

**WEST SHORE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

## TABLE OF CONTENTS

	<u>Page Number</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)</b>	3 - 12
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>District-wide financial statements</b>	
Statement of net position	13
Statement of activities	14
<b>Fund financial statements</b>	
Balance sheet – governmental funds	15
Reconciliation of the governmental funds balance sheet to the statement of net position	16
Statement of revenues, expenditures, and changes in fund balances – governmental funds	17
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities	18
Statement of net position – proprietary funds	19
Statement of revenues, expenses, and changes in net position – proprietary funds	20
Statement of cash flows – proprietary funds	21
Statement of fiduciary net position – fiduciary funds	22
Statement of changes in fiduciary net position – fiduciary funds	23
<b>NOTES TO FINANCIAL STATEMENTS</b>	24 - 63
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION (unaudited)</b>	
Budgetary comparison information – general fund	64
Schedule of District's proportionate share of the net OPEB liability - PSERS Health Insurance Premium Assistance Plan	65
Schedule of District's proportionate share of the net OPEB liability - District OPEB Plan	66
Schedule of District's contributions - PSERS Health Insurance Premium Assistance Plan	67
Schedule of District's contributions - District OPEB Plan	68
Schedule of District's proportionate share of the net pension liability	69
Schedule of District's pension contributions	70



# Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

Deborah J. Kelly  
Scott J. Christ  
Ronald S. Morgan

James E. Lyons

## INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors  
West Shore School District  
Lewisberry, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the fiduciary funds of West Shore School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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. The financial statements of the West Shore Foundation were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

To the Board of School Directors  
West Shore School District

## 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, the aggregate discretely presented component unit, each major fund, and the fiduciary funds of West Shore School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and other required supplementary information on pages 64 through 70, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of West Shore 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 West Shore 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 West Shore School District's internal control over financial reporting and compliance.

  
GREENAWALT & COMPANY, P.C.

November 8, 2019

Mechanicsburg, Pennsylvania

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of West Shore School District is pleased to present the following discussion and analysis of the District's financial position and financial activities. The purpose of this discussion is to provide a narrative summary in order to enhance the reader's understanding of the District's basic financial statements.

This format is in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 2019 and 2018. The MD&A also includes comparisons of current year financial activities to the previous year. The 2018 amounts are taken from our prior year MD&A, and are otherwise not a part of the June 2019 financial statements. Dollar amounts in this summary are presented in millions to make it easier to read.

**FINANCIAL HIGHLIGHTS**

- During the 2018-2019 fiscal year, the district made two transfers from the General Fund to the Capital Reserve Fund. The first transfer in the amount of \$1,000,000 was to reduce the District's unreserved fund balance from 2017-18 below the 8% requirement under Act 48. The second transfer in the amount of \$3,825,000 was a budgeted transfer as part of the financing plan for the projects in the feasibility study. This transfer also lowered the unreserved fund balance below the 8% Act 48 limit.
- During the 2018-19 school year the District continued work to revitalize infrastructure and capital equipment. Due to the growing number of projects throughout the District including the new building and renovation projects, a new Board Committee, Feasibility & Facilities, was established.
- Projects include:
  - The design and construction of the new Rossmoyne Elementary School. Construction has started and should be completed for the 2020-2021 school year.
- The design and construction of 2 new Intermediate Schools. The District purchased property at Valley and Beinhower Roads for one of the new schools where construction should start in the fall of 2020. The second intermediate school will be constructed on the Fairview Elementary School site.
- The Renovation of Allen Middle School. Architects have started design work on the renovation of Allen Middle School.
- ACE: projects included installation of a new phone system, parking lot repairs and upgrades, storm water management, and heating system repairs.
- Fairview Elementary: Classroom furniture and specifications for roof replacement.
- Fishing Creek Elementary: Classroom furniture, building clock and a PA system replacement.
- Highland Elementary: Classroom furniture, repairs and maintenance to chiller, upgrades to control system, masonry and fencing repairs, water heater replacement, and security upgrades.
- Hillside Elementary: Classroom furniture, repairs to control systems, and replacement of water heater.
- Newberry Elementary: Classroom furniture, Boiler repairs, site work and drive repairs, and water heater replacement.
- Rossmoyne Elementary: Classroom furniture, tractor replacement, and boiler repairs.

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Red Mill Elementary: Classroom furniture; replace auto scrubber, fire alarm replacement, and security system upgrades.
- Washington Heights: Classroom furniture, repairs and maintenance to chiller, upgrades to control system, site work and drainage excavation, and security system upgrades.
- Allen Middle School: Classroom furniture and gas line repairs.
- Crossroads Middle School: Classroom furniture, repairs & maintenance for retention and storm water management; repairs and maintenance to chiller, upgrades to control system, grass seed and field treatments, lighting replacements, and security system upgrades
- New Cumberland Middle School: Classroom furniture and elevator repairs.
- Cedar Cliff High School: Classroom furniture, grass seed and field treatments, door replacements; water reels, contracted services for HVAC maintenance, sink hole repairs on baseball field, and roof repairs.
- Red Land High School: Classroom furniture, grass seed and field treatments, door replacements; water reels, and site lighting repairs.
- Lowther Field: Work continues on the installation of the new softball field at Lowther Field.
- The District issued a new General Obligation Bond Series 2018, in November 2018 in the amount of \$22,830,000 to finance the new Rossmoyne Elementary School building project and other projects within the District's Feasibility Study.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the District as a whole, and present a longer-term view of the District's finances than fund statements. The financial statements include a column labeled "Component Unit" to present information related to the West Shore Foundation. This is discussed in the Notes to Financial Statements beginning on page 24.

Fund financial statements are presented on pages 15, 17 and 19 through 23. For governmental activities, these statements tell how District services have been financed in the short run, as well as show the amount remaining for future spending. Proprietary fund statements provide information about non-governmental operations, in this case food services. Fiduciary funds statements report funds held in trust by the District for such things as scholarship grants and student activities.

The Reconciliation of the Governmental Funds Balance Sheet on page 16 connects governmental fund balance to the total net position balance from the Statement of Net Position. The reconciliation on page 18 shows the components of the changes in net position.

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Reporting the District as a Whole**

The statements present financial activities and the results of those activities in two categories: Governmental and Business-type. Capital assets (land, buildings, improvements, furniture and equipment) are presented with all other assets. Long-term debt is presented with all other liabilities. This is distinctly different from the fund statements in which assets and liabilities are separated into various funds such as General and Capital Reserve.

The approach to measurement of revenue and expense is similar to that used in the private sector and is referred to as following the accrual basis of accounting. This is discussed further in the notes to the financial statements.

**Reporting the District's Most Significant Funds**

The funds statements provide financial information about the District's significant funds rather than the District as a whole. There are three fund types: Governmental, Proprietary and Fiduciary. The use of each type of fund is described in the notes to the financial statements. Unlike the financial statements that measure revenues on the accrual basis, the funds statements report revenues only to the extent cash has been received, or is expected to be received in the near future.

**The District as Trustee**

The District acts as fiduciary for two funds, a Private Purpose Trust for scholarship monies and a Student Activities Fund. In comparison to the Governmental Funds, the amounts held in the fiduciary funds are small. Fund balances and activity for the year are presented on pages 22 and 23.

**THE DISTRICT AS A WHOLE**

Table A-1 summarizes and compares the 2019 Statement of Net Position from page 13 of the financial statements with the same measurements for 2018. We have not included the component unit column in Table A-1 and instead refer you directly to the financial statements. Within this and certain other schedules in our discussion, we have presented the dollar figures in millions, unless otherwise indicated, to make them easier to read. This has resulted in rounding differences, and some columns may not add within a schedule.

Total net position is the difference between total assets plus total deferred outflows of resources, less total liabilities less total deferred inflows of resources. Total net position represents resources that can be used to pay for future operations and capital improvements. Most of the District's net position is invested in capital assets. These terms are discussed on page 35.

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-1  
Net Position  
June 30, 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 82.7	\$ 56.8	\$ 0.9	\$ 1.1	\$ 83.6	\$ 57.9
Capital assets	78.4	77.5	0.5	0.2	78.9	77.7
<b>Total assets</b>	<b>161.1</b>	<b>134.3</b>	<b>1.4</b>	<b>1.4</b>	<b>162.5</b>	<b>135.6</b>
Deferred charges on refunding	0.3	0.4	-	-	0.3	0.4
Deferred outflows for OPEB	1.3	1.2	-	-	1.3	1.2
Deferred outflows for pensions	28.2	32.2	0.5	0.6	28.7	32.8
<b>Total deferred outflows of resources</b>	<b>29.8</b>	<b>33.8</b>	<b>0.5</b>	<b>0.6</b>	<b>30.4</b>	<b>34.4</b>
Current and other liabilities	21.3	21.2	0.1	0.1	21.4	21.3
Long-term liabilities	239.6	222.7	3.5	3.5	243.1	226.3
<b>Total liabilities</b>	<b>260.9</b>	<b>243.9</b>	<b>3.6</b>	<b>3.6</b>	<b>264.5</b>	<b>247.5</b>
Deferred inflows for OPEB	2.9	0.4	-	-	2.9	0.4
Deferred inflows for pensions	4.4	5.2	0.1	-	4.5	5.3
<b>Total deferred inflows of resources</b>	<b>7.3</b>	<b>5.6</b>	<b>0.1</b>	<b>-</b>	<b>7.5</b>	<b>5.7</b>
Invested in capital assets (net of related debt)	23.2	44.0	0.5	0.2	23.7	44.2
Unrestricted (deficit)	(100.4)	125.4	(2.2)	(1.9)	(102.7)	(127.4)
<b>Total net position (deficit)</b>	<b>(77.2)</b>	<b>(81.4)</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>(79.0)</b>	<b>(83.2)</b>

During 2019, the Governmental Activities balance increased by \$4,156,308 bringing it to \$(77,244,775) at the end of 2019. The change is analyzed in Table A-2.



**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-2 summarizes and compares activity presented in the Statement of Activities (page 14). It shows the items that make up the \$4,156,308 operational increase in the total Primary Government net position balance.

Table A-2  
Changes in Net Position  
Year ended June 30, 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 0.8	\$ 0.7	\$ 1.3	\$ 1.3	\$ 2.1	\$ 2.0
Oper. grants and contributions	20.8	19.4	2.0	1.9	22.7	21.3
Capital grants and contributions	0.1	0.7	-	-	0.1	0.7
<i>General Revenues</i>						
Taxes	83.8	80.6	-	-	83.8	80.6
State general subsidies	15.1	14.9	-	-	15.1	14.9
Other	1.8	(0.8)	-	-	1.8	(0.8)
Total Revenues	122.5	115.5	3.3	3.2	125.8	118.7
Direct Expenses	118.4	111.2	3.3	3.2	121.7	114.4
Change in net position	\$ 4.1	\$ 4.3	\$ -	\$ -	\$ 4.1	\$ 4.3

During 2019, total revenues for the governmental activities exceeded total direct expenses by \$4,156,308 compared with \$4,343,213 for 2018. The components of the direct expenses are presented in Table A-3. There were no significant changes to the Business-type activities.

**Governmental Activities**

Table A-3 presents expense information from the Statement of Activities for governmental activities. The total cost of services represents the actual cost of providing the services, while the net cost represents the amount of cost not recovered through program revenues, user charges, grants and contributions. The total net cost of services of \$96,631,536 must be recovered through general revenues, primarily taxes and state subsidies. These general revenues for 2019 were \$100,787,844 exceeding the cost by \$4,156,308.

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-3  
Governmental Activities  
Year ended June 30, 2019

	Total Cost		Less: Program		Net Cost	
	of Services		Revenues		of Services	
	2019	2018	2019	2018	2019	2018
Classroom instruction	\$ 77.1	\$ 75.0	\$ 16.7	\$ 15.3	\$ 60.4	\$ 59.7
Instructional student support (Note 1)	8.1	7.8	1.2	1.3	6.9	6.5
Administrative and financial support	12.9	11.6	1.1	1.0	11.8	10.6
Operation and maintenance of buildings	12.4	8.6	0.6	0.5	11.8	8.1
Student transportation	4.3	4.5	1.6	1.6	2.6	2.9
Extra-curricular student activities	2.1	1.9	0.4	0.4	1.7	1.5
Community services	-	0.2	-	-	-	0.2
Interest on long-term debt	1.1	1.0	0.1	0.7	1.0	0.3
Unallocated depreciation expense	0.4	0.5	-	-	0.4	0.5
<b>Total governmental activities</b>	<b>\$ 118.4</b>	<b>\$ 111.1</b>	<b>\$ 21.8</b>	<b>\$ 20.8</b>	<b>96.6</b>	<b>90.3</b>
Less state general subsidies					15.1	14.9
<b>Total needs from taxes and other local sources</b>					<b>\$ 81.5</b>	<b>\$ 75.4</b>

Note 1: This item represents such things as the library, school psychologist, etc.

The total costs of governmental activities for 2019 were 6.6% higher than 2018, primarily due to increases in operation and maintenance of buildings, and the cost related to mold remediation.

**Business-Type Activities**

Table A-4 is similar to the previous table, except it presents business-type service costs. For both years, the cost of food services was paid primarily by program revenues.

Table A-4  
Business-Type Activities  
Fiscal Year ended June 30, 2019

	Total Cost		Less: Program		Net Cost	
	of Services		Revenues		of Services	
	2019	2018	2019	2018	2019	2018
Food services	\$ 3.3	\$ 3.2	\$ 3.3	\$ 3.3	\$ -	\$ (0.1)
Less: Investment earnings					-	-
<b>Total business type activities</b>					<b>\$ -</b>	<b>\$ (0.1)</b>

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DISTRICT'S FUNDS**

The information in Table A-5 summarizes and compares the Governmental Funds' Balance Sheets for June 30, 2019 and 2018.

Table A-5  
Comparative Fund Balances

	2019	2018	2018- 2019 Change
<b>General Fund</b>			
Nonspendable			
Inventories	\$ 0.29	\$ 0.21	\$ 0.08
Prepaid expenses	0.34	0.49	(0.15)
Committed to:			
Future retirement costs	0.50	0.50	-
Future medical costs	2.00	2.00	-
Assigned to:			
Athletics and concessions	0.01	0.03	(0.02)
Unassigned	9.95	10.48	(0.53)
<b>Total General Fund</b>	<b>13.09</b>	<b>13.71</b>	<b>(0.61)</b>
<b>Capital Reserve Fund</b>			
Committed to:			
Capital improvements and debt service	22.05	19.97	2.08
<b>Total Capital Reserve Fund</b>	<b>22.05</b>	<b>19.97</b>	<b>2.08</b>
<b>Capital Projects Fund</b>			
Restricted to:			
Capital projects	24.76	-	24.76
<b>Total Capital Projects Fund</b>	<b>24.76</b>	<b>-</b>	<b>24.76</b>
<b>Debt Service Fund</b>			
Assigned to:			
Reduction of long-term debt	-	0.01	-
<b>Total - Debt Service Fund</b>	<b>-</b>	<b>0.01</b>	<b>-</b>
<b>Total Fund Balance</b>	<b>\$ 59.90</b>	<b>\$ 33.69</b>	<b>\$ 26.21</b>

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The basis of measurement for fund assets and liabilities is different than that used in the Statement of Net Position. The differences between the total governmental fund balance of \$59,895,459 and the total net position of \$(77,244,775) (see Table A-1) are itemized in the reconciliation presented within the financial statements on page 16. The most significant difference relates to the inclusion of the net pension liability of \$174,668,480 in the Statement of Net Position, but not the fund balance.

The Capital Reserve fund balance increased from \$2,079,659 at the end of fiscal year 2018 to \$22,046,242 at the end of 2019. The capital expenditures were primarily used for capital improvements and included a transfer in from the General Fund totaling \$4,825,000.

The Capital Projects fund balance increased \$24,755,588. The capital expenditures were used for capital improvements. Revenues were generated from the issuance of bonds in the amount of \$22,830,000 and bond premiums in the amount of \$2,389,882.

**General Fund Budgetary Highlights**

Table A-6 has been summarized from the comparative budget information presented on page 64 of the other required supplemental information.

Table A-6  
Comparison of Budget to Actual  
For the Years Ended June 30, 2019 and 2018

	Budget		Actual		Variance	
	2019	2018	2019	2018	2019	2018
Total revenues	\$ 118.2	\$ 114.1	\$ 121.5	\$ 116.7	\$ 3.3	\$ 2.6
Total expenditures	113.9	110.7	117.6	109.6	(3.7)	1.1
Revenues over (under) expenditures	4.3	3.5	3.9	7.1	(0.4)	3.7
Other financing sources (uses)	(4.3)	(3.6)	(4.5)	(16.3)	(0.2)	(12.7)
Net change in fund balances	\$ -	\$ (0.1)	\$ (0.6)	\$ (9.2)	\$ (0.6)	\$ (9.0)

The variance between actual and budgeted revenues over (under) expenditures for fiscal year 2019 was favorable at \$3,261,619. The beginning fund balance was \$13,710,713. The actual net change in the General Fund balance was a decrease of \$617,074. Adding this to the beginning fund balance left an ending fund balance of \$13,093,639.

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

Table A-7 summarizes and compares the Capital Assets note to the financial statements on pages 41 and 42. Each year, for capital assets other than land and construction in progress, this amount is depreciated (reduced in value) to reflect usage.

Table A-7  
Governmental Activities Capital Assets Comparison (net of accumulated depreciation)

	June 30	
	2019	2018
Land	\$ 3.0	\$ 3.0
Construction in progress	5.6	1.8
Buildings and improvements	66.3	69.8
Furniture and Equipment	3.5	2.9
<b>Total Capital Assets, net of accumulated depreciation</b>	<b>\$ 78.4</b>	<b>\$ 77.5</b>

Capital assets, net of accumulated depreciation, increased by \$911,321 in 2019 over 2018.

**DEBT ADMINISTRATION**

Table A-8 summarizes the long-term liabilities note to the financial statements on pages 43 to 60 for 2019 and 2018. Most of the debt relates to general obligation bonds sold by the District to pay for capital improvements. Our ability to raise future funds through the issuance of debt depends on how well our existing bonds are rated by the investment community. Currently, the District is rated by Moody's Investor Services as Aa3 Positive Outlook versus Aa3 as of the previous year.

Table A-8  
Governmental Activities Long-Term Liability Comparison

	June 30	
	2019	2018
General obligation debt	\$ 51.6	\$ 31.1
Bond premium (discount)	3.9	1.9
Capital leases	0.1	0.1
Compensated absences	1.5	1.5
Net OPEB liability	10.9	13.2
Net pension liability	174.7	177.6
<b>Total governmental long-term liabilities</b>	<b>\$ 242.6</b>	<b>\$ 225.4</b>

**WEST SHORE SCHOOL DISTRICT  
NEW CUMBERLAND, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Each year, the District pays down a portion of its debt. The scheduled redemptions for 2019 totaled \$2,350,000. The long-term liabilities balance at the end of each year reflects the prior year-end balance, plus new issues and less redemptions. Component changes to the general obligation debt, plus activity related to other components of long-term liabilities are presented in the notes to the financials on pages 43 through 60.

During the year, the District issued Series of 2018 in the amount of \$22,830,000.

**NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

Table A-9 compares the 2020 budget, approved on June 13, 2019, to the final 2019 budget.

Table A-9  
Comparison of Budgets  
Years Ended June 30, 2020 and 2019

	2020	2019	Change in Dollars
Total revenues	\$ 124.2	\$ 118.2	\$ 6.0
Total expenditures	120.6	113.9	(6.7)
Revenues over (under) expenditures	3.6	4.3	(0.7)
Other financing sources (uses)	(3.9)	(4.3)	0.4
Net change in fund balances	\$ (0.3)	\$ -	\$ (0.3)

The budget for 2019-2020 represents a 5.1% increase in revenues and a 5.9% increase in expenditures from the 2018-2019 budgeted amounts. The increase in revenue relates to local and state sources other than taxes.

**CONTACTING THE DISTRICT**

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office by mail at West Shore School District, 507 Fishing Creek Road, PO Box 803, New Cumberland, PA 17070, or by phone at (717) 938-9577. This audit report may also be viewed on our website located at [www.wssd.k12.pa.us](http://www.wssd.k12.pa.us).

## WEST SHORE SCHOOL DISTRICT

### STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>Assets</b>				
Cash and cash equivalents	\$ 32,820,016	\$ 838,352	\$ 33,658,368	\$ 20,643
Investments	8,788,378	-	8,788,378	770,909
Taxes receivable (net of allowance for uncollectibles)	8,275,621	-	8,275,621	-
Internal balances	47,782	(47,782)	-	-
Due from other governments	5,830,728	37,480	5,868,208	-
Other receivables	486,609	3,331	489,940	-
Prepaid expenses	343,104		343,104	3,886
Inventories	295,968	53,174	349,142	-
Amounts receivable from life insurance contracts	1,010,329	-	1,010,329	-
Restricted cash	24,795,231	-	24,795,231	-
Capital assets not being depreciated	8,548,048	-	8,548,048	-
Capital assets being depreciated, net	69,829,814	502,728	70,332,542	-
<b>Total assets</b>	<b>161,071,628</b>	<b>1,387,283</b>	<b>162,458,911</b>	<b>795,438</b>
<b>Deferred outflows of resources</b>				
Deferred charges on refunding	338,234	-	338,234	-
Deferred outflows for OPEB	1,299,471	33,945	1,333,416	-
Deferred outflows for pension	28,194,934	508,761	28,703,695	-
<b>Total deferred outflows of resources</b>	<b>29,832,639</b>	<b>542,706</b>	<b>30,375,345</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	3,326,238	71,362	3,397,600	1,036
Payroll and benefits payable	14,217,369		14,217,369	-
Unearned revenues	424,964	68,314	493,278	-
Accrued interest on bonds and capital leases payable	261,311	-	261,311	-
<b>Long-term liabilities</b>				
Due within one year	3,038,807	1,532	3,040,339	-
Due in more than one year, net	53,998,035	8,680	54,006,715	-
Net OPEB liability	10,942,375	163,564	11,105,939	-
Net pension liability	174,668,480	3,285,520	177,954,000	-
<b>Total liabilities</b>	<b>260,877,579</b>	<b>3,598,972</b>	<b>264,476,551</b>	<b>1,036</b>
<b>Deferred inflows of resources</b>				
Deferred inflows for OPEB	2,914,056	25,996	2,940,052	-
Deferred inflows for pension	4,357,406	59,460	4,416,866	-
<b>Total deferred inflows of resources</b>	<b>7,271,462</b>	<b>85,456</b>	<b>7,356,918</b>	<b>-</b>
<b>Net position</b>				
Invested in capital assets (net of related debt)	23,176,612	502,728	23,679,340	-
Restricted for capital projects	24,755,588	-	24,755,588	-
Net assets with donor restrictions	-	-	-	26,560
Unrestricted (deficit)	(125,176,975)	(2,257,167)	(127,434,142)	767,842
<b>Total net position (deficit)</b>	<b>\$ (77,244,775)</b>	<b>\$ (1,754,439)</b>	<b>\$ (78,999,214)</b>	<b>\$ 794,402</b>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental activities								
Instruction	\$ 77,114,884	\$ 443,187	\$ 16,276,781	\$ -	\$ (60,394,916)	\$ -	\$ (60,394,916)	
Instructional student support	8,116,635	-	1,241,104	-	(6,875,531)	-	(6,875,531)	
Administrative and financial support	12,860,859	-	1,128,559	-	(11,732,300)	-	(11,732,300)	
Operation and maintenance of plant	12,357,015	155,214	418,879	-	(11,782,922)	-	(11,782,922)	
Pupil transportation	4,291,213	-	1,619,022	-	(2,672,191)	-	(2,672,191)	
Student activities	2,054,592	198,763	156,424	-	(1,699,405)	-	(1,699,405)	
Community services	46,390	-	5,637	-	(40,753)	-	(40,753)	
Interest on long-term debt	1,143,907	-	-	124,077	(1,019,830)	-	(1,019,830)	
Unallocated depreciation expense	413,688	-	-	-	(413,688)	-	(413,688)	
Total governmental activities	<u>118,399,183</u>	<u>797,164</u>	<u>20,846,406</u>	<u>124,077</u>	<u>(96,631,536)</u>	<u>-</u>	<u>(96,631,536)</u>	
Business-type activities								
Food service	<u>3,316,262</u>	<u>1,349,046</u>	<u>1,954,231</u>	<u>-</u>	<u>-</u>	<u>(12,985)</u>	<u>(12,985)</u>	
Total primary government	<u>\$ 121,715,445</u>	<u>\$ 2,146,210</u>	<u>\$ 22,800,637</u>	<u>\$ 124,077</u>	<u>(96,631,536)</u>	<u>(12,985)</u>	<u>(96,644,521)</u>	
Component Unit								
West Shore Foundation	<u>\$ 109,603</u>	<u>\$ -</u>	<u>\$ 84,599</u>	<u>\$ -</u>				<u>\$ (25,004)</u>
General revenues								
Taxes								
Real estate taxes					63,758,412	-	63,758,412	-
Personal taxes					532,615	-	532,615	-
Earned income taxes					17,822,115	-	17,822,115	-
Other taxes					1,724,005	-	1,724,005	-
Investment earnings					1,449,526	8,729	1,458,255	55,436
Other local revenues					238,236	-	238,236	-
Gain on sale of capital assets					127,830	(53)	127,777	-
State general subsidies					15,135,105	-	15,135,105	-
Total general revenues					<u>100,787,844</u>	<u>8,676</u>	<u>100,796,520</u>	<u>55,436</u>
Changes in net position					4,156,308	(4,309)	4,151,999	30,432
Net position (deficit) - beginning					<u>(81,401,083)</u>	<u>(1,750,130)</u>	<u>(83,151,213)</u>	<u>763,970</u>
Net position (deficit) - ending					<u>\$ (77,244,775)</u>	<u>\$ (1,754,439)</u>	<u>\$ (78,999,214)</u>	<u>\$ 794,402</u>

The accompanying notes are an integral part of these financial statements.



**WEST SHORE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General	Capital Reserve	Capital Projects	Debt Service	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 20,751,667	\$ 12,068,349	\$ 24,795,231	\$ -	\$ 57,615,247
Investments	2,425,699	6,362,679	-	-	8,788,378
Taxes receivable (net of allowance for uncollectibles)	8,275,621	-	-	-	8,275,621
Due from other funds	47,782	3,825,000	-	-	3,872,782
Due from other governments	5,830,728	-	-	-	5,830,728
Other receivables	486,609	-	-	-	486,609
Prepaid expenses	343,104	-	-	-	343,104
Inventories	295,968	-	-	-	295,968
Amounts receivable from life insurance contracts	1,010,329	-	-	-	1,010,329
<b>Total assets</b>	<b>\$ 39,467,507</b>	<b>\$ 22,256,028</b>	<b>\$ 24,795,231</b>	<b>\$ -</b>	<b>\$ 86,518,766</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,076,809	\$ 209,786	\$ 39,643	\$ -	\$ 3,326,238
Payroll and benefits payable	14,217,369	-	-	-	14,217,369
Due to other funds	3,825,000	-	-	-	3,825,000
Unearned revenues	424,964	-	-	-	424,964
<b>Total liabilities</b>	<b>21,544,142</b>	<b>209,786</b>	<b>39,643</b>	<b>-</b>	<b>21,793,571</b>
<b>Deferred inflows of resources</b>					
Unavailable tax revenue	4,829,726	-	-	-	4,829,726
<b>Total deferred inflows of resources</b>	<b>4,829,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,829,726</b>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Inventories	295,968	-	-	-	295,968
Prepaid expenses	343,104	-	-	-	343,104
Restricted-capital projects	-	-	24,755,588	-	24,755,588
<b>Committed to</b>					
Future retirement costs	500,000	-	-	-	500,000
Future medical costs	2,000,000	-	-	-	2,000,000
Capital improvements	-	22,046,242	-	-	22,046,242
<b>Assigned to</b>					
Athletics and concessions	1,767	-	-	-	1,767
Unassigned	9,952,800	-	-	-	9,952,800
<b>Total fund balances</b>	<b>13,093,639</b>	<b>22,046,242</b>	<b>24,755,588</b>	<b>-</b>	<b>59,895,469</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 39,467,507</b>	<b>\$ 22,256,028</b>	<b>\$ 24,795,231</b>	<b>\$ -</b>	<b>\$ 86,518,766</b>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

Total fund balances - Governmental funds		\$ 59,895,469
Amounts presented for governmental activities in the statement of net position are different because:		
Capital assets are not financial resources and therefore are not presented as assets in the governmental funds. but are reported in the governmental activities in the statement of net position. At year end, capital assets consist of:		
Cost of assets	\$ 169,496,894	
Accumulated depreciation	<u>(91,119,033)</u>	78,377,861
Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures, and therefore are unavailable in the governmental funds. At year end, these taxes receivable consist of:		
Real estate taxes	1,496,451	
Personal taxes	139,228	
Earned income taxes	<u>3,194,047</u>	4,829,726
Certain liabilities are not due and payable out of current economic resources, and therefore are not reported as liabilities in the governmental funds. At year end, these liabilities consist of:		
Bonds and note payable	(51,554,000)	
Capital lease obligations	(88,262)	
Compensated absences	<u>(1,497,369)</u>	
Long-term and other liabilities	(53,139,631)	
Accrued interest on bonds and note payable	<u>(261,311)</u>	(53,400,942)
Bond discounts (premiums) are presented as expenditures in the governmental funds. At year end, the unamortized bond related costs remaining are:		
Bond discounts (premiums)		(3,897,211)
Refunding bonds issued by the District create deferred charges that are amortized to interest expense over the shorter life between the new and old bonds, are reported as deferred outflow of resources on the statement of net position.		
		338,234
Certain liabilities, such as net pension and net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds. At year end, these liabilities consist of:		
Net pension liability		(174,668,480)
Net OPEB liability		(10,942,375)
Deferred outflows and inflows of resources related to pensions and OPEBs are applicable to future periods and, therefore, are not reported in the governmental funds. At year end these consists of:		
Deferred outflows of resources related to pensions	28,194,934	
Deferred inflows of resources related to pensions	<u>(4,357,406)</u>	23,837,528
Deferred outflows of resources related to OPEBs	1,299,471	
Deferred inflows of resources related to OPEBs	<u>(2,914,056)</u>	<u>(1,614,585)</u>
Net position (deficit) - Governmental activities		<u><u>\$ (77,244,775)</u></u>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General	Capital Reserve	Capital Projects	Debt Service	Total Governmental Funds
<b>Revenues</b>					
Local sources - taxes	\$ 83,704,996	\$ -	\$ -	\$ -	\$ 83,704,996
Local sources - other	3,531,657	453,384	307,177	-	4,292,218
State sources	32,509,608	-	-	-	32,509,608
Federal sources	1,788,806	-	-	-	1,788,806
<b>Total revenues</b>	<b>121,535,067</b>	<b>453,384</b>	<b>307,177</b>	<b>-</b>	<b>122,295,628</b>
<b>Expenditures</b>					
Instruction	73,892,456	-	-	-	73,892,456
Support services	37,203,054	-	215,442	-	37,418,496
Noninstructional services	2,077,629	-	-	-	2,077,629
Capital outlay	618,803	3,198,725	556,029	-	4,373,557
Debt service	3,815,063	-	-	9,013	3,824,076
<b>Total expenditures</b>	<b>117,607,005</b>	<b>3,198,725</b>	<b>771,471</b>	<b>9,013</b>	<b>121,586,214</b>
<b>Excess (deficiency)</b> <b>of revenues over expenditures</b>	<b>3,928,062</b>	<b>(2,745,341)</b>	<b>(464,294)</b>	<b>(9,013)</b>	<b>709,414</b>
<b>Other financing sources (uses)</b>					
Sale of fixed assets	160,764	-	-	-	160,764
Transfers from other funds	-	4,825,000	-	-	4,825,000
Transfers to other funds	(4,825,000)	-	-	-	(4,825,000)
Issuance of bonds	-	-	22,830,000	-	22,830,000
Bond premiums	-	-	2,389,882	-	2,389,882
Proceeds from extended term financing	119,100	-	-	-	119,100
<b>Total other financing     sources (uses)</b>	<b>(4,545,136)</b>	<b>4,825,000</b>	<b>25,219,882</b>	<b>-</b>	<b>25,499,746</b>
<b>Net change in fund balances</b>	<b>(617,074)</b>	<b>2,079,659</b>	<b>24,755,588</b>	<b>(9,013)</b>	<b>26,209,160</b>
<b>Fund balances - beginning</b>	<b>13,710,713</b>	<b>19,966,583</b>	<b>-</b>	<b>9,013</b>	<b>33,686,309</b>
<b>Fund balances - ending</b>	<b>\$ 13,093,639</b>	<b>\$ 22,046,242</b>	<b>\$ 24,755,588</b>	<b>\$ -</b>	<b>\$ 59,895,469</b>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Total net change in fund balances - Governmental funds		\$ 26,209,160
Amounts presented for governmental activities in the statement of activities are different because:		
Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, and impairments of capital assets are recorded when the impairment becomes known. During the year, the amount by which capital outlays exceed depreciation expense and impairments is as follows:		
Capital outlays	\$ 6,531,560	
Depreciation expense	<u>(5,587,307)</u>	944,253
Capital assets-realized loss on sale, adjusted cost basis of the assets exceeded the amount of proceeds received resulting in recognized loss		(32,933)
Deferred inflows of resources that do not provide current financial resources in the governmental funds but are earned in the statement of activities. Deferred inflows of resources increased (decreased) during the year as follows:		
Real estate taxes	119,345	
Personal taxes	(6,622)	
Earned income taxes	<u>19,584</u>	132,307
Bonds and note proceeds and principal repayments are presented as other financing sources and expenditures (other financing uses if refunded bonds) in the governmental funds. In the statement of activities, proceeds and repayments do not effect net position.		
Proceeds from issuance of bonds	(22,830,000)	
Principal repayments	<u>2,350,000</u>	(20,480,000)
Bond discounts (premiums) and the difference between new bonds and any related refunded bonds are presented as expenditures in the governmental funds, whereas these amounts are unearned and amortized in the statement of activities:		
Bond discounts (premiums) and deferred amount on refunding (Amortization) and accretion, net	(2,413,181)	
	<u>363,169</u>	(2,050,012)
Payments of capital lease obligation principal are presented as expenditures in the governmental funds. The principal repayment reduces the liability for capital leases in the statement of net position.		118,694
Capital lease proceeds are reported as other financing sources in the governmental funds. They are shown as liabilities in the statement of net assets. During the year, one capital lease obligation was issued.		(119,100)
Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds and note payable and capital leases increased during the year.		(128,669)
Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences decreased during the year.		7,749
Payments of other postemployment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other postemployment benefits and changes in deferred inflows and outflows increased during the year.		(181,491)
Pension costs are presented as expenditures in the governmental funds. In the statement of activities, the changes in the unfunded pension obligation and changes in the deferred outflows and inflows related to pensions are reported as additional pension costs. The liability for net pension costs and changes in deferred inflows and outflows increased during the year.		(263,650)
Change in net position - Governmental activities		<u><u>\$ 4,156,308</u></u>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2019

	<u>Food Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 838,352
Due from other governments	37,480
Other receivables	3,331
Inventories	<u>53,174</u>
Total current assets	932,337
Capital assets being depreciated, net	<u>502,728</u>
Total assets	<u>1,435,065</u>
<b>Deferred outflows of resources</b>	
Deferred outflows for OPEB	33,945
Deferred outflows for pension	<u>508,761</u>
Total deferred outflows of resources	<u>542,706</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	71,362
Due to other funds	47,782
Unearned revenue	68,314
Current portion of compensated absences	<u>1,532</u>
Total current liabilities	<u>188,990</u>
<b>Long-term liabilities</b>	
Long term portion of compensated absences	8,680
Net OPEB liability	163,564
Net pension liability	<u>3,285,520</u>
Total long-term liabilities	<u>3,457,764</u>
Total liabilities	<u>3,646,754</u>
<b>Deferred inflows of resources</b>	
Deferred inflows for OPEB	25,996
Deferred inflows for pension	<u>59,460</u>
Total deferred inflows of resources	<u>85,456</u>
<b>Net position</b>	
Invested in capital assets (net of related debt)	502,728
Unrestricted	<u>(2,257,167)</u>
Total net position (deficit)	<u>\$ (1,754,439)</u>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Food Service
Operating revenues - Food service revenue	\$ 1,349,046
Operating expenses	
Salaries	925,647
Employee benefits	534,958
Purchased property service	101,950
Other purchased services	1,477,189
Food and milk	201,742
Other supplies	27,597
Depreciation	44,750
Other operating expenses	2,429
Total operating expenses	3,316,262
Operating loss	(1,967,216)
Nonoperating revenues (expenses)	
Earnings on investments	8,729
Loss on disposal fixed assets	(53)
State sources - social security and retirement subsidies	189,420
State sources - meal subsidies	92,135
Federal sources - meal subsidies	1,475,170
Federal sources - donated commodities	197,506
Total nonoperating revenues (expenses)	1,962,907
Change in net position	(4,309)
Net position (deficit) - beginning	(1,750,130)
Net position (deficit) - ending	\$ (1,754,439)

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Food Service
Operating activities	
Cash received from users	\$ 1,339,185
Cash payments to employees for services	(1,502,690)
Cash payments to suppliers for goods and services	(1,433,691)
Cash payments for other operating expenses	(127,440)
Net cash used for operating activities	(1,724,636)
Non-capital financing activities	
State sources	277,614
Federal sources	1,619,460
Net cash provided by non-capital financing activities	1,897,074
Capital and related financing activities	
Cash payment for equipment	(335,172)
Net cash used for capital and related financing activities	(335,172)
Investing activities	
Earnings on investments	8,729
Net cash provided by investing activities	8,729
Net change in cash and cash equivalents	(154,005)
Cash and cash equivalents - beginning	992,357
Cash and cash equivalents - ending	\$ 838,352
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (1,967,216)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	44,750
Donated commodities	197,506
Net change in other assets and other liabilities	
Other receivables	(2,785)
Inventories	11,357
Due to other funds	(48,240)
Accounts payable	43,498
Compensated absences	(3,615)
Unearned revenue	18
Net OPEB liability	(365)
Net pension liability	456
Total adjustments	242,580
Net cash used for operating activities	\$ (1,724,636)

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	<u>Private Purpose Trust</u>	<u>Student Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 22,733	\$ 385,474	\$ 408,207
Investments	<u>32,795</u>	<u>-</u>	<u>32,795</u>
Total assets	<u>55,528</u>	<u>385,474</u>	<u>441,002</u>
<b>Liabilities</b>			
Due to student groups	<u>-</u>	<u>385,474</u>	<u>385,474</u>
Total liabilities	<u>-</u>	<u>385,474</u>	<u>385,474</u>
Net position - restricted	<u>\$ 55,528</u>	<u>\$ -</u>	<u>\$ 55,528</u>

The accompanying notes are an integral part of these financial statements.



**WEST SHORE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	<u>Private Purpose Trust</u>
Additions	
Gifts and contributions	\$ 3,640
Interest income	<u>856</u>
Total additions	4,496
Deductions	
Scholarships and awards	<u>4,384</u>
Change in net position	112
Net position - beginning	<u>55,416</u>
Net position - ending	<u><u>\$ 55,528</u></u>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

West Shore School District (District) is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within the boundaries of the Cumberland County municipalities of Lemoyne Borough, Lower Allen Township, New Cumberland Borough and Wormleysburg Borough and the York County municipalities of Fairview Township, Goldsboro Borough, Lewisberry Borough and Newberry Township. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

**Reporting entity**

The Governmental Accounting Standards Board (GASB) establishes criteria for determining the activities, organizations and functions of government to be included in the financial statement of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are:

Economic resources received or held by the separate organization are entirely for the direct benefit of the District or its constituents.

The District is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the District is entitled to (or has the ability to) access is significant to the District.

The District has included the West Shore Foundation (the Foundation) as a discretely presented component unit. The financial data of the Foundation is reported in the component unit column in the basic financial statements. This separate column is used to emphasize that the Foundation is legally separate from the District. The Foundation was formed in 1987 for the purpose of supporting projects related to educational programs and to create opportunities for development for the students, staff and community within the West Shore School District. The separate financial statements for the Foundation are available by contacting the District office.

**Jointly - governed organizations**

The District is a participant in four jointly-governed organizations, each of which is a separate legal entity that offers services to the District and its residents. Each of these entities serves several school districts and/or municipalities and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from the respective entity's administrative office.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Jointly - governed organizations (Cont'd.)**

Cumberland County Tax Bureau provides earned income tax collection services.

Capital Area Intermediate Unit provides special education services and programs.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs.

Harrisburg Area Community College provides community college education services and programs.

**Basis of presentation**

The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles. GASB establishes U.S. generally accepted accounting principles for governments. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

**Basis of presentation - District-wide financial statements**

District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are presented separately from business-type activities which rely to a significant extent, on fees and charges for support.

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting is used with the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation), bonds and notes payable (net of unamortized discounts), net OPEB liability and net pension liability are presented in the statement of net position.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Basis of presentation - District-wide financial statements (Cont'd.)**

The statement of activities demonstrates the degree to which the direct expenses of given functions or programs are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are presented as general revenues.

**Basis of presentation - Fund financial statements**

Fund financial statements are also provided for all governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual proprietary funds are presented as separate columns in the fund financial statements. Nonmajor funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund.

Governmental funds are presented 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 received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are presented as nonoperating revenues and expenses.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Basis of presentation - Fund financial statements (Cont'd.)**

*Fund accounting*

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

When both restricted and unrestricted resources are available, the District's general policy to use the restricted (primarily operating grants) resources first, then unrestricted resources as they are needed.

The District has the following types of funds:

Governmental Funds – These funds account for the activities through which most of the District's operations are provided.

Proprietary Funds – These funds account for the operations of the District that are financed and operated in a manner similar to private business enterprises.

Fiduciary Funds – These funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the District's own programs.

The District presents the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

An operating budget is adopted prior to the beginning of each year on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. This process includes the publishing of notices by advertisement, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District, and that public hearings are held on the proposed operating budget which are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Basis of presentation - Fund financial statements (Cont'd.)**

*Fund accounting (Cont'd.)*

Legal budgetary control is maintained at the sub-function/major object level. The Board may approve transfers of funds appropriated to any particular item of expenditure in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval, provided it is not at a higher level than the Board adopted budget.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recognized. Unused encumbrances expire at the end of each year.

Included in the budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies. These programs frequently result in supplementary budget appropriations.

The Capital Projects Funds can consist of more than one project, to separately account for each project, if required. Each issuance of new debt (primarily bonds) is a project to account for the debt proceeds and the expenditure of those proceeds. The Capital Reserve Fund is maintained for amounts transferred from the General Fund and the expenditure of those funds for capital outlays or related debt service on capital reserve. Capital budgets are not implemented for capital improvements in these funds. All transactions are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

The Debt Service Fund, when applicable, accounts for the refinancing of existing debt.

The District presents the following proprietary fund:

The Food Service Fund accounts for the operations of the cafeterias.

The District presents the following fiduciary funds:

The Private Purpose Trust Fund accounts for assets held by the District in a trustee capacity which are used for various scholarship and award programs for students.

The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Cash and cash equivalents and investments**

Cash and cash equivalents include all cash on hand, demand deposits (including pooled investments), and short-term investments with original maturities of three months or less from the date of acquisition.

The types of authorized investments are limited by State regulations. (Pooled investment funds are required to be operated in accordance with State regulations.) Investments include certificates of deposit with maturities greater than three months. Investments are stated at fair value.

**Taxes and taxes receivable**

Real estate and personal taxes are levied as of July 1 with a legal, enforceable claim against the property. Amounts not collected within six months (December 31) are considered delinquent and submitted to outside agencies/entities for collection actions.

**Receivables and payables between funds**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are presented in the district-wide financial statements as "internal balances". Balances between funds are considered to be short-term items pending periodic repayments.

**Inventories and prepaid expenses**

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid expenses in both district-wide and fund financial statements.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are presented in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous groups with individual costs of less than \$ 5,000 as capital assets for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are presented at historical cost or estimated historical cost if purchased or constructed.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Capital assets (Cont'd.)**

Major outlays for capital assets and improvements are capitalized when incurred. 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. Donated capital assets are recorded at their acquisition value as of the date received. The District does not possess any infrastructure. Interest incurred during the construction of capital assets is not capitalized.

Upon sale or retirement, the cost and related accumulated depreciation, if applicable, are eliminated from the respective district-wide and proprietary accounts and any resulting gain or loss is reflected in those accounts.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	40	-
Building improvements and renovations	20 to 40	-
Site improvements	15 to 20	-
Transportation equipment	8	-
Furniture, fixtures and equipment	3 to 15	5 to 12
Library books	7	-
Computer equipment	3	3

**Long-term liabilities**

In district-wide financial statements, and in proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities. Bond discounts (premiums) and any charges on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance and charges on refundings, as current period expenditures. The face amount of debt issued is presented as other financing sources while discounts and charges on refundings are presented as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are presented as support service expenditures.



**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Deferred outflows/inflows of resources**

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

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources at June 30, 2019 consist of various amounts related to pension and OPEB liabilities on the statement of net position and unavailable tax revenue on the governmental fund balance sheet.

**Unearned revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's 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.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

General information about the pension plan

Plan description

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined 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 Class 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 benefits that would have been effective if the member had retired on the day before death.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Pensions (Cont'd.)**

Contributions

*Member contributions:*

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

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

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

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

*Employer contributions:*

The Districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the District were \$ 16,985,357 for the year ended June 30, 2019.

**Other postemployment benefits other than pensions**

The District provides continuation of medical and dental benefits, including prescription drug coverage, to eligible retired employees with 15 years of service with the District and qualified spouses/beneficiaries until the retired employee reaches the age of sixty-five. In order to obtain coverage, retired employees must provide payment of 13.5% of the District premiums. The District pays 86.5% of the premiums.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Other postemployment benefits - PSERS health insurance premium assistance**

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

**General Information about the Health Insurance Premium Assistance Program**

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer of the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**General Information about the Health Insurance Premium Assistance Program (Cont'd.)**

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was .83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$ 432,449 for the year ended June 30, 2019.

**Net position**

Net position (deficit) represents total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. In district-wide financial statements and proprietary fund financial statements, categories of net position are:

**Invested in capital assets (net of related debt)** - This category presents all capital assets into one component of net position. Accumulated depreciation and outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** - This category presents the net position (deficit) of the District, which is not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

**With donor restrictions - use/time restrictions** (component unit only) - This category presents external time and/or use restrictions imposed by donors.

**With donor restrictions - endowment principal** (component unit only) - This category presents donor-imposed stipulations that they be maintained permanently with only the income available for specified uses.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Governmental fund balances**

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. The District's general policy is to first use restricted funds, if any, prior to using unassigned funds. The classifications of fund balance are:

**Nonspendable** - Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

**Restricted** - Amounts constrained to be used for a specific purpose as per: External parties, contributors or enabling legislation.

**Committed** - Amounts constrained to be used for a specific purpose as per: The District's highest level of decision making authority which is the Board of School Directors.

**Assigned** - Amounts intended to be used for a specific purpose as per: Committee or individual authorized by the Board of School Directors. Under the District's budgetary policies, the Director of Business Affairs may assign amounts for athletics and concessions.

**Unassigned** - Amounts available for any purpose (amounts that are not Nonspendable, Restricted, Committed or Assigned) in the General Fund.

**Use of estimates**

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

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Recent accounting standards**

The following reflects only those pronouncements effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District evaluated in the current year and determined it had no impact to the District's financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 84 will have on the District's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 87 will have on the District's financial statements.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Recent accounting standards (Cont'd.)**

In April 2018, GASB issued Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and earlier application is encouraged. The District is currently evaluating what effect, if any, the adoption of GASB 88 will have on the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District has not evaluated the impact on the District's financial statements from these pronouncements.

**Subsequent events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 8, 2019, the date the financial statements were available to be issued.

**CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Pennsylvania statutes provide for investment of District Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2019, the District's deposits totaled \$ 11,469,692 and the depository institution balances totaled \$ 12,057,194. Of the depository institution balances, \$ 548,917 was covered by federal depository insurance and \$ 11,508,277 was collateralized by pooled assets. The pooled assets collateral is held by the Federal Reserve Bank, but is not titled in the District's name.



**WEST SHORE SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 JUNE 30, 2019

**CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)**

The District also has cash equivalents and investments with Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF) that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statutes for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of \$ 1 per share, but there can be no assurance that the net asset value will not vary from \$ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2019, District deposits in PLGIT and PSDLAF totaled \$ 54,284,207 and \$ 1,926,408, respectively, of these amounts, the investments are comprised of:

PLGIT Prime - a variable rate investment portfolio rated AAAm which requires no minimum balance, no minimum initial investment, and limits the redemptions or exchanges to two per calendar month. The fair value at year-end totals \$ 8,821,173 with no stated maturity date.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk. The weighted average maturity of the securities held by PLGIT and PSDLAF is generally less than 90 days.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy for credit risk. The District's deposits in PLGIT and PSDLAF were rated "AAAm" by Standard & Poor's.

Cash on hand totaled \$ 2,672 at June 30, 2019.

Cash and cash equivalents are as follows:

	Cash and Cash	
	<u>Equivalents</u>	<u>Investments</u>
Governmental activities	\$ 57,615,247	\$ 8,788,378
Business-type activities	838,352	-
Fiduciary funds	408,207	32,795
Total cash and cash equivalents	\$ 58,861,806	\$ 8,821,173

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**TAXES RECEIVABLE**

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Unavailable Tax Revenue
Real estate taxes	\$ 2,047,788	\$ 64,310	\$ 1,983,478	\$ 1,496,451
Personal taxes	346,597	200,894	145,703	139,228
Earned income taxes	<u>6,146,440</u>	<u>-</u>	<u>6,146,440</u>	<u>3,194,047</u>
General Fund	8,540,825	265,204	8,275,621	4,829,726
Full accrual adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,829,726)</u>
Governmental activities	<u>\$ 8,540,825</u>	<u>\$ 265,204</u>	<u>\$ 8,275,621</u>	<u>\$ -</u>

**DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS**

Interfund balances were as follows:

Assets		Liabilities	
General Fund	\$ 47,782	\$ 47,782	Food Service Fund
Capital Reserve	3,825,000	3,825,000	General Fund

Interfund transfers were as follows:

Other financing sources		Other financing uses	
Capital Reserve Fund	\$ 4,825,000	\$ 4,825,000	General Fund

**DUE FROM OTHER GOVERNMENTS**

Due from other governments are as follows:

	Governmental Activities	Business-type Activities	Total
Local sources - other taxes	\$ 119,587	\$ -	\$ 119,587
Local sources - other items	473,164	-	473,164
State sources	4,547,605	1,878	4,549,483
Federal sources	<u>690,372</u>	<u>35,602</u>	<u>725,974</u>
	<u>\$ 5,830,728</u>	<u>\$ 37,480</u>	<u>\$ 5,868,208</u>

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**AMOUNTS RECEIVABLE ON LIFE INSURANCE**

The District provides its current and former administrative employees with life insurance coverage through the use of split-dollar endorsement insurance agreements. Under these agreements, the District pays the life insurance premiums and is reimbursed for a portion of the premiums by the employees, predominantly through payroll deductions. The premiums may continue after the employee's retirement under certain circumstances. The District is the owner of all the split-dollar endorsement insurance policies.

Upon the death or termination, other than retirement, of the employee, the District is entitled to receive the greater of the amount of the premiums paid by it toward the policy, or any excess death benefit provided by the policy after payment of death benefits. It has been the District's policy to record a receivable equal to the lesser of the net cash values of the policies or the total accumulated premiums paid, which totals \$ 1,010,329 at June 30, 2019.

**CAPITAL ASSETS**

Changes in capital assets were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,981,378	\$ -	\$ -	\$ 2,981,378
Construction in progress	<u>1,799,151</u>	<u>3,767,519</u>	<u>-</u>	<u>5,566,670</u>
	<u>4,780,529</u>	<u>3,767,519</u>	<u>-</u>	<u>8,548,048</u>
Capital assets being depreciated				
Site improvements	6,975,239	96,020	(6,426)	7,064,833
Buildings and improvements	133,795,261	510,017	-	134,305,278
Furniture, fixtures and equipment	14,356,828	2,058,400	-	16,415,228
Library books	1,771,346	34,682	-	1,806,028
Transportation equipment	<u>3,921,956</u>	<u>64,923</u>	<u>(2,629,399)</u>	<u>1,357,480</u>
	<u>160,820,630</u>	<u>2,764,042</u>	<u>(2,635,825)</u>	<u>160,948,847</u>
Accumulated depreciation				
Site improvements	(5,005,519)	(211,131)	6,426	(5,210,224)
Buildings and improvements	(65,995,970)	(3,821,020)	-	(69,816,990)
Furniture, fixtures and equipment	(11,830,056)	(1,364,656)	-	(13,194,712)
Library books	(1,706,084)	(29,245)	-	(1,735,329)
Transportation equipment	<u>(3,596,989)</u>	<u>(161,255)</u>	<u>2,596,466</u>	<u>(1,161,778)</u>
	<u>(88,134,618)</u>	<u>(5,587,307)</u>	<u>2,602,892</u>	<u>(91,119,033)</u>
Capital assets being depreciated, net	<u>72,686,012</u>	<u>(2,823,265)</u>	<u>(32,933)</u>	<u>69,829,814</u>
Governmental activities capital assets, net	<u>\$ 77,466,541</u>	<u>\$ 944,254</u>	<u>\$ (32,933)</u>	<u>\$ 78,377,862</u>

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**CAPITAL ASSETS (Cont'd.)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 918,196	\$ 335,171	\$ (119,632)	\$ 1,133,735
Accumulated depreciation				
Furniture and equipment	<u>(705,836)</u>	<u>(44,750)</u>	<u>119,579</u>	<u>(631,007)</u>
Business-type activities capital assets, net	<u>\$ 212,360</u>	<u>\$ 290,421</u>	<u>\$ (53)</u>	<u>\$ 502,728</u>

Included above in the governmental activities' furniture, fixtures and equipment is an asset being purchased under a capital lease obligation. The total cost of the asset and the related accumulated depreciation thereon at June 30, 2019 are \$ 119,100 and 36,392 (net \$ 82,708), respectively.

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
Instruction	\$ 3,307,945
Instructional student support	390,631
Administrative and financial support	1,099,242
Operation and maintenance of plant	167,962
Pupil transportation	188,493
Student activities	19,346
Unallocated depreciation expense	<u>413,688</u>
Total depreciation expenses – Governmental activities	<u>\$ 5,587,307</u>
<b>Business-type activities</b>	
Food service	<u>\$ 44,750</u>

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES**

Changes in the following long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds and note payable	\$ 31,074,000	\$ 22,830,000	\$ (2,350,000)	\$ 51,554,000	\$ 2,460,000
Bond premium (discount)	1,870,498	2,389,882	(363,169)	3,897,211	375,962
Capital lease payable	87,856	119,100	(118,694)	88,262	28,729
Compensated absences	1,505,118	218,019	(225,768)	1,497,369	174,116
Net OPEB liability	13,245,086	1,225,172	(3,527,883)	10,942,375	-
Net pension liability	177,566,660	22,273,581	(25,171,761)	174,668,480	-
	<u>\$ 225,349,218</u>	<u>\$ 49,055,754</u>	<u>\$ (31,757,275)</u>	<u>\$ 242,647,697</u>	<u>\$ 3,038,807</u>
<b>Business-type activities</b>					
Compensated absences	\$ 13,827	\$ 6,030	\$ (9,645)	\$ 10,212	\$ 1,532
Net OPEB liability	180,163	15,616	(32,215)	163,564	-
Net pension liability	3,343,341	402,120	(459,941)	3,285,520	-
	<u>\$ 3,537,331</u>	<u>\$ 423,766</u>	<u>\$ (501,801)</u>	<u>\$ 3,459,296</u>	<u>\$ 1,532</u>

**Bonds and note payable**

Changes in bonds and note payable were as follows:

	Beginning Balance	New Issue	Refunding	Scheduled Redemptions	Ending Balance
Series of 2009 bond	\$ 1,205,000	\$ -	\$ -	\$ (1,205,000)	\$ -
Series of 2016 bond	9,550,000	-	-	(50,000)	9,500,000
Series A of 2016 note	4,444,000	-	-	(1,090,000)	3,354,000
Series A of 2017 bond	15,875,000	-	-	(5,000)	15,870,000
Series of 2018 bond	-	22,830,000	-	-	22,830,000
	31,074,000	22,830,000	-	(2,350,000)	51,554,000
Bond premium (discount)	1,870,498	2,389,882	-	(363,169)	3,897,211
	<u>\$ 32,944,498</u>	<u>\$ 25,219,882</u>	<u>\$ -</u>	<u>\$ (2,713,169)</u>	<u>\$ 55,451,211</u>

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Bonds and note payable (Cont'd.)**

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Callable Date</u>	<u>Due Within One Year</u>
Series of 2016	1.65% to 2.00%	September 2028	September 2021	\$ 50,000
Series A of 2016	1.20% to 1.35%	August 2021	None	1,105,000
Series A of 2017	2.00% to 5.00%	November 2028	November 2023	1,275,000
Series of 2018	2.05% to 5.00%	November 2048	May 2027	<u>30,000</u>
				<u>\$ 2,460,000</u>

Scheduled debt service requirements, payable by the General Fund, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,460,000	\$ 1,955,409	\$ 4,415,409
2021	2,537,000	1,874,110	4,411,110
2022	2,622,000	1,788,614	4,410,614
2023	2,775,000	1,694,673	4,469,673
2024	2,875,000	1,594,456	4,469,456
2025-2029	15,785,000	6,548,166	22,333,166
2030-2034	3,715,000	4,279,375	7,994,375
2035-2039	4,770,000	4,124,250	8,894,250
2040-2044	6,140,000	2,766,750	8,906,750
2045-2049	<u>7,875,000</u>	<u>996,125</u>	<u>8,871,125</u>
	<u>\$ 51,554,000</u>	<u>\$ 27,621,928</u>	<u>\$ 79,175,928</u>

In May 2017, the District approved the sale of bonds up to a maximum aggregate principal amount of \$ 118,000,000. The District is authorized to issue multiple series of bonds over multiple years. To date the District has issued \$ 38,705,000 in bonds. The purpose of the debt is funding of capital projects of the District and paying the related costs related to the issuance of bonds.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Capital lease payable**

Effective August 10, 2018, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 119,000 of technology equipment. Payments of \$ 30,838 at an interest rate of 2.39% are due each August 1<sup>st</sup> through the year 2021.

Effective July 7, 2015, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 348,000 of technology equipment. Payments of \$ 89,526 at an interest rate of 1.90% are due each August 1<sup>st</sup> through the year 2019.

Changes in capital lease payables were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Apple, Inc., 2.39%, annual payments of \$ 30,838, due 8/10/2021	\$ -	\$ 119,100	\$ (30,838)	\$ 88,262
Apple, Inc., 1.90%, annual payments of \$ 89,526, due 8/1/2019	<u>87,856</u>	<u>-</u>	<u>(87,856)</u>	<u>-</u>
	<u>\$ 87,856</u>	<u>\$ 119,100</u>	<u>\$ (118,694)</u>	<u>\$ 88,262</u>

The future minimum lease obligations and the net present value of these lease payments at June 30, 2019 were as follows:

2019-20	\$ 30,838
2020-21	30,838
2021-22	<u>30,838</u>
Total minimum lease payments	92,514
Less: amounts representing interest	<u>(4,252)</u>
Present value of minimum lease payments	<u>\$ 88,262</u>

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Compensated absences**

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for termination payments. The District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires. When an employee retires, the payout is as follows:

Vacation leave – Administrative employees may accumulate up to five days of unused vacation time per year, up to a maximum of 50 days for non-contracted administrators, with additional days granted to contracted administrators. Unused vacation days are paid at retirement based on the retiree's daily rate then in effect.

Sick leave – Teachers, support staff and administrators who retire with at least 15, 15 and 10 years full-time active service with the District, respectively, are eligible to receive a benefit based on the number of unused sick days they have accumulated to the date of retirement based on various options available to the retirees.

**Net OPEB liability**

**District plan**

OPEBs are presented in accordance with GASB Statement No. 75, which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

**Plan description**

Under the collective bargaining agreements with the District's teachers and with its support staff, the District provides for the continuance of medical, prescription drug and dental coverage for employees with 15 years of service with the District until the retiree becomes 65 years of age. The retiree will pay the active monthly contribution amount for each month of coverage. There are also provisions to allow deceased teachers' spouses to stay in the plan by paying the active contribution amount for a maximum of three years beyond the death of the retiree.

The District also provides for the continuance of medical, prescription drug and dental coverage for its retired administrators. The District pays 86.5% of the active contribution amount and the member pays the remaining 13.5%. Three retired administrators and their spouses are eligible to remain in the plan for their lifetimes. Other already retired administrators are eligible for the continuance of their medical prescription drug and dental coverage until age 65; spousal coverage for these other retired administrators ceases at the earlier of the retired member or spouse reaching age 65.



**WEST SHORE SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Net OPEB liability (Cont'd.)**

**District plan (Cont'd.)**

**Plan description (Cont'd.)**

Administrators retiring after July 1, 2006 with at least 15 years of service with the District are also eligible for the continuance of their medical and prescription drug coverage until reaching age 65. Spousal coverage for these administrators ceases at the earlier of the retired member or spouse reaching age 65. The District pays the full single contribution rate for the retired member until the earlier of 10 years after retirement or the member reaching age 65. If the spouse is on the plan, then the member must pay the difference between the single contribution rate and the two-party rate. After the ten years of the District paid benefit, the member and spouse can stay on the plan by paying the full contribution rate until age 65. In addition, administrators retiring after July 1, 2006 with at least 15 years of service to the District are eligible to continue their life insurance coverage for their lifetime. The life insurance coverage is based on the years of service to the District. The District pays the premiums in full, but the retiree is required to contribute the economic benefit value based on their age and amount of insurance coverage.

Retiree's premiums are less than the District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their dependents results in what is known as an "implicit rate subsidy," which creates an additional cost to the District.

Participant information	
Active participants	832
Vested former participants	0
Retired participants	<u>49</u>
	<u><u>881</u></u>

At retirement it is assumed that 95% of administrators, 45% of teachers and 25% of support staff are assumed to elect coverage.

**Funding policy**

The District funds Plan liabilities on a "pay-as-you-go" basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The District has no statutory or contractual obligation to fund the Plan and only does so at the District's discretion.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Net OPEB liability (Cont'd.)**

**District plan (Cont'd.)**

**Actuarial cost method**

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

The changes in the District's total OPEB liability are as follows:

District service cost	\$ 366,662
Interest	193,128
Changes in assumptions	4,160
Difference between expected and actual experience	(2,856,271)
Benefit payments	(292,988)
Other changes	<u>-</u>
Net changes	(2,585,309)
Net OPEB obligation - beginning	<u>5,962,248</u>
Net OPEB obligation - ending	<u>\$ 3,376,939</u>

At June 30, 2019, the District reported an OPEB District plan liability of \$ 3,376,939. The District recognized OPEB expense of \$ 362,055. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 242,082	\$ -
Difference between expected and actual experience	-	2,636,558
Benefit payments subsequent to the measurement date	<u>163,272</u>	<u>-</u>
	<u>\$ 405,354</u>	<u>\$ 2,636,558</u>

**WEST SHORE SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Net OPEB liability (Cont'd.)**

**District plan (Cont'd.)**

**Actuarial cost method (Cont'd.)**

In the year ended June 30, 2019, \$ 163,272 was reported as deferred outflows of resources related to OPEBs resulting from District benefit payments subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized as a reduction in OPEB expense for the year ended June 30 as follows:

	2020		\$ (197,735)
	2021		(197,735)
	2022		(197,735)
	2023		(197,735)
	2024		(197,735)
	Thereafter		(1,405,801)

**Actuarial assumptions**

Actuarial assumptions and methods used in the July 2018 actuarial valuation include the following:

Interest rate	2.98%
General inflation rate	2.50%
Wage increases	1% real growth, teachers and administrators a merit increase which varies by age from 2.75% and 0%.
Health care cost trend rate	6.00% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later

The rate of 2.98% is based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2018.

Actuarial evaluations on an ongoing basis involve estimates of the reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Net OPEB liability (Cont'd.)**

**District plan (Cont'd.)**

**Actuarial assumptions (Cont'd.)**

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the District and plan members to that point in time.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets.

The required schedule of funding progress in the other required supplementary information immediately following the notes to the financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable.

**Sensitivity of the net OPEB liability to change in healthcare cost trend rates**

The following presents the net OPEB liability of the District for June 30, 2019, calculated using current healthcare costs trends as well as what the net OPEB liability would be if health cost trends were 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 2,991,405	\$ 3,376,939	\$ 3,834,648

**Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.98%) or 1% point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
Net OPEB liability	\$ 3,647,569	\$ 3,376,939	\$ 3,122,951

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance**

At June 30, 2019, the District reported a liability of \$ 7,729,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .3707%, which was an increase of .0044 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized a reduction in OPEB expense of \$ 17,657. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 122,000	\$ -
Difference between expected and actual experience	47,954	-
Difference between projected and actual investment earnings	13,001	-
Changes in proportions	312,658	292,882
Difference between employer contributions and proportionate share of total contributions	-	10,612
Contributions subsequent to the measurement date	<u>432,449</u>	<u>-</u>
	<u>\$ 928,062</u>	<u>\$ 303,494</u>

In the year ended June 30, 2019, \$ 432,449 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

2019	\$	33,000
2020		33,000
2021		33,000
2022		31,000
2023		30,000
Thereafter		42,000

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)**

**Actuarial Assumptions**

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$ 1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$ 1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disable annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

**WEST SHORE SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)**

**Actuarial Assumptions (Cont'd.)**

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 Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB - 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	<u>1.3%</u>	0.4%
	<u>100%</u>	

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

**Discount rate**

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98%, 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.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)**

**Sensitivity of the System and District's net OPEB liability to change in Healthcare Cost Trend Rates**

Healthcare cost trends 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 per year. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$ 1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$ 1,200 per year. 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 Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what the net OPEB liability would be if health cost trends were 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	Between	Trend Rate	Between
	<u>4% to 6.75%</u>	<u>5% to 7.75%</u>	<u>6% to 8.75%</u>
System net OPEB liability (in thousands)	\$ 2,084,537	\$ 2,084,949	\$ 2,085,279
District net OPEB liability	7,727,000	7,729,000	7,730,000

**Sensitivity of the System and District's net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.98%) or 1% point higher (3.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>1.98%</u>	Discount Rate	<u>3.98%</u>
	<u>1.98%</u>	<u>2.98%</u>	<u>3.98%</u>
System net OPEB liability (in thousands)	\$ 2,371,118	\$ 2,084,949	\$ 1,847,409
District net OPEB liability	8,790,000	7,729,000	6,848,000



**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)**

**OPEB plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS *Comprehensive Annual Financial Report* which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

The combined OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to both OPEB plans are summarized below.

At June 30, 2019, the district reported a combined liability of \$ 11,105,939 for its net OPEB liability. The combined OPEB expense totaled \$ 344,398.

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

	Deferred Outflows of Resources		
	District Plan	PSERS Health Insurance Premium Assistance	Total
Changes in assumptions	\$ 242,082	\$ 122,000	\$ 364,082
Difference between expected and actual experience	-	47,954	47,954
Difference between projected and actual investment earnings	-	13,001	13,001
Changes in proportion	-	312,658	312,658
Contributions/benefit payments subsequent to the measurement date	163,272	432,449	595,721
	\$ 405,354	\$ 928,062	\$ 1,333,416

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS health insurance premium assistance (Cont'd.)**

**OPEB plan fiduciary net position (Cont'd.)**

	Deferred Inflows of Resources		
		PSERS Health Insurance Premium Assistance	Total
	District Plan		
Changes in assumptions	\$ -	\$ -	\$ -
Difference between expected and actual experience	2,636,558	-	2,636,558
Difference between projected and actual investment earnings	-	-	-
Changes in proportion	-	292,882	292,882
Difference between employer contributions and proportionate share of total contributions	-	10,612	10,612
	<u>\$ 2,636,558</u>	<u>\$ 303,494</u>	<u>\$ 2,940,052</u>

In the year ended June 30, 2019, \$ 595,721 was reported as deferred outflows of resources related to OPEB resulting from District contributions/benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ended June 30 as follows:

		PSERS Health Insurance Premium Assistance	Total
	District Plan		
2019	\$ -	\$ 33,000	\$ 33,000
2020	(197,735)	33,000	(164,735)
2021	(197,735)	33,000	(164,735)
2022	(197,735)	31,000	(166,735)
2023	(197,735)	30,000	(167,735)
2024	(197,735)	42,000	(155,735)
Thereafter	(1,405,801)	-	(1,405,801)

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

At June 30, 2019, the District reported a liability of \$ 177,954,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .3707%, which was a decrease of .0044 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$ 17,249,464. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 871,672	\$ 2,754,446
Difference between expected and actual experience	1,433,000	-
Changes in assumptions	3,315,711	-
Changes in proportions	6,091,370	1,526,166
Difference between employer contributions and proportionate share of total contributions	6,585	136,254
Contributions subsequent to the measurement date	<u>16,985,357</u>	<u>-</u>
	<u>\$ 28,703,695</u>	<u>\$ 4,416,866</u>

In the year ended June 30, 2019, \$ 16,985,357 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2019	\$ 4,191,000
2020	3,997,000
2021	(77,000)
2022	(680,000)

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)**

**Actuarial assumptions**

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

- 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 inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in June 30, 2017 valuation were based on the results of actuarial experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)**

**Actuarial assumptions (Cont'd.)**

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

<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)	<u>(20.0%)</u>	0.9%
	<u>100%</u>	

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

**Discount rate**

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

**WEST SHORE SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 JUNE 30, 2019

**LONG-TERM LIABILITIES (Cont'd.)**

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)**

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 220,588,000	\$ 177,954,000	\$ 141,907,000

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS *Comprehensive Annual Financial Report* which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**OPERATING LEASES**

The District has entered into several operating lease agreements in which it has agreed to lease certain pieces of equipment (predominantly copy machines and fiber optic transmission systems) over various time periods. The copier agreements contain termination and "lease-up" trade-in provisions which could allow the District to effectively change the terms of the agreements. Total operating lease payments included in General Fund expenditures for the year ended June 30, 2019 approximated \$ 305,000. Minimum lease rental payments for future years, assuming no voluntary terminations, are expected to be as follows:

2019-20	\$ 296,279
2020-21	79,240
2021-22	11,761
2022-23	4,183
2023-24	3,486
Total	\$ 394,949

The District subleases excess capacity (in the form of a royalty) in its Educational Broadband Station through September 2028 to a commercial entity. Under terms of the agreement, the District currently receives a royalty for the excess capacity in the amount of \$ 125,038 annually, increasing by 3% per year for the remaining term of the agreement.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**RISK MANAGEMENT**

**Health insurance**

The District self-insures its employees' medical, dental and prescription drug benefits and retains independent claims companies to administer the plans. The District obtains reinsurance coverage for the medical and prescription drug benefits through a commercial insurance company, reinsuring claims in excess of \$ 205,000 specific (per person). The District does not reinsure its dental benefits which are subject to a \$ 1,000 per participant liability per year. A summary of the District transactions is as follows:

Cash balance - medical, dental and drug expenses, July 1		\$ 2,704,766
District accruals through June 30 and employee co-share		10,630,652
Interest earned		22,670
Benefit claims paid, net of stop loss insurance proceeds	\$ (10,675,032)	
Stop loss insurance premiums	(515,744)	
Administrative and other fees, net	<u>(436,078)</u>	<u>(11,626,854)</u>
Cash balance - medical, dental and drug expenses, June 30		<u>\$ 1,731,234</u>

The amount available for benefit claims was as follows:

Accrual for benefit claims		\$ 589,421
Accrual for health insurance premiums on payroll payable		<u>1,042,300</u>
		1,631,721
Cash available for future benefit claims		<u>99,513</u>
Total cash available		<u>\$ 1,731,234</u>

Management maintains the accrued medical, dental and drug expenses at a level it believes will be sufficient to pay the estimated amounts of claims that will be incurred but not reported (IBNR). In estimating the expense accrual, management considers advice from its independent claims companies and any extraordinary claims that have been incurred or are expected to be incurred and paid from expendable available financial resources.

**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**RISK MANAGEMENT (Cont'd.)**

**Other insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For State unemployment compensation laws, the District is self-insured, which is a common practice for local governmental units. Any unemployment claims are paid by the District on a quarterly basis as incurred.

**COMMITMENTS AND CONTINGENCIES**

The terms of the District's contract with its teaching staff expires June 2020. The District's contract with its support staff was renewed through December 2020.

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. The District entered into a contract for the Red Mill HVAC and other construction projects during 2019 for a total cost of \$ 4,207,205. For the year ended June 30, 2019, the District incurred approximately \$ 2,984,873 in costs. The outstanding commitment at June 30, 2019 for this contract totals \$ 1,222,328.

In May 2017, the District adopted the facilities and feasibility study option number one, the feeder school concept. The study was an in-depth review of the school facilities that resulted in a plan for ensuring schools meet the needs of the students. The construction and associated costs will be completed in various phases beginning in 2019-2020 and continuing beyond 2026. The total estimated costs are \$ 218.3 million to \$ 246.7 million. In addition, the District has entered into an agreement with an underwriter to fund up to \$ 118,000,000 in general obligation bonds to begin Phase I and 2 of this project. To date contracts totaling \$ 21,871,103 have been issued and outstanding obligations due on these contracts at June 30, 2019 total \$ 20,096,083.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and review by the grantor agencies; therefore, any findings or adjustments by the grantor agencies could have an effect on the recorded grants receivable and/or deferred grant revenues, and on the related grant revenues and expenditures.

The District is named as a defendant in various lawsuits, all in the ordinary course of business. The District intends to vigorously defend itself against these actions. Legal counsel for the District has advised that they cannot offer an opinion as to the probable outcome of all such actions. In the opinion of management, the ultimate liabilities, if any, resulting from these claims will not have a material adverse effect on the financial position of the District.



**WEST SHORE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
JUNE 30, 2019

**SUBSEQUENT EVENTS**

In July 2019, the District entered into a capital lease totaling \$ 207,787 to purchase computers. The lease term is 4 years requiring annual payments totaling \$ 53,801.

In July 2019, the Board of Directors approved GO Bond Series 2019 in an amount not to exceed \$ 9,600,000 for building construction costs.

The District approved the purchase of land totaling about \$ 6,000,000 as part of District's major construction project.

**WEST SHORE SCHOOL DISTRICT**  
**BUDGETARY COMPARISON INFORMATION - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources - taxes	\$ 81,777,849	\$ 81,777,849	\$ 83,704,996	\$ 1,927,147
Local sources - other	2,423,160	2,423,160	3,531,657	1,108,497
State sources	32,678,135	32,678,135	32,509,608	(168,527)
Federal sources	1,394,304	1,394,304	1,788,806	394,502
Total revenues	<u>118,273,448</u>	<u>118,273,448</u>	<u>121,535,067</u>	<u>3,261,619</u>
<b>Expenditures</b>				
Regular programs	53,298,847	54,295,058	54,412,094	(117,036)
Special programs	16,599,822	16,599,822	17,468,180	(868,358)
Vocational programs	1,240,071	1,240,071	1,240,071	-
Other instructional programs	1,183,986	187,775	187,663	112
Non-public school program	18,063	28,835	28,835	-
Adult education programs	556,047	555,613	555,613	-
Pupil personnel	4,480,798	4,480,798	4,572,090	(91,292)
Instructional staff	1,401,705	1,164,530	1,164,530	-
Administration	7,334,780	7,007,338	7,007,338	-
Pupil health	1,962,742	2,055,483	2,055,483	-
Business	1,227,278	1,185,267	1,185,267	-
Operation and maintenance of plant	9,323,827	9,964,401	12,180,774	(2,216,373)
Student transportation	5,330,347	4,984,537	4,984,537	-
Support services - central	3,658,737	3,962,049	3,962,049	-
Other support services	92,826	90,986	90,986	-
Student activities	1,790,828	2,032,818	2,031,318	1,500
Community services	101,621	46,311	46,311	-
Capital outlay	501,625	618,803	618,803	-
Debt service (principal and interest)	3,376,091	3,376,091	3,814,790	(438,699)
Refunds of prior year's revenues	-	-	273	(273)
Total expenditures	<u>113,480,041</u>	<u>113,876,586</u>	<u>117,607,005</u>	<u>(3,730,419)</u>
Excess (deficiency) of revenues over expenditures	4,793,407	4,396,862	3,928,062	(468,800)
<b>Other financing sources (uses)</b>				
Proceeds of extended-term financing	157,905	157,905	119,100	(38,805)
Sale of fixed assets	-	-	160,764	160,764
Transfers in(out)	(4,651,988)	(4,555,443)	(4,825,000)	(269,557)
Budgetary reserve	(300,000)	-	-	-
Net changes in fund balances	(676)	(676)	(617,074)	(616,398)
Fund balance - beginning	<u>11,760,951</u>	<u>11,760,951</u>	<u>13,710,713</u>	<u>1,949,762</u>
Fund balance - ending	<u>\$ 11,760,275</u>	<u>\$ 11,760,275</u>	<u>\$ 13,093,639</u>	<u>\$ 1,333,364</u>

Note: Separately budgeted expenditures for school sponsored athletics are reflected as part of the student activities budget amounts.

**WEST SHORE SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN  
 LAST 10 FISCAL YEARS\*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered- Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered- Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2019	0.3707%	\$ 7,729,000	\$ 49,924,664	15.48%	5.56%
June 30, 2018	0.3663%	7,463,001	48,769,224	15.30%	5.73%

**Notes to Schedule**

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

**WEST SHORE SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 DISTRICT OPEB PLAN  
 LAST 10 FISCAL YEARS\*

Year Ended	District's Proportion of the Net OPEB Liability	District's Proportionate share of the Net OPEB Liability	District's Covered- Employee Payroll	District's proportionate share of the net OPEB Liability as a % of its Covered- Employee Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
June 30, 2019	100.00%	\$ 3,376,939	\$ 47,024,297	7.18%	100.00%
June 30, 2018	100.00%	5,962,248	43,556,499	13.69%	100.00%

**Notes to Schedule**

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

**WEST SHORE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN**  
**LAST 10 FISCAL YEARS\***

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered- Employee Payroll
June 30, 2019	\$ 414,792	\$ 414,792	\$ -	\$ 49,974,940	0.83%
June 30, 2018	362,205	362,205	-	43,639,157	0.83%

**Notes to Schedule**

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

**WEST SHORE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**DISTRICT OPEB PLAN**  
**LAST 10 FISCAL YEARS\***

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (excess)	District's Covered Payroll	Contributions as a % of the Covered- Employee Payroll
June 30, 2019	\$ 163,272	\$ 163,272	\$ -	\$ 47,024,297	0.35%
June 30, 2018	292,988	292,988	-	43,556,499	0.67%

**Notes to Schedule**

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period presented above.

2019	2.98%
2018	3.13%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year ending June 30, 2018, and, until a full 10-year trend is compiled, the School has only presented information for the years in which information is available.

**WEST SHORE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

Year Ended	District Proportion of the Net Pension Liability	District Proportionate Share of the Net Pension Liability	District's Covered Employee Payroll	District Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2019	0.3707%	\$ 177,954,000	\$ 49,924,664	356.44%	54.00%
June 30, 2018	0.3663%	180,910,001	48,769,224	370.95%	51.84%
June 30, 2017	0.3512%	174,044,141	45,486,864	382.63%	50.14%
June 30, 2016	0.3487%	151,039,699	44,867,367	336.64%	54.36%
June 30, 2015	0.3645%	144,271,714	46,514,777	310.16%	57.24%

**Notes to Schedule**

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**WEST SHORE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

Year Ended	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/ (Deficiency)	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2019	\$ 16,985,357	\$ 16,985,357	\$ -	\$ 52,102,322	32.60%
June 30, 2018	15,679,548	15,679,548	-	49,399,962	31.74%
June 30, 2017	13,861,115	13,861,115	-	47,469,572	29.20%
June 30, 2016	11,178,595	11,178,595	-	44,714,380	25.00%
June 30, 2015	9,016,230	9,016,230	-	44,028,029	20.50%

**Notes to Schedule**

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.