,332	-	942,332
Total revenues	<u>38,464,347</u>	<u>18,820</u>	<u>38,483,167</u>
<b>Expenditures:</b>			
Instructional services	24,614,763	-	24,614,763
Support services	9,746,120	-	9,746,120
Operation of noninstructional services	727,166	-	727,166
Building improvement services	-	-	-
Debt service:			
Principal and interest payments	1,759,793	-	1,759,793
Capital outlay	-	38,204	38,204
Total expenditures	<u>36,847,842</u>	<u>38,204</u>	<u>36,886,046</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,616,505</u>	<u>(19,384)</u>	<u>1,597,121</u>
<b>Other Financing Sources (Uses):</b>			
Interfund transfers	(2,000,000)	2,000,000	-
Proceeds from note issuance	1,638,515	-	1,638,515
Total other financing sources (uses)	<u>(361,485)</u>	<u>2,000,000</u>	<u>1,638,515</u>
<b>Net Change in Fund Balance</b>	1,255,020	1,980,616	3,235,636
<b>Fund Balance:</b>			
Beginning of year	<u>2,458,540</u>	<u>740,468</u>	<u>3,199,008</u>
End of year	<u>\$ 3,713,560</u>	<u>\$ 2,721,084</u>	<u>\$ 6,434,644</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, 2019

**Net Change in Fund Balance - Governmental Funds** \$ 3,235,636

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):

	\$	39,051	
Capital outlays (net of deletions)			
Less: depreciation expense		(780,607)	(741,556)

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. (245,832)

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. (521,950)

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. (1,471,238)

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. 43,637

The actuarially accrued other post-employment benefits (OPEB) obligation 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. (28,497)

**Change in Net Position of Governmental Activities** \$ 270,200

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, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 18,644,350	\$ 18,644,350	\$ 22,022,720	\$ 3,378,370
State sources	15,480,930	15,480,930	15,499,295	18,365
Federal sources	1,015,800	1,015,800	942,332	(73,468)
Total revenues	<u>35,141,080</u>	<u>35,141,080</u>	<u>38,464,347</u>	<u>3,323,267</u>
<b>Expenditures:</b>				
Instructional services:				
Regular instruction	17,664,692	17,664,692	16,740,517	924,175
Special instruction	6,509,785	6,509,785	7,525,492	(1,015,707)
Vocational instruction	360,000	360,000	278,550	81,450
Other instructional programs	24,155	24,155	70,204	(46,049)
Pre-kindergarten	-	-	-	-
Total instructional services	<u>24,558,632</u>	<u>24,558,632</u>	<u>24,614,763</u>	<u>(56,131)</u>
Support services:				
Pupil personnel	1,216,785	1,216,785	1,087,549	129,236
Instructional staff	1,166,641	1,166,641	1,101,689	64,952
Administration	2,265,238	2,265,238	2,186,361	78,877
Pupil health	358,550	358,550	384,375	(25,825)
Business	467,042	467,042	456,497	10,545
Operation and maintenance of plant services	2,977,681	2,977,681	2,926,290	51,391
Student transportation services	879,000	879,000	902,665	(23,665)
Central services	190,350	190,350	226,506	(36,156)
Other support services	406,070	406,070	474,188	(68,118)
Total support services	<u>9,927,357</u>	<u>9,927,357</u>	<u>9,746,120</u>	<u>181,237</u>
Operation of noninstructional services:				
Student activities	685,800	685,800	698,885	(13,085)
Community services	6,000	6,000	5,396	604
Scholarship awards	16,235	16,235	22,885	(6,650)
Total operation of noninstructional services	<u>708,035</u>	<u>708,035</u>	<u>727,166</u>	<u>(19,131)</u>
Building improvement services	30,000	30,000	-	30,000
Other expenditures and financing uses:				
Debt service	1,782,501	1,782,501	1,759,793	22,708
Interfund transfers - out	40,000	40,000	2,000,000	(1,960,000)
Total other expenditures and financing uses	<u>1,822,501</u>	<u>1,822,501</u>	<u>3,759,793</u>	<u>(1,937,292)</u>
Total expenditures	<u>37,046,525</u>	<u>37,046,525</u>	<u>38,847,842</u>	<u>(1,801,317)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,905,445)</u>	<u>(1,905,445)</u>	<u>(383,495)</u>	<u>1,521,950</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from note issuance	-	-	1,638,515	1,638,515
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,638,515</u>	<u>1,638,515</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,905,445)</u>	<u>\$ (1,905,445)</u>	<u>\$ 1,255,020</u>	<u>\$ 3,160,465</u>

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2019

	<u>Food Service Fund</u>
<b>Assets</b>	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 82,057
Due from other governments	9,401
Due from other funds	47,860
Inventory	4,776
	<hr/>
Total current assets	144,094
	<hr/>
Non-current assets:	
Capital assets	294,474
Less accumulated depreciation	(218,687)
	<hr/>
Total non-current assets	75,787
	<hr/>
<b>Total Assets</b>	<b>219,881</b>
	<hr/>
<b>Liabilities</b>	
<hr/>	
Accounts payable	1,968
Accrued payroll	30,453
Unearned revenue	569
	<hr/>
<b>Total Liabilities</b>	<b>32,990</b>
	<hr/>
<b>Net Position</b>	
<hr/>	
Net investment in capital assets	75,787
Unrestricted	111,104
	<hr/>
<b>Total Net Position</b>	<b>\$ 186,891</b>
	<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, 2019

	<u>Food Service Fund</u>
<b>Operating Revenues:</b>	
Food service revenue	\$ 76,125
<b>Operating Expenses:</b>	
Personnel services - salaries	325,873
Personnel services - employee benefits	285,212
Purchased property services	9,613
Other purchased services	2,113
Food and supplies	426,600
Depreciation	15,000
Miscellaneous	1,814
Total operating expenses	<u>1,066,225</u>
<b>Net Operating Loss</b>	<u>(990,100)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	1,335
State subsidies	105,260
Federal:	
Subsidies	765,630
Donated commodities	64,348
Total non-operating revenues (expenses)	<u>936,573</u>
<b>Change in Net Position</b>	<u>(53,527)</u>
<b>Net Position:</b>	
Beginning of year	<u>240,418</u>
End of year	<u><u>\$ 186,891</u></u>

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Food Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash received from users	\$ 77,092
Cash payments to employees for services	(580,632)
Cash payments to suppliers for goods and services	(355,528)
	(859,068)
<b>Cash Flows From Noncapital Financing Activities:</b>	
Local grants	-
State subsidies	105,507
Federal subsidies	772,259
	877,766
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of capital assets	(21,849)
<b>Cash Flows From Investing Activities:</b>	
Earnings on investments	1,335
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,816)</b>
<b>Cash and Cash Equivalents:</b>	
Beginning of year	83,873
End of year	\$ 82,057
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:</b>	
Net operating loss	\$ (990,100)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	15,000
Donated commodities	64,348
Change in:	
Due from other funds	17,811
Inventories	4,618
Other assets	967
Accounts payable	270
Other liabilities	28,018
	88,032
Net cash used in operating activities	\$ (859,068)
<b>Non-Cash, Non-Capital Financing Transactions:</b>	
The Food Service Fund received donated commodities from the U.S. Department of Agriculture in the amount of \$64,348 during the year.	

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2019

	Scholarship Private-Purpose Trust Fund	Activity Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 39,309	\$ 256,691
<b>Liabilities and Net Position</b>		
<b>Liabilities:</b>		
Due to other funds	\$ 8,600	\$ -
Deposits held for others	-	256,691
Total Liabilities	8,600	256,691
<b>Net Position:</b>		
Held in trust for scholarships	30,709	-
<b>Total Liabilities and Net Position</b>	\$ 39,309	\$ 256,691

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

YEAR ENDED JUNE 30, 2019

	Scholarship Private-Purpose Trust Fund
<b>Additions:</b>	
Revenues:	
Local sources	\$ 2,754
<b>Deductions:</b>	
Current:	
Operation of noninstructional services	5,550
<b>Change in Net Position</b>	(2,796)
<b>Net Position:</b>	
Beginning of year	33,505
End of year	\$ 30,709

See accompanying notes to financial statements.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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, 2019

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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 and its component unit. 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. Likewise, the School District is reported separately from the legally separate component unit for which the School District is financially accountable.

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, 2019

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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

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 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.

### **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 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.



# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### **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 and business-type activities are reported in the government-wide financial statement as "internal balances."

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 reflects 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

### 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

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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.

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.

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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 does not currently have restricted fund balance.

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, 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.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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. The School District does not currently have restricted net position.

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.

### 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.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 Projects Fund 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, other instructional programs, pupil health, student transportation services, central services, other support services, student activities, and scholarship awards categories of the General Fund. The excess was primarily covered by other favorable variances in expenditure categories.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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 Pronouncements

The following Governmental Accounting Standards Board (GASB) statements were adopted for the year ended June 30, 2019: Statement Nos. 83 (Certain Asset Retirement Obligations) and 88 (Certain Debt Disclosures related to Debt, including Direct Borrowings and Direct Placements). These statements had no significant impact on the School District's financial statements for the year ended June 30, 2019.

### 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), and 91 (Conduit Debt Obligations). 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, 2019

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### 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

YEAR ENDED JUNE 30, 2019

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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, 2019, \$744,944 of the School District's bank balance of \$693,432 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 \$693,973 as of June 30, 2019.

### 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

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 \$8,659,065 and carrying amount of \$7,759,076 as of June 30, 2019.

Included as investments on the balance sheet and statement of net position are certificates of deposit in the amount of \$302,069 and \$301,141 book and bank value, respectively, as of June 30, 2019.

### 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 \$463,887 and \$488,909, respectively, for the year ended June 30, 2019. As of June 30, 2019, \$16,966 of the various fiduciary funds' bank balances of \$38,498 was exposed to custodial credit risk. The uninsured bank balance is collateralized in accordance with Act 72 of the Pennsylvania State Legislature. The carrying amount of deposits for the fiduciary funds is \$41,001 as of June 30, 2019. PSDLAF investments described above include fiduciary fund fair market value of \$301,410 and a carrying amount of \$254,999 for the various student activities and PTO accounts as of June 30, 2019. Fiduciary fund amounts are not included in the PSDLAF amounts given above.

### **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 31<sup>st</sup> are given a 2% discount. Amounts paid after October 31<sup>st</sup> 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 estate taxes and handles the property liens. The lien date is approximately two years after the taxes were originally due.

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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The levy for fiscal year 2019 was based on assessed value on January 1, 2018 of approximately \$712.7 million. The tax rate assessed for the year ended June 30, 2019 was equal to 23.4890 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, 2019, there is one major realty assessment appeal pending that has an assessed value of \$8,200,000. The appeal is located in the TIF District and any tax refund will come from TIF funds. As indicated on page 21, the School District has assigned \$1,000,000 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 \$4.25 million.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 4. Capital Assets

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

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,453,427	\$ -	\$ -	\$ 1,453,427
Total capital assets, not being depreciated	<u>1,453,427</u>	<u>-</u>	<u>-</u>	<u>1,453,427</u>
Capital assets, being depreciated:				
Land and land improvements	2,502,094	-	-	2,502,094
Building and improvements	25,350,702	-	-	25,350,702
Equipment, furniture, and fixtures	1,145,967	39,051	-	1,185,018
Vehicles	277,322	-	-	277,322
Library and text books	949,854	-	-	949,854
Total capital assets, being depreciated	<u>30,225,939</u>	<u>39,051</u>	<u>-</u>	<u>30,264,990</u>
Less: accumulated depreciation for:				
Land and land improvements	(1,830,036)	(223,597)	-	(2,053,633)
Building and improvements	(13,389,522)	(495,952)	-	(13,885,474)
Equipment, furniture, and fixtures	(658,234)	(46,975)	-	(705,209)
Vehicles	(167,267)	(14,083)	-	(181,350)
Library and text books	(949,854)	-	-	(949,854)
Total accumulated depreciation	<u>(16,994,913)</u>	<u>(780,607)</u>	<u>-</u>	<u>(17,775,520)</u>
Governmental activities, capital assets, net	<u>\$ 14,684,453</u>	<u>\$ (741,556)</u>	<u>\$ -</u>	<u>\$ 13,942,897</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<b>Business-Type Activities:</b>				
Equipment	\$ 272,625	\$ 21,849	\$ -	\$ 294,474
Less: accumulated depreciation for:	(203,687)	(15,000)	-	(218,687)
Business-type activities, capital assets, net	<u>\$ 68,938</u>	<u>\$ 6,849</u>	<u>\$ -</u>	<u>\$ 75,787</u>

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

**Governmental Activities:**

Instructional services:

Regular	\$ 509,239
Vocational	720

Support services:

Instructional staff	6,442
Administration	400
Operation of plant and maintenance services	254,049
Student transportation services	4,021

Noninstructional services:

Student activities	5,736
	<u>\$ 780,607</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 5. Long-Term Liabilities

Long-term liabilities at June 30, 2019 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	9,395,051	50,000
2015 General Obligation Notes	1.87%	2023	4,676,811	1,426,000
2018 General Obligation Notes	3.89%	2022	1,537,898	143,972
Total bonds and notes			15,609,760	1,619,972
Retirement incentive program	n/a	n/a	1,995,239	512,470
Compensated absences	n/a	n/a	712,436	-
Total long-term liabilities			<u>\$ 18,317,435</u>	<u>\$ 2,132,442</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, 2019:

Balance at July 1, 2018	\$ 15,083,362
Debt Issuance	1,665,000
Accretion on capital appreciation bonds	434,549
Principal payments	<u>(1,573,151)</u>
Balance at June 30, 2019	<u>\$ 15,609,760</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Debt service requirements, including interest, are as follows:

Years Ending June 30,	Principal Payment	Interest Payment	Total Payment
2020	\$ 1,619,972	\$ 132,706	\$ 1,752,678
2021	1,656,673	99,508	1,756,181
2022	1,588,229	66,656	1,654,885
2023	1,547,943	43,413	1,591,356
2024	1,563,168	33,077	1,596,245
2025-2029	7,728,723	63,074	7,791,797
2030-2032	4,170,000	-	4,170,000
	<u>19,874,708</u>	<u>438,434</u>	<u>20,313,142</u>
Unaccrued interest	<u>(4,264,948)</u>	<u>4,264,948</u>	<u>-</u>
	<u>\$ 15,609,760</u>	<u>\$ 4,703,382</u>	<u>\$ 20,313,142</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, 2019.

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. Total maturity value of the refunding notes is \$4,676,811 at June 30, 2019.

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 \$1,537,898 at June 30, 2019.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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 (Premium Assistance), an OPEB plan, 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](http://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 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.psers.pa.gov](http://www.psers.pa.gov).

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



# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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. 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 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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-C5.25%

Membership Class T-D6.50%

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

Membership Class T-C6.25%

Membership Class T-D7.50%

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

Membership Class T-D7.50%

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%.

Effective with Act 5, which was enacted on June 12, 2017, vested Class T-E and Class T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

### Employer Contributions

The School District's contractually required PSERS contribution rate for the fiscal year ended June 30, 2019 was 33.43% 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 32.60% rate for the Pension Plan and a 0.83% rate for the Premium Assistance.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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The combined rate for the fiscal year ended June 30, 2019 was an increase from the fiscal year ended June 30, 2018 combined rate of 32.57%. The combined contribution rate will increase to 34.29% in fiscal year 2020 and is projected to grow to 36.30% by fiscal year 2024.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$1.7 million is owed to PSERS as of June 30, 2019, 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, 2019 were as follows:

Pension Plan	\$	4,474,601
Premium Assistance		<u>111,095</u>
Total	\$	<u><u>4,585,696</u></u>

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 \$2.6 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, 2018 (measurement date), the School District's proportion was 0.0939%, which was a decrease of 0.0552% from its proportion measured as of June 30, 2017.

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

At June 30, 2019, the School District reported a liability of \$45,077,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the School District recognized pension expense of \$5,945,839. At June 30, 2019, 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	\$ 363,000	\$ 698,000
Changes in assumptions	840,000	-
Net difference between projected and actual earnings on pension plan investments	221,000	-
Changes in proportion	2,781,000	2,206,000
School District contributions subsequent to the measurement date	<u>4,474,601</u>	<u>-</u>
Total	<u>\$ 8,679,601</u>	<u>\$ 2,904,000</u>

\$4,474,601 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 1,663,000
2021	717,000
2022	(905,000)
2023	<u>(174,000)</u>
Total	<u>\$ 1,301,000</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of 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 for the June 30, 2018 valuation.

### Changes in Benefit Terms

There were no changes in benefit terms for the June 30, 2018 valuation.

### 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, 2019

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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 9.30%.

### 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, 2019

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### 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>\$ 55,876,000</u>	<u>\$ 45,077,000</u>	<u>\$ 35,946,000</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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 plan (retiree plan) described below. At June 30, 2019, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$	1,958,000
School District's total OPEB liability for its retiree plan		<u>1,059,818</u>
Net OPEB liability	\$	<u><u>3,017,818</u></u>

PSERS’ net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District’s retiree plan’s total OPEB liability was measured as of July 1, 2018, 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, 2018 to June 30, 2019.

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

OPEB expense related to PSERS Premium Assistance	\$	91,512
OPEB expense related to School District's retiree plan		<u>46,688</u>
Total OPEB expense	\$	<u><u>138,200</u></u>



# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

At June 30, 2019, 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	31,000	-	31,000
Net difference between projected and actual earnings on pension plan investments	3,000	-	3,000
Changes in proportion	55,000	-	55,000
School District contributions subsequent to the measurement date	111,095	-	111,095
Total	\$ 212,095	\$ -	\$ 212,095
Deferred Inflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Changes in assumptions	\$ 74,000	\$ -	\$ 74,000
Net difference between actual and expected experience	115,000	629	115,629
Changes in proportion	-	-	-
Total	\$ 189,000	\$ 629	\$ 189,629

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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\$111,095 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, 2020. 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>	
2020	\$ (15,134)
2021	(15,134)
2022	(15,134)
2023	(15,134)
2024	(16,093)
2025	<u>(12,000)</u>
Total	<u>\$ (88,629)</u>

### Additional Required Disclosures for PSERS Premium Assistance

#### Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 2.98% - 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, 2019

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### Changes in Assumptions

The discount rate decreased from 3.13% to 2.98% for the June 30, 2018 valuation.

### Changes in Benefit Terms

There were no changes in benefit for the June 30, 2018 valuation.

### 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	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.04%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2018, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 1.63%.

### Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. 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

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability. This previous discount rate used as of June 30, 2017 was 3.13%.

### 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 (1.98%)</u>	<u>Current Discount Rate (2.98%)</u>	<u>1% Increase (3.98%)</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 2,226,000</u>	<u>\$ 1,958,000</u>	<u>\$ 1,735,000</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, 2018, 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, 2019

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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>\$ 1,597,000</u>	<u>\$ 1,958,000</u>	<u>\$ 1,958,000</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

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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is covered to age 65. Retiree pays \$500 per year. 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 (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, 2019, the School District contributed \$53,919 and retirees contributed \$79,848 to the retiree plan.

### Actuarial Assumptions

The total OPEB liability was determined as of the June 30, 2019 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, 2019

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### 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, 2019 were as follows:

Total OPEB liability, July 1, 2018	\$	1,013,130
Changes for the year:		
Service cost		68,953
Interest on the total OPEB liability		31,654
Differences between expected and actual experience		-
Changes of assumptions		-
Contributions - employer		(53,919)
		<hr/>
Total OPEB liability, June 30, 2019	\$	<u>1,059,818</u>

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### 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>\$ 1,110,702</u>	<u>\$ 1,059,818</u>	<u>\$ 1,010,801</u>

### 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>\$ 977,590</u>	<u>\$ 1,059,818</u>	<u>\$ 151,111</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, 2019, there were 27 retired participants in this Program receiving payments. As of June 30, 2019, benefit payments have been fulfilled for 71 participants. Payments related to



# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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these benefits of \$452,470 have been made during the year ended June 30, 2019. The total obligation remaining at June 30, 2019 is approximately \$1.9 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, 2019 are noncurrent liabilities due within one year of \$512,470 and due in more than one year of \$1,482,769, related to the Program.

### **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, 2019, the amount accrued for sick and vacation days is \$712,436.

### **12. Health Insurance Consortium**

The School District is one of fifty-two 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 \$3.16 million to the Consortium during fiscal year 2019.

At June 30, 2019, 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, 2019

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### 13. Interfund Receivable and Payable

Interfund transactions at June 30, 2019 are summarized below:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General	\$ 8,600	\$ 47,860
Major Funds:		
Food Service	47,860	-
Fiduciary Funds:		
Scholarship Private-Purpose Trust	<u>-</u>	<u>8,600</u>
Total	<u>\$ 56,460</u>	<u>\$ 56,460</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 2019, the General Fund transferred \$2,000,000 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

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# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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fiscal year amounted to \$13,429 and \$7,414, respectively. The School District's portion of the net current assets of the Steel Center and Special Schools at June 30, 2019 is to be used to fund future years' operations and the amounts are not material to the financial statements of the School District. Separate financial statements for the Special Schools are available at the administrative offices of the School District.

### **15. Tax Incremental Financing Project**

The School District, along with boroughs served by the School District and Allegheny County, participated in a Tax Incremental Financing (TIF) Project related to commercial development for a tract of land along the Monongahela River known as the Waterfront. The taxing bodies agreed to pay to the Waterfront Project incremental real estate tax revenues created by the Project for payment of the debt service incurred to develop the Project. Net tax revenues after debt service were shared with the participating taxing entities. The debt service for the TIF Project matured during fiscal year 2019, resulting in the completion of the TIF agreement. During the 2019 fiscal year, the School District recorded an extra payment of approximately \$3.12 million from their portion of net tax revenues after all debt services payments were satisfied.

### **16. 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.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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### **17. Subsequent Event**

In October 2019, the School District issued Federally Taxable Pension Obligation Bonds, Series A, and General Obligation Bonds, Series B and C of 2019 (2019 Bonds) in the total amount of \$12,245,000. The 2019 Bonds fully mature in fiscal year 2040.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## STEEL VALLEY SCHOOL DISTRICT

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

Last 10 Fiscal Years<sup>1</sup>

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of PSERS' net pension liability	0.09%	0.10%	0.10%	0.09%	0.08%
School District's proportionate share of PSERS' net pension liability	\$ 45,077,000	\$ 49,487,000	\$ 47,872,000	\$ 38,638,000	\$ 33,209,000
School District's covered payroll	\$ 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	356.48%	371.02%	382.74%	336.68%	310.23%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	54.00%	51.84%	50.14%	54.36%	57.24%

<sup>1</sup>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 PENSION PLAN

Last 10 Fiscal Years<sup>2</sup>

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

<sup>2</sup>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 THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET OPEB LIABILITY

Last 10 Fiscal Years<sup>1</sup>

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

<sup>1</sup> 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 Years<sup>2</sup>

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

<sup>2</sup> 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 Years<sup>1</sup>

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

<sup>1</sup> 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, 2019

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

Actuarial Date/ Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
<b>Discount Rate</b>	7.25%	7.25%	7.25%	7.50%	7.50%	N/A
<b>Salary Increases</b>	5.00%	5.00%	5.00%	5.50%	5.50%	N/A
<b>Mortality</b>	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000	N/A
<b>Changes in Benefits</b>	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None	N/A
<b>Actuarially Calculated Contribution Rate from Actuarial Date Shown Above</b>	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%
<b>Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied</b>	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015

N/A – Years pre-date required implementation date of GASB Statement No. 68; thus, actuarial valuation assumptions for these years are not presented.

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

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

Actuarial Date/ Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
<b>Discount Rate</b>	2.98%	3.13%	N/A	N/A	N/A	N/A
<b>Salary Increases</b>	5.00%	5.00%	N/A	N/A	N/A	N/A
<b>Mortality</b>	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	N/A	N/A	N/A	N/A
<b>Changes in Benefits</b>	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	N/A	N/A	N/A	N/A
<b>Actuarially Calculated Contribution Rate from Actuarial Date Shown Above</b>	0.84%	0.83%	0.83%	N/A	N/A	N/A
<b>Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied</b>	6/30/2020	6/30/2019	6/30/2018	N/A	N/A	N/A

# STEEL VALLEY SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

### 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 Date	7/1/18	7/1/18				
Measurement Date	7/1/19	7/1/18				
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
<b>Discount Rate</b>	3.00%	3.00%	N/A	N/A	N/A	N/A
<b>Salary Increases</b>	3.00%	3.00%	N/A	N/A	N/A	N/A
<b>Mortality</b>	N//A	N//A	N/A	N/A	N/A	N/A
<b>Assumed Healthcare Trend Rates</b>	N//A	N//A	N/A	N/A	N/A	N/A
<b>Changes in Benefits</b>	N//A	N//A	N/A	N/A	N/A	N/A

N/A – Years pre-date required implementation date of GASB Statement No. 75; thus, actuarial valuation assumptions for these years are not presented.

## **SUPPLEMENTARY INFORMATION**

# STEEL VALLEY SCHOOL DISTRICT

## COMBINING BALANCE SHEET ALL AGENCY FUNDS

JUNE 30, 2019

	<u>Student Activities</u>	<u>Middle School</u>	<u>PTO</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	<u>\$ 162,057</u>	<u>\$ 28,978</u>	<u>\$ 65,656</u>	<u>\$ 256,691</u>
<b><u>Liabilities</u></b>				
Deposits held for others	<u>\$ 162,057</u>	<u>\$ 28,978</u>	<u>\$ 65,656</u>	<u>\$ 256,691</u>

# STEEL VALLEY SCHOOL DISTRICT

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

YEAR ENDED JUNE 30, 2019

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
<b>Student Activities:</b>				
Assets:				
Cash and cash equivalents	\$ 182,926	\$ 252,971	\$ 273,840	\$ 162,057
Liabilities:				
Deposits held for others	\$ 182,926	\$ 252,971	\$ 273,840	\$ 162,057
<b>Middle School:</b>				
Assets:				
Cash and cash equivalents	\$ 26,966	\$ 50,211	\$ 48,199	\$ 28,978
Liabilities:				
Deposits held for others	\$ 26,966	\$ 50,211	\$ 48,199	\$ 28,978
<b>PTO:</b>				
Assets:				
Cash and cash equivalents	\$ 71,821	\$ 160,705	\$ 166,870	\$ 65,656
Liabilities:				
Deposits held for others	\$ 71,821	\$ 160,705	\$ 166,870	\$ 65,656

# STEEL VALLEY SCHOOL DISTRICT

## SCHEDULE OF REAL ESTATE TAXES

YEAR ENDED JUNE 30, 2019

	West Homestead Borough	Munhall Borough	Homestead Borough	Total
<b>Current Taxes</b>				
Real Estate Valuation	\$ 160,454,492	\$ 372,381,532	\$ 179,909,404	\$ 712,745,428
<b>Taxes Assessed:</b>				
Real estate (23.4890 mills)	\$ 3,768,916	\$ 8,746,870	\$ 4,225,892	\$ 16,741,678
Additions	-	1,170	-	1,170
Penalties	2,773	12,452	4,234	19,459
<b>Total taxes assessed</b>	<b>3,771,689</b>	<b>8,760,492</b>	<b>4,230,126</b>	<b>16,762,307</b>
<b>Deductions:</b>				
Tax collections	(3,417,718)	(7,206,740)	(3,792,945)	(14,417,403)
Homestead exemption	(150,770)	(717,306)	(98,845)	(966,921)
Exonerations	-	(14,611)	(2,182)	(16,793)
Discounts allowed	(63,103)	(125,614)	71,231	(117,486)
<b>Total deductions</b>	<b>(3,631,591)</b>	<b>(8,064,271)</b>	<b>(3,822,741)</b>	<b>(15,518,603)</b>
Unpaid taxes at June 30, 2019	\$ 140,098	\$ 696,221	\$ 407,385	\$ 1,243,704
<b>Delinquent Taxes</b>				
Delinquent taxes at July 1, 2018				\$ 5,097,164
Add: 2018-2019 unpaid taxes				1,243,704
<b>Total unpaid taxes</b>				<b>6,340,868</b>
<b>Deductions:</b>				
Tax collections				(919,332)
Adjustments to face amount due to either court order, assessment change, or proof of payment				(106,186)
<b>Total deductions</b>				<b>(1,025,518)</b>
Delinquent taxes at June 30, 2019				5,315,350
Less: estimate for uncollectibles				(4,252,280)
Delinquent taxes estimated receivable at June 30, 2019				\$ 1,063,070

Note: Delinquent tax information is not available on a by Borough basis for June 30, 2019.

# STEEL VALLEY SCHOOL DISTRICT

## SCHEDULE OF MONTHLY REAL ESTATE TAX COLLECTIONS

YEAR ENDED JUNE 30, 2019

<u>Monthly Real Estate Tax Collections</u>	<u>West Homestead Borough</u>	<u>Munhall Borough</u>	<u>Homestead Borough</u>	<u>Total</u>
July 2018	\$ 275,695	\$ 870,725	\$ 319,146	\$ 1,465,566
August 2018	2,462,202	4,434,631	3,187,504	10,084,337
September 2018	452,550	1,231,373	-	1,683,923
October 2018	59,074	254,101	193,558	506,733
November 2018	86,004	210,696	-	296,700
December 2018 - March 2019	82,193	205,214	92,737	380,144
Total monthly collections	<u>\$ 3,417,718</u>	<u>\$ 7,206,740</u>	<u>\$ 3,792,945</u>	<u>\$ 14,417,403</u>



# STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Local sources:</b>				
Current real estate taxes	\$ 14,177,496	\$ 14,177,496	\$ 14,396,796	\$ 219,300
Public utility realty tax	15,149	15,149	15,898	749
Payments in lieu of current taxes - state/local reimbursement	900	900	27,417	26,517
Current Act 511 taxes - flat rate assessments	35,100	35,100	-	(35,100)
Current Act 511 taxes - proportional assessments	1,877,450	1,877,450	2,031,921	154,471
Delinquencies on taxes levied - assessed by LEA	1,325,000	1,325,000	4,564,201	3,239,201
Earnings on investments	50,000	50,000	201,938	151,938
Revenues from district activities	-	-	163,656	163,656
Revenue from intermediary sources - pass-through funds	410,750	410,750	409,342	(1,408)
Rentals	7,500	7,500	21,583	14,083
Contributions/donations/grants from private sources	55,005	55,005	-	(55,005)
Tuition from patrons	10,000	10,000	-	(10,000)
Refunds and other miscellaneous revenue	680,000	680,000	189,968	(490,032)
Total local sources	<u>18,644,350</u>	<u>18,644,350</u>	<u>22,022,720</u>	<u>3,378,370</u>
<b>State sources:</b>				
Basic education funding (gross)	9,100,000	9,100,000	9,187,772	87,772
Special education funding for school aged pupils	1,460,000	1,460,000	1,464,170	4,170
Transportation (regular and additional)	130,000	130,000	162,107	32,107
Rental and sinking fund payments - building reimbursement subsidy	160,090	160,090	167,802	7,712
Health services (medical, dental, nurse, Act 25)	36,400	36,400	32,403	(3,997)
State property tax reduction allocation	969,200	969,200	968,848	(352)
Ready to learn block grant	351,240	351,240	351,241	1
Other state revenue not listed in the 7500 series	5,000	5,000	-	(5,000)
State share of Social Security and Medicare taxes	560,000	560,000	598,089	38,089
State share of retirement contributions	2,709,000	2,709,000	2,566,863	(142,137)
Total state sources	<u>15,480,930</u>	<u>15,480,930</u>	<u>15,499,295</u>	<u>18,365</u>
<b>Federal sources:</b>				
NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	809,255	809,255	738,017	(71,238)
NCLB, Title II - Preparing, Training, and Recruitment Highly Qualified Teachers and Principals	126,545	126,545	90,953	(35,592)
Medical assistance reimbursement (ACCESS) - early intervention	80,000	80,000	111,974	31,974
Medical assistance reimbursement for administrative claiming (quarterly)	-	-	1,388	1,388
Total federal sources	<u>1,015,800</u>	<u>1,015,800</u>	<u>942,332</u>	<u>(73,468)</u>
<b>Other financing sources:</b>				
Proceeds from note issuance	-	-	1,638,515	1,638,515
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,638,515</u>	<u>1,638,515</u>
Total revenues	<u>35,141,080</u>	<u>35,141,080</u>	<u>40,102,862</u>	<u>4,961,782</u>
<b>Expenditures:</b>				
<b>Instructional services:</b>				
<b>Regular programs - elementary/secondary:</b>				
Personnel services - salaries	8,481,885	8,481,885	7,866,222	615,663
Personnel services - employee benefits	5,342,463	5,342,463	5,248,243	94,220
Purchased professional and technical services	2,500	2,500	45,248	(42,748)
Purchased property services	193,196	193,196	151,618	41,578
Other purchased services	3,267,538	3,267,538	3,094,491	173,047
Supplies	280,175	280,175	213,059	67,116
Property	89,970	89,970	120,150	(30,180)
Other objects	6,965	6,965	1,486	5,479
Total regular instruction	<u>17,664,692</u>	<u>17,664,692</u>	<u>16,740,517</u>	<u>924,175</u>
<b>Special programs - elementary/secondary:</b>				
Personnel services - salaries	1,914,243	1,914,243	2,100,010	(185,767)
Personnel services - employee benefits	1,343,754	1,343,754	1,655,903	(312,149)
Purchased professional and technical services	433,000	433,000	97,483	335,517
Purchased property services	2,500	2,500	-	2,500
Other purchased services	2,760,538	2,760,538	3,651,502	(890,964)
Supplies	37,250	37,250	10,397	26,853
Property	18,500	18,500	10,197	8,303
Total special instruction	<u>6,509,785</u>	<u>6,509,785</u>	<u>7,525,492</u>	<u>(1,015,707)</u>

(Continued)

# STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019  
(Continued)

Expenditures (Continued):	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Instructional services (continued):</b>				
Vocational education:				
Other purchased services	360,000	360,000	278,550	81,450
Total vocational education	360,000	360,000	278,550	81,450
Other instructional programs - elementary/secondary:				
Personnel services - salaries	14,480	14,480	45,604	(31,124)
Personnel services - employee benefits	5,675	5,675	19,016	(13,341)
Purchased professional and technical services	-	-	1,170	(1,170)
Other purchased services	-	-	629	(629)
Supplies	4,000	4,000	1,235	2,765
Other Objects	-	-	2,550	(2,550)
Total other instructional programs - elementary/secondary	24,155	24,155	70,204	(46,049)
Nonpublic school programs:				
Purchased professional and technical services	-	-	-	-
Pre-kindergarten:				
Purchased professional and technical services	-	-	-	-
Other purchased services	-	-	-	-
Supplies	-	-	-	-
Total pre-kindergarten	-	-	-	-
Total instructional services	24,558,632	24,558,632	24,614,763	(56,131)
<b>Support services:</b>				
Pupil personnel:				
Personnel services - salaries	503,450	503,450	506,122	(2,672)
Personnel services - employee benefits	340,035	340,035	337,875	2,160
Purchased professional and technical services	339,800	339,800	219,169	120,631
Purchased property services	-	-	633	-
Other purchased services	8,900	8,900	3,607	5,293
Supplies	22,000	22,000	19,513	2,487
Property	2,000	2,000	420	1,580
Other objects	600	600	210	390
Total pupil personnel	1,216,785	1,216,785	1,087,549	129,869
Instructional staff:				
Personnel services - salaries	336,581	336,581	433,039	(96,458)
Personnel services - employee benefits	219,444	219,444	277,714	(58,270)
Purchased professional and technical services	156,250	156,250	101,943	54,307
Purchased property services	56,500	56,500	16,764	39,736
Other purchased services	6,000	6,000	5,822	178
Supplies	218,866	218,866	111,999	106,867
Property	173,000	173,000	153,308	19,692
Other objects	-	-	1,100	(1,100)
Total instructional staff	1,166,641	1,166,641	1,101,689	64,952
Administration:				
Personnel services - salaries	1,002,709	1,002,709	938,494	64,215
Personnel services - employee benefits	594,604	594,604	562,199	32,405
Purchased professional and technical services	352,775	352,775	555,690	(202,915)
Purchased property services	15,000	15,000	1,850	13,150
Other purchased services	112,000	112,000	81,382	30,618
Supplies	35,150	35,150	34,344	806
Property	-	-	-	-
Other objects	153,000	153,000	12,402	140,598
Total administration	2,265,238	2,265,238	2,186,361	78,877
Pupil health:				
Personnel services - salaries	160,191	160,191	134,341	25,850
Personnel services - employee benefits	106,224	106,224	76,163	30,061
Purchased professional and technical services	82,500	82,500	166,508	(84,008)
Purchased property services	-	-	92	-
Other purchased services	-	-	106	(106)
Supplies	9,635	9,635	7,165	2,470
Total pupil health	358,550	358,550	384,375	(25,733)

(Continued)

# STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019  
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
Support services (continued):				
Business:				
Personnel services - salaries	256,264	256,264	253,505	2,759
Personnel services - employee benefits	176,028	176,028	179,818	(3,790)
Purchased professional and technical services	-	-	60	(60)
Purchased property services	12,000	12,000	13,681	(1,681)
Other purchased services	7,050	7,050	4,695	2,355
Supplies	12,100	12,100	4,478	7,622
Property	2,500	2,500	-	2,500
Other objects	1,100	1,100	260	840
<b>Total business</b>	<b>467,042</b>	<b>467,042</b>	<b>456,497</b>	<b>10,545</b>
Operation and maintenance of plant services:				
Personnel services - salaries	698,611	698,611	611,724	86,887
Personnel services - employee benefits	500,320	500,320	450,071	50,249
Purchased professional and technical services	408,700	408,700	392,557	16,143
Purchased property services	481,000	481,000	508,695	(27,695)
Other purchased services	92,550	92,550	88,953	3,597
Supplies	785,500	785,500	863,531	(78,031)
Property	10,000	10,000	10,759	(759)
Other objects	1,000	1,000	-	1,000
<b>Total operation and maintenance of plant services</b>	<b>2,977,681</b>	<b>2,977,681</b>	<b>2,926,290</b>	<b>51,391</b>
Student transportation services:				
Purchased property services	72,500	72,500	64,957	7,543
Other purchased services	806,500	806,500	837,708	(31,208)
<b>Total student transportation services</b>	<b>879,000</b>	<b>879,000</b>	<b>902,665</b>	<b>(23,665)</b>
Central services:				
Purchased professional and technical services	-	-	44,091	(44,091)
Purchased property services	20,500	20,500	12,832	7,668
Other purchased services	76,100	76,100	84,969	(8,869)
Supplies	62,750	62,750	72,459	(9,709)
Property	31,000	31,000	12,155	18,845
<b>Total central services</b>	<b>190,350</b>	<b>190,350</b>	<b>226,506</b>	<b>(36,156)</b>
Other support services:				
Personnel services - employee benefits	406,070	406,070	452,470	(46,400)
Other purchased services	-	-	21,718	(21,718)
<b>Total other support services</b>	<b>406,070</b>	<b>406,070</b>	<b>474,188</b>	<b>(68,118)</b>
<b>Total support services</b>	<b>9,927,357</b>	<b>9,927,357</b>	<b>9,746,120</b>	<b>181,962</b>

(Continued)

# STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019  
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
Operation of noninstructional services:				
Student activities:				
Personnel services - salaries	345,330	345,330	320,532	24,798
Personnel services - employee benefits	101,275	101,275	117,330	(16,055)
Purchased professional and technical services	51,500	51,500	50,452	1,048
Purchased property services	-	-	-	-
Other purchased services	80,000	80,000	59,631	20,369
Supplies	56,695	56,695	43,188	13,507
Property	5,000	5,000	-	5,000
Other objects	46,000	46,000	107,752	(61,752)
Total student activities	<u>685,800</u>	<u>685,800</u>	<u>698,885</u>	<u>(13,085)</u>
Community services:				
Personnel services - salaries	6,000	6,000	3,447	2,553
Personnel services - employee benefits	-	-	1,202	(1,202)
Other purchased services	-	-	-	-
Supplies	-	-	747	(747)
Other objects	-	-	-	-
Total community services	<u>6,000</u>	<u>6,000</u>	<u>5,396</u>	<u>604</u>
Scholarship awards:				
Other objects	16,235	16,235	22,885	(6,650)
Total scholarship awards	<u>16,235</u>	<u>16,235</u>	<u>22,885</u>	<u>(6,650)</u>
Total operation of noninstructional services	<u>708,035</u>	<u>708,035</u>	<u>727,166</u>	<u>(19,131)</u>
Building improvement services:				
Purchased property services	30,000	30,000	-	30,000
Other expenditures and financing uses:				
Debt service:				
Other objects	216,174	216,174	208,195	7,979
Other uses of funds	1,566,327	1,566,327	1,551,598	14,729
Total debt service	<u>1,782,501</u>	<u>1,782,501</u>	<u>1,759,793</u>	<u>22,708</u>
Interfund transfers - out				
Other uses of funds	40,000	40,000	2,000,000	(1,960,000)
Total interfund transfers - out	<u>40,000</u>	<u>40,000</u>	<u>2,000,000</u>	<u>(1,960,000)</u>
Total other expenditures and financing uses	<u>1,822,501</u>	<u>1,822,501</u>	<u>3,759,793</u>	<u>(1,937,292)</u>
Total expenditures	<u>37,046,525</u>	<u>37,046,525</u>	<u>38,847,842</u>	<u>(1,801,317)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,905,445)</u>	<u>(1,905,445)</u>	<u>1,255,020</u>	<u>3,160,465</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,905,445)</u>	<u>\$ (1,905,445)</u>	<u>\$ 1,255,020</u>	<u>\$ 3,160,465</u>

(Concluded)

**STEEL VALLEY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2019

<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, 2018</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue at June 30, 2019</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>										
Passed Through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-180419	7/1/17-9/30/18	\$ 698,009	\$ 446,867	\$ 446,867	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-190419	7/1/18-9/30/19	690,912	552,590	-	665,422	665,422	112,832	-
Title I - Set Aside	84.010	042-170419	7/1/17-9/30/18	75,630	56,722	45,085	11,637	11,637	-	-
Title I - Set Aside	84.010	042-180419	7/1/18-9/30/19	75,630	59,742	-	60,959	60,959	1,217	-
<b>Total Title I</b>					<b>1,115,921</b>	<b>491,952</b>	<b>738,018</b>	<b>738,018</b>	<b>114,049</b>	<b>-</b>
Improving Teacher Quality State Grants	84.367	020-180419	7/1/17-9/30/18	101,600	65,144	65,144	-	-	-	-
Improving Teacher Quality State Grants	84.367	020-190419	7/1/18-9/30/19	90,952	84,884	-	90,952	90,952	6,068	-
Improving Teacher Quality State Grants	84.367	020-150419	7/1/14-9/30/15	128,619	-	1,704	-	-	1,704	-
<b>Total Supporting Effective Instruction State Grants</b>					<b>150,028</b>	<b>66,848</b>	<b>90,952</b>	<b>90,952</b>	<b>7,772</b>	<b>-</b>
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)	-
<b>Total Title IV</b>					<b>26,934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,934)</b>	<b>-</b>
Passed Through the Allegheny Intermediate Unit:										
Special Education Preschool Grants (IDEA, Section 619)	84.173	131-16-0-003	7/1/18-6/30/19	-	-	-	-	-	-	-
Special Education Grants to States (IDEA, Part B)	84.027	062-19-0-003	7/1/18-6/30/19	409,342	410,801	410,801	409,342	409,342	409,342	-
<b>Total Special Education Cluster</b>					<b>410,801</b>	<b>410,801</b>	<b>409,342</b>	<b>409,342</b>	<b>409,342</b>	<b>-</b>
<b>Total U.S. Department of Education</b>					<b>1,703,684</b>	<b>969,601</b>	<b>1,238,312</b>	<b>1,238,312</b>	<b>504,229</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>										
Passed Through the Pennsylvania Department of Education:										
School Breakfast Program	10.553	365/367	7/1/18-6/30/19	n/a	182,497	3,848	181,031	181,031	2,382	-
National School Lunch Program	10.555	362	7/1/18-6/30/19	n/a	589,664	11,687	584,599	584,599	6,622	-
Passed Through the Pennsylvania Department of Agriculture:										
National School Lunch Program (Commodities)	10.555	n/a	7/1/18-6/30/19	n/a	64,348	(3,004)	64,348	64,348	(3,004)	-
<b>Total National School Lunch Program</b>					<b>654,012</b>	<b>8,683</b>	<b>648,947</b>	<b>648,947</b>	<b>3,618</b>	<b>-</b>
<b>Total Child Nutrition Cluster</b>					<b>836,509</b>	<b>12,531</b>	<b>829,978</b>	<b>829,978</b>	<b>6,000</b>	<b>-</b>
<b>Total U.S. Department of Agriculture</b>					<b>836,509</b>	<b>12,531</b>	<b>829,978</b>	<b>829,978</b>	<b>6,000</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>										
Passed Through the Allegheny Intermediate Unit:										
Medicaid Cluster:										
Medical Assistance Program	93.778	n/a	n/a	n/a	1,388	-	1,388	1,388	-	-
<b>Total Expenditures of Federal Awards</b>					<b>\$ 2,541,581</b>	<b>\$ 982,132</b>	<b>\$ 2,069,678</b>	<b>\$ 2,069,678</b>	<b>\$ 510,229</b>	<b>\$ -</b>

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, 2019

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### 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, 2019. 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the 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	\$	2,541,581
Less:		
USDA Commodities received		(64,348)
Amounts passed through the AIU		(410,801)
Amounts passed through the PA DHS		(1,388)
Plus: amounts included on confirmation not required to be reported on SEFA:		
National School Lunch Program		25,730
School Breakfast Program		8,994
Medical Assistance - Access		85,626
Amount received per subsidy confirmation	\$	<u>2,185,394</u>

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# **Steel Valley School District**

Independent Auditor's Reports  
Required by the Uniform Guidance

Year Ended June 30, 2019

**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, 2019, 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 February 14, 2020.

**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) to determine the 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.



### 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 determination of financial statement amounts. 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.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
February 14, 2020

## **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, 2019. 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, 2019.

**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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 a 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.

*Maier Duessel*

Pittsburgh, Pennsylvania  
February 14, 2020

# STEEL VALLEY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

### 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)  
84.010

Name of Federal Program or Cluster  
Title I – Grants to Local Educational Agencies

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, 2019**

**NONE**