

**West Shore School District**

Year Ended June 30, 2020



# West Shore School District

## Financial Statements with Supplementary Information

Year Ended June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of School Directors  
**West Shore School District**  
New Cumberland, 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 aggregate remaining fund information of **West Shore School District** (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 65 and 66, the other postemployment benefits (OPEB) health care benefits plan information on pages 67 through 71, and the pension information on pages 72 through 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of **West Shore School District's** internal control over financial reporting and 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.

*Trout CPA*

January 19, 2021  
Lancaster, Pennsylvania

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
Year Ended June 30, 2020

The management of **West Shore School District** is pleased to present the following discussion and analysis of the School 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 School 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 30, 2020 and 2019. The MD&A also includes comparisons of current year financial activities to the previous year. The 2019 amounts are taken from our prior year MD&A and are otherwise not a part of the June 2020 financial statements. Dollar amounts in this summary are presented in millions to make it easier to read.

**FINANCIAL HIGHLIGHTS**

- During the 2019-2020 fiscal year, the School District made one transfer from the general fund to the capital reserve fund. The transfer of \$1,200,000 was to reduce the School District's unreserved fund balance from 2019-2020 below the 8% requirement under Act 48. The School District had a budgeted transfer from the general fund to the capital reserve fund in the amount of \$3,862,672 but was unable to transfer this amount because the net surplus of total revenues less expenditures was less than budgeted.
- During the 2019-2020 school year the School District continued work to revitalize infrastructure and capital equipment. 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 two new intermediate schools. The School District purchased property at Valley and Beinhower Roads for one of the new schools where construction should start in the fall of 2021. 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: heating system repairs.
  - Crossroads Middle School: A guaranteed energy savings agreement which included HVAC, LED lighting, building envelope, windows, fire alarm, interior painting, ceiling replacements, auditorium upgrades, and parking lot paving.
  - Roof replacement projects at Cedar Cliff High School and New Cumberland Middle School.
  - Red Land High School: Track replacement.
  - Fuel pump replacement at the transportation building.
  - Completion of the Red Mill Elementary guaranteed energy savings agreement which included HVAC, boilers, automation system, LED lighting, and building envelope upgrades.
  - Lowther Field: Work was completed on the installation of the new softball field at Lowther Field.
- The School District issued a new Bank Qualified Obligation Bond Series 2019 in the amount of \$8,855,000 to finance the projects in the feasibility study.

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**COVID-19 PANDEMIC**

On March 13, 2020, the Governor of Pennsylvania closed all schools due to the rise in the COVID-19 pandemic. The School District did not re-open in the traditional manner for the remainder of the school year. Distant Learning 1.0 was developed and provided to all students. All staff continued to receive their regular pay for the entire 2019-20 school year. The School District negotiated an amended transportation contract with First Student in which it continued to pay 85% of the original contract so that drivers would continue to receive paychecks. The food service department provided grab and go meals for all students, free of charge.

**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 through 16) provide information about the activities of the School District as a whole and presents a longer-term view of the School District's finances than fund statements.

Fund financial statements are presented on pages 17, 19 and 22 through 27. For governmental activities, these statements tell how School 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 School District for such things as scholarship grants and student activities.

The reconciliation of the governmental funds balance sheet on pages 20 and 21 connects governmental fund balance to the total net position balance from the statement of net position. The reconciliation shows the components of the changes in net position.

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

The funds statements provide financial information about the School District's significant funds rather than the School 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.

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**OVERVIEW of the FINANCIAL STATEMENTS (Continued)**

**The School District as Trustee**

The School District acts as fiduciary for two funds, a private purpose trust for scholarship monies, student activities funds, and includes a component unit, the West Shore Foundation. The Foundation is discussed in the notes to the financial statements beginning on page 28. 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 26 and 27.

**THE SCHOOL DISTRICT as a WHOLE**

Table A-1 summarizes and compares the 2020 statement of net position from pages 13 and 14 of the financial statements with the same measurements for 2019. 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 School District's net position is invested in capital assets. These terms are discussed on pages 44 and 45.

Table A-1  
Net Position  
June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 73.7	\$ 82.7	\$ 0.8	\$ 0.9	\$ 74.5	\$ 83.6
Capital assets	104.1	78.4	0.5	0.5	104.6	78.9
Total assets	177.8	161.1	1.3	1.4	179.1	162.5
Deferred charges on refunding	0.3	0.3	-	-	0.3	0.3
Deferred outflows for OPEB	26.2	1.3	0.5	-	26.7	1.3
Deferred outflows for pensions	1.5	28.2	0.0	0.5	1.5	28.7
Total deferred outflows of resources	28.0	29.8	0.5	0.5	28.5	30.4
Current and other liabilities	28.1	21.3	0.2	0.1	28.3	21.4
Long-term liabilities	245.1	239.6	3.4	3.5	248.5	243.1
Total liabilities	273.2	260.9	3.6	3.6	276.8	264.5
Deferred inflows for pensions	6.3	4.4	0.1	0.1	6.4	4.5
Deferred inflows for OPEB	2.7	2.9	-	-	2.7	2.9
Total deferred inflows of resources	9.0	7.3	0.1	0.1	9.1	7.5
Invested in capital assets (net of related debt)	54.2	23.2	0.5	0.5	54.7	23.7
Unrestricted (deficit)	(130.6)	(100.4)	(2.4)	(2.2)	(133.0)	(102.7)
Total net position (deficit)	\$ (76.4)	\$ (77.2)	\$ (1.9)	\$ (1.7)	\$ (78.3)	\$ (79.0)

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

During 2020, the governmental activities balance increased by \$806,889 bringing it to \$(76,437,886) at the end of 2020. The change is analyzed in Table A-2.

Table A-2 summarizes and compares activity presented in the statement of activities (pages 15 and 16). It shows the items that make up the \$806,889 operational increase in the total primary government net position balance.

Table A-2  
Changes in Net Position  
Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for services	\$ 0.7	\$ 0.8	\$ 0.9	\$ 1.3	\$ 1.6	\$ 2.1
Operating grants and contributions	21.8	20.8	2.0	2.0	23.8	22.7
Capital grants and contributions	0.1	0.1	-	-	0.1	0.1
<i>General Revenues</i>						
Taxes	86.5	83.8	-	-	86.5	83.8
State general subsidies	15.5	15.1	-	-	15.5	15.1
Other (net of transfers)	1.1	1.8	0.1	-	1.2	1.8
<b>Total Revenues</b>	<b>125.7</b>	<b>122.5</b>	<b>3.0</b>	<b>3.3</b>	<b>128.7</b>	<b>125.8</b>
<b>Direct Expenses</b>	<b>124.9</b>	<b>118.4</b>	<b>3.2</b>	<b>3.3</b>	<b>128.1</b>	<b>121.7</b>
<b>Changes in net position</b>	<b>\$ 0.8</b>	<b>\$ 4.1</b>	<b>\$ (0.2)</b>	<b>\$ -</b>	<b>\$ 0.6</b>	<b>\$ 4.1</b>

During 2020, total revenues for the governmental activities exceeded total direct expenses by \$958,342 compared with \$4,156,308 for 2019. There was a transfer from the governmental activities to the business-type activities fund of \$151,453 resulting in the net change of \$806,889. 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 \$102,319,757 must be recovered through general revenues, primarily taxes and state subsidies. These general revenues for 2020 were \$103,126,646 exceeding the cost by \$806,889.

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

Table A-3  
Governmental Activities  
Years Ended June 30, 2020 and 2019

	Total Cost of Services		Less: Program Revenues		Net Cost of Services	
	2020	2019	2020	2019	2020	2019
Classroom instruction	\$ 83.7	\$ 77.1	\$ 17.5	\$ 16.7	\$ 66.2	\$ 60.4
Instructional student support (Note 1)	9.5	8.1	1.4	1.2	8.1	6.9
Administrative and financial support	12.2	12.9	1.1	1.1	11.1	11.8
Operation and maintenance of buildings	10.5	12.4	0.5	0.6	10.0	11.8
Student transportation	4.8	4.3	1.7	1.6	3.1	2.6
Extracurricular student activities	1.8	2.1	0.3	0.4	1.5	1.7
Community services	0.1	-	-	-	0.1	-
Interest on long-term debt	1.9	1.1	0.1	0.1	1.8	1.0
Unallocated depreciation expense	0.4	0.4	-	-	0.4	0.4
<b>Total governmental activities</b>	<b>\$ 124.9</b>	<b>\$ 118.4</b>	<b>\$ 22.6</b>	<b>\$ 21.8</b>	<b>102.3</b>	<b>96.6</b>
Less state general subsidies					<u>15.5</u>	<u>15.1</u>
<b>Total needs from taxes and other local sources</b>					<b>\$ 86.8</b>	<b>\$ 81.5</b>

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

The total costs of governmental activities for 2020 were 5.5% higher than 2019, primarily due to increases in the cost for classroom instruction.

**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  
Years Ended June 30, 2020 and 2019

	Total Cost of Services		Less: Program Revenues		Net Cost of Services	
	2020	2019	2020	2019	2020	2019
Food services	\$ 3.2	\$ 3.3	\$ 2.9	\$ 3.3	\$ 0.3	\$ -
Less: Investment earnings					-	-
<b>Total business-type activities</b>					<b>\$ 0.3</b>	<b>\$ -</b>

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**SCHOOL DISTRICT'S FUNDS**

The information in Table A-5 summarizes and compares the governmental funds' balance sheets for June 30, 2020 and 2019.

Table A-5  
Comparative Fund Balances

	2020	2019	2019- 2020 Change
General Fund			
Nonspendable:			
Inventories	\$ 0.35	\$ 0.29	\$ 0.06
Prepaid expenses	0.38	0.34	0.04
Long-term receivable from Life insurance contracts	1.18	-	1.18
Committed to:			
Future retirement costs	0.50	0.50	-
Future medical costs	2.00	2.00	-
Assigned to:			
Athletics and concessions	0.04	0.01	0.03
Unassigned	<u>9.90</u>	<u>9.95</u>	<u>(0.05)</u>
Total General Fund	<u>14.35</u>	<u>13.09</u>	<u>1.26</u>
Capital Reserve Fund			
Committed to:			
Capital improvements and debt service	<u>17.12</u>	<u>22.05</u>	<u>(4.93)</u>
Total Capital Reserve Fund	<u>17.12</u>	<u>22.05</u>	<u>(4.93)</u>
Capital Projects Fund			
Restricted to:			
Capital projects	<u>13.37</u>	<u>24.76</u>	<u>(11.39)</u>
Total Capital Projects Fund	<u>13.37</u>	<u>24.76</u>	<u>(11.39)</u>
<b>Total Fund Balance</b>	<u><u>\$ 44.84</u></u>	<u><u>\$ 59.90</u></u>	<u><u>\$ (15.06)</u></u>

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 \$44,837,667 and the total net position of \$(76,437,886) (see Table A-1) are itemized in the reconciliation presented within the financial statements on page 18. The most significant difference relates to the inclusion of the net pension liability of \$172,712,000 in the statement of net position, but not the fund balance.

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**SCHOOL DISTRICT'S FUNDS (Continued)**

The capital reserve fund balance decreased from \$22,046,242 at the end of fiscal year 2019 to \$17,124,782 at the end of 2020. The capital expenditures were primarily used for capital improvements and included a transfer in from the general fund totaling \$1,200,000.

The capital projects fund balance decreased \$11,390,586. The capital expenditures were used for capital improvements. Revenues were generated from the issuance of bonds in the amount of \$8,855,000 and bond premiums in the amount of \$738,906.

**General Fund Budgetary Highlights**

Table A-6 has been summarized from the comparative budget information presented on page 65 of the other required supplemental information.

Table A-6  
Comparison of Budget to Actual  
Years Ended June 30, 2020 and 2019

	Budget		Actual		Variance	
	2020	2019	2020	2019	2020	2019
Total revenues	\$ 124.2	\$ 118.2	\$ 125.2	\$ 121.5	\$ 1.0	\$ 3.3
Total expenditures	128.6	113.9	128.6	117.6	-	(3.7)
Revenues over (under) expenditures	(4.4)	4.3	(3.4)	3.9	1.0	(0.4)
Other financing sources (uses)	4.2	(4.3)	4.7	(4.5)	0.5	(0.2)
Net changes in fund balances	\$ (0.2)	\$ -	\$ 1.3	\$ (0.6)	\$ 1.5	(0.6)

The variance between actual and budgeted revenues over (under) expenditures for fiscal year 2020 was favorable at \$985,130. The beginning fund balance was \$13,093,639. The actual net change in the general fund balance was an increase of \$1,254,244. Adding this to the beginning fund balance resulted in an ending fund balance of \$14,347,883.

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**CAPITAL ASSETS**

Table A-7 summarizes and compares the capital assets note to the financial statements on pages 44 and 45. 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	
	2020	2019
Land	\$ 8.8	\$ 3.0
Construction in progress	21.7	5.6
Buildings and site improvements	67.6	66.3
Furniture, fixtures, and equipment, library books, and transportation equipment	4.8	3.5
<b>Total Capital Assets, net of accumulated depreciation</b>	<b>\$ 102.9</b>	<b>\$ 78.4</b>

Capital assets, net of accumulated depreciation, increased by \$24,542,405 in 2020 over 2019.

**DEBT ADMINISTRATION**

Table A-8 summarizes the long-term liabilities note to the financial statements on pages 46 to 60 for 2020 and 2019. Most of the debt relates to general obligation bonds sold by the School 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 School District is rated by Moody's Investor Services as Aa3 Positive Outlook, the same as in 2019.

Table A-8  
Governmental Activities Long-Term Liability Comparison

	June 30	
	2020	2019
General obligation debt	\$ 57.9	\$ 51.6
Bond premium (discount)	4.2	3.9
Capital leases	0.2	0.1
Compensated absences	1.5	1.5
Net OPEB liability	11.2	10.9
<b>Net pension liability</b>	<b>172.7</b>	<b>174.7</b>
<b>Total governmental long-term liabilities</b>	<b>\$ 247.7</b>	<b>\$ 242.7</b>

**West Shore School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**DEBT ADMINISTRATION (Continued)**

Each year, the School District pays down a portion of its debt. The scheduled redemptions for 2020 totaled \$2,460,000. 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 46 through 60.

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

Table A-9 compares the 2021 budget, approved on June 11, 2020, to the final 2020 budget.

Table A-9  
Comparison of Budgets  
Years Ended June 30, 2021 and 2020

	2021	2020	Change in Dollars
Total revenues	\$ 124.7	\$ 124.2	\$ 0.5
Total expenditures	125.2	120.6	(4.6)
Revenues over (under) expenditures	(0.5)	3.6	(4.1)
Other financing sources (uses)	(0.1)	(3.9)	3.8
Net changes in fund balances	\$ (0.6)	\$ (0.3)	\$ (0.3)

The budget for 2020-2021 represents about the same revenues and a 2.3% increase in expenditures from the 2019-2020 budgeted amounts. The School District does not forecast any significant impact to its financial position in the near-term as a result of the on-going pandemic. The School District did take into consideration that the earned income tax revenue would be reduced in 2021 as compared to 2020. The School District lacks adequate information to make any long-term projections.

**CONTACTING the SCHOOL DISTRICT**

The School District's financial report is intended to provide the readers with a general overview of the School 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 School 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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 28,498,187	\$ 356,743	\$ 28,854,930
Investments	28,449,102	201,883	28,650,985
Taxes Receivable, net	9,013,473	-0-	9,013,473
Internal Balances	(84,842)	84,842	-0-
Due from Other Governments	7,042,054	81,065	7,123,119
Other Receivables	66,012	37	66,049
Inventories	345,999	67,379	413,378
Prepaid Expenses	383,046	-0-	383,046
	<u>73,713,031</u>	<u>791,949</u>	<u>74,504,980</u>
<b>Total Current Assets</b>	<b>73,713,031</b>	<b>791,949</b>	<b>74,504,980</b>
<b>Noncurrent Assets</b>			
Amounts Receivable from Life			
Insurance Contracts	1,178,674	-0-	1,178,674
Non-Depreciable Capital Assets	30,548,722	-0-	30,548,722
Depreciable Capital Assets, net	72,371,545	469,737	72,841,282
	<u>104,098,941</u>	<u>469,737</u>	<u>104,568,678</u>
<b>Total Noncurrent Assets</b>	<b>104,098,941</b>	<b>469,737</b>	<b>104,568,678</b>
<b>TOTAL ASSETS</b>	<b><u>177,811,972</u></b>	<b><u>1,261,686</u></b>	<b><u>179,073,658</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Loss on Bond Refunding, net of Accumulated			
Amortization	314,936	-0-	314,936
Pension	26,202,000	491,000	26,693,000
Other Postemployment Benefits	1,465,000	38,000	1,503,000
	<u>27,981,936</u>	<u>529,000</u>	<u>28,510,936</u>
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b><u>\$ 27,981,936</u></b>	<b><u>\$ 529,000</u></b>	<b><u>\$ 28,510,936</u></b>

See notes to financial statements.

# West Shore School District

## STATEMENT of NET POSITION

(Continued)

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 8,218,155	\$ 45,727	\$ 8,263,882
Payable to Other Governments	681,488	-0-	681,488
Current Portion of Long-Term Debt	2,542,000	-0-	2,542,000
Accrued Salaries and Benefits	15,168,652	-0-	15,168,652
Compensated Absences Due Within One Year	173,131	1,685	174,816
Current Portion of Capital Leases	79,536	-0-	79,536
Accrued Interest on Long-Term Debt	316,920	-0-	316,920
Unearned Revenues	<u>976,505</u>	<u>110,135</u>	<u>1,086,640</u>
<b>Total Current Liabilities</b>	<b>28,156,387</b>	<b>157,547</b>	<b>28,313,934</b>
<b>Noncurrent Liabilities</b>			
Bonds Payable, net of Unamortized Discount and Premium	59,644,482	-0-	59,644,482
Net Pension Liability	172,712,000	3,237,000	175,949,000
Long-Term Portion of Compensated Absences	1,345,943	9,551	1,355,494
Long-Term Portion of Capital Leases	133,982	-0-	133,982
Net Other Postemployment Benefits (OPEB) Liability	<u>11,228,000</u>	<u>182,000</u>	<u>11,410,000</u>
<b>Total Noncurrent Liabilities</b>	<b>245,064,407</b>	<b>3,428,551</b>	<b>248,492,958</b>
<b>TOTAL LIABILITIES</b>	<b><u>273,220,794</u></b>	<b><u>3,586,098</u></b>	<b><u>276,806,892</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Pension	6,286,000	118,000	6,404,000
Other Postemployment Benefits	<u>2,725,000</u>	<u>24,000</u>	<u>2,749,000</u>
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b><u>9,011,000</u></b>	<b><u>142,000</u></b>	<b><u>9,153,000</u></b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	54,200,205	469,737	54,669,942
Unrestricted (Deficit)	<u>(130,638,091)</u>	<u>(2,407,149)</u>	<u>(133,045,240)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (76,437,886)</u></b>	<b><u>\$ (1,937,412)</u></b>	<b><u>\$ (78,375,298)</u></b>

See notes to financial statements.

## West Shore School District

### STATEMENT of ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 83,743,583	\$ 409,841	\$ 17,105,443	\$ -0-	\$ (66,228,299)	\$ -0-	\$ (66,228,299)
Instructional Student Support	9,505,981	-0-	1,355,168	-0-	(8,150,813)	-0-	(8,150,813)
Administrative and Financial Support Services	12,242,045	-0-	1,076,927	-0-	(11,165,118)	-0-	(11,165,118)
Operation and Maintenance of Plant Services	10,518,422	91,751	430,771	-0-	(9,995,900)	-0-	(9,995,900)
Pupil Transportation	4,816,951	-0-	1,748,553	-0-	(3,068,398)	-0-	(3,068,398)
Student Activities	1,764,786	175,848	107,693	-0-	(1,481,245)	-0-	(1,481,245)
Community Services	100,326	-0-	-0-	-0-	(100,326)	-0-	(100,326)
Interest on Long-Term Debt	1,864,490	-0-	-0-	124,508	(1,739,982)	-0-	(1,739,982)
Depreciation - Unallocated*	389,676	-0-	-0-	-0-	(389,676)	-0-	(389,676)
<b>Total Governmental Activities</b>	<b>124,946,260</b>	<b>677,440</b>	<b>21,824,555</b>	<b>124,508</b>	<b>(102,319,757)</b>	<b>-0-</b>	<b>(102,319,757)</b>
Business-Type Activities:							
Food Service	<u>3,189,424</u>	<u>897,160</u>	<u>1,952,677</u>	<u>-0-</u>	<u>-0-</u>	<u>(339,587)</u>	<u>(339,587)</u>
<b>Total Government</b>	<b><u>\$ 128,135,684</u></b>	<b><u>\$ 1,574,600</u></b>	<b><u>\$ 23,777,232</u></b>	<b><u>\$ 124,508</u></b>	<b><u>\$ (102,319,757)</u></b>	<b><u>\$ (339,587)</u></b>	<b><u>\$ (102,659,344)</u></b>

\* Excludes depreciation charged directly to various functions.

See notes to financial statements.

**West Shore School District**

STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					\$ 66,039,502	\$ -0-	\$ 66,039,502
Public Utility Realty, Earned Income, and Other Taxes Levied for General Purposes, net					20,457,844	-0-	20,457,844
Unrestricted Grants and Subsidies					15,517,306	-0-	15,517,306
Unrestricted Investment Earnings					1,175,242	5,161	1,180,403
Miscellaneous Income					224,261	-0-	224,261
Loss on Capital Asset Dispositions					(136,056)	-0-	(136,056)
Transfers In (Out)					(151,453)	151,453	-0-
<b>Total General Revenues and Transfers</b>					<b>103,126,646</b>	<b>156,614</b>	<b>103,283,260</b>
<b>CHANGES in NET POSITION</b>					<b>806,889</b>	<b>(182,973)</b>	<b>623,916</b>
<b>NET POSITION</b>							
Beginning					(77,244,775)	(1,754,439)	(78,999,214)
Ending					<b>\$ (76,437,886)</b>	<b>\$ (1,937,412)</b>	<b>\$ (78,375,298)</b>

See notes to financial statements.

**West Shore School District**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2020

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Capital Projects Fund</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,938,511	\$ 1,222,682	\$ 17,336,994	\$ 28,498,187
Investments	11,926,466	16,522,636	-0-	28,449,102
Taxes Receivable, net	9,013,473	-0-	-0-	9,013,473
Due from Other Funds	66,611	1,200,000	-0-	1,266,611
Due from Other Governments	7,042,054	-0-	-0-	7,042,054
Other Receivables	66,012	-0-	-0-	66,012
Inventories	345,999	-0-	-0-	345,999
Prepaid Expenses	383,046	-0-	-0-	383,046
Amounts Receivable from Life Insurance Contracts	1,178,674	-0-	-0-	1,178,674
<b>TOTAL ASSETS</b>	<b><u>39,960,846</u></b>	<b><u>18,945,318</u></b>	<b><u>17,336,994</u></b>	<b><u>76,243,158</u></b>
<b>LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	2,425,627	1,820,536	3,971,992	8,218,155
Due to Other Funds	1,351,453	-0-	-0-	1,351,453
Accrued Salaries and Benefits	15,168,652	-0-	-0-	15,168,652
Payable to Other Governments	681,488	-0-	-0-	681,488
Unearned Revenues	976,505	-0-	-0-	976,505
<b>TOTAL LIABILITIES</b>	<b><u>20,603,725</u></b>	<b><u>1,820,536</u></b>	<b><u>3,971,992</u></b>	<b><u>26,396,253</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Unavailable Tax Revenue	5,009,238	-0-	-0-	5,009,238
<b>FUND BALANCES</b>				
Nonspendable	1,907,719	-0-	-0-	1,907,719
Restricted	-0-	-0-	13,365,002	13,365,002
Committed	2,500,000	-0-	-0-	2,500,000
Assigned	38,380	17,124,782	-0-	17,163,162
Unassigned	9,901,784	-0-	-0-	9,901,784
<b>TOTAL FUND BALANCES</b>	<b><u>14,347,883</u></b>	<b><u>17,124,782</u></b>	<b><u>13,365,002</u></b>	<b><u>44,837,667</u></b>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	<b><u>\$ 39,960,846</u></b>	<b><u>\$ 18,945,318</u></b>	<b><u>\$ 17,336,994</u></b>	<b><u>\$ 76,243,158</u></b>

See notes to financial statements.

**West Shore School District**

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
to the STATEMENT of NET POSITION  
June 30, 2020

Total fund balances - governmental funds \$ 44,837,667

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$199,338,044 and the accumulated depreciation is \$96,417,777. 102,920,267

Property, earned income, and per capita taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 5,009,238

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	(57,949,000)
Net Pension Liability	(172,712,000)
Accrued Interest on Long-Term Debt	(316,920)
Bond Discount, net of Amortization	9,643
Bond Premium, net of Amortization	(4,247,125)
Net Other Postemployment Benefits (OPEB) Liability	(11,228,000)
Compensated Absences	(1,519,074)
Capital Leases	(213,518)

Deferred outflows of resources - pension, OPEB, and loss on bond refunding are not due and payable in the current period and, therefore, are not reported in the funds. 27,981,936

Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds. (9,011,000)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (76,437,886)**

See notes to financial statements.

# West Shore School District

## STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Capital Reserve Fund	Capital Projects Fund	
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 65,868,827	\$ -0-	\$ -0-	\$ 65,868,827
Other Taxes	20,457,844	-0-	-0-	20,457,844
Investment Earnings	492,593	280,674	401,975	1,175,242
Other Revenue	2,573,112	-0-	-0-	2,573,112
Total Local Sources	89,392,376	280,674	401,975	90,075,025
State Sources	33,469,638	-0-	-0-	33,469,638
Federal Sources	2,325,320	-0-	-0-	2,325,320
<b>Total Revenues</b>	<b>125,187,334</b>	<b>280,674</b>	<b>401,975</b>	<b>125,869,983</b>
<b>EXPENDITURES</b>				
Instructional Services	78,956,359	-0-	-0-	78,956,359
Support Services	36,915,485	14,150	137,219	37,066,854
Noninstructional Services	1,835,971	-0-	-0-	1,835,971
Capital Outlay	6,215,363	6,387,984	15,381,078	27,984,425
Debt Service	4,726,749	-0-	-0-	4,726,749
<b>Total Expenditures</b>	<b>128,649,927</b>	<b>6,402,134</b>	<b>15,518,297</b>	<b>150,570,358</b>
<b>DEFICIENCY of REVENUES over EXPENDITURES</b>	<b>(3,462,593)</b>	<b>(6,121,460)</b>	<b>(15,116,322)</b>	<b>(24,700,375)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-0-	-0-	8,855,000	8,855,000
Proceeds from Capital Leases	207,787	-0-	-0-	207,787
Refund of Prior Year Revenue	(8,837)	-0-	-0-	(8,837)
Bond Premiums	-0-	-0-	738,906	738,906
Interfund Transfers In (Out)	4,516,717	1,200,000	(5,868,170)	(151,453)
Proceeds from Sale of Fixed Assets	1,170	-0-	-0-	1,170
<b>Net Other Financing Sources</b>	<b>4,716,837</b>	<b>1,200,000</b>	<b>3,725,736</b>	<b>9,642,573</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>1,254,244</b>	<b>(4,921,460)</b>	<b>(11,390,586)</b>	<b>(15,057,802)</b>
<b>FUND BALANCES</b>				
Beginning	13,093,639	22,046,242	24,755,588	59,895,469
<b>Ending</b>	<b>\$ 14,347,883</b>	<b>\$ 17,124,782</b>	<b>\$ 13,365,002</b>	<b>\$ 44,837,667</b>

See notes to financial statements.

## West Shore School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,  
EXPENDITURES, and CHANGES in FUND BALANCES  
to the STATEMENT of ACTIVITIES  
Year Ended June 30, 2020

Net changes in fund balances - total governmental funds \$ (15,057,802)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation in the period is as follows:

Remaining Basis of Capital Assets Disposed	(137,226)	
Depreciation Expense	(5,674,446)	
Capital Outlays	<u>30,354,078</u>	24,542,406

Because some property, earned income, and per capita taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 179,512

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (9,426,356)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,542,531

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. \$ (55,609)

See notes to financial statements.

## West Shore School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,  
EXPENDITURES, and CHANGES in FUND BALANCES  
to the STATEMENT of ACTIVITIES  
(Continued)  
Year Ended June 30, 2020

In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	\$ (21,705)
In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with net OPEB liability. Whereas in the governmental funds, OPEB expense is recorded when required contributions are payable. This amount represents the current OPEB obligation expense over amounts payable.	68,960
In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense over amounts payable.	<u>(1,965,048)</u>
<b>CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 806,889</u></b>

See notes to financial statements.

**West Shore School District**  
STATEMENT of NET POSITION - PROPRIETARY FUNDS  
June 30, 2020

	<u>Major Enterprise Fund</u> <u>Food Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 356,743
Investments	201,883
Due from Other Funds	84,842
Due from Other Governments	81,065
Other Receivables	37
Inventories	67,379
<b>Total Current Assets</b>	<u><b>791,949</b></u>
<b>Noncurrent Assets</b>	
Furniture, Fixtures and Equipment, net of Accumulated Depreciation	<u><b>469,737</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>1,261,686</b></u></u>
<b>DEFERRED OUTFLOWS of RESOURCES</b>	
Pension	491,000
Other Postemployment Benefits	38,000
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<u><u><b>529,000</b></u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	45,727
Compensated Absences Due Within One Year	1,685
Unearned Revenues	110,135
<b>Total Current Liabilities</b>	<u><b>157,547</b></u>
<b>Noncurrent Liabilities</b>	
Net Pension Liability	3,237,000
Net Other Postemployment Benefits (OPEB) Liability	182,000
Long-Term Portion of Compensated Absences	9,551
<b>Total Noncurrent Liabilities</b>	<u><b>3,428,551</b></u>
<b>TOTAL LIABILITIES</b>	<u><u><b>3,586,098</b></u></u>
<b>DEFERRED INFLOWS of RESOURCES</b>	
Pension	118,000
Other Postemployment Benefits	24,000
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<u><u><b>142,000</b></u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	469,737
Unrestricted (Deficit)	(2,407,149)
<b>TOTAL NET POSITION</b>	<u><u><b>\$ (1,937,412)</b></u></u>

See notes to financial statements.

# West Shore School District

STATEMENT of REVENUES, EXPENSES, and CHANGES in FUND NET POSITION -  
PROPRIETARY FUND  
Year Ended June 30, 2020

	<u>Major Enterprise Fund</u> Food Service Fund
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 897,160
<b>OPERATING EXPENSES</b>	
Salaries	908,078
Employee Benefits	604,863
Purchased Professional and Technical Services	70,846
Other Purchased Services	1,331,554
Supplies	211,913
Depreciation	59,381
Other Operating Expenses	<u>2,789</u>
<b>Total Operating Expenses</b>	<b><u>3,189,424</u></b>
<b>OPERATING LOSS</b>	<b>(2,292,264)</b>
<b>NONOPERATING REVENUES</b>	
Investment Earnings	5,161
State Sources	246,304
Federal Sources	<u>1,706,373</u>
<b>Net Nonoperating Revenues</b>	<b><u>1,957,838</u></b>
<b>LOSS BEFORE TRANSFERS</b>	<b>(334,426)</b>
<b>TRANSFERS IN</b>	<b><u>151,453</u></b>
<b>CHANGES in NET POSITION</b>	<b>(182,973)</b>
<b>NET POSITION</b>	
Beginning	<u>(1,754,439)</u>
<b>Ending</b>	<b><u>\$ (1,937,412)</u></b>

See notes to financial statements.

**West Shore School District**  
STATEMENT of CASH FLOWS - PROPRIETARY FUNDS  
Year Ended June 30, 2020

	<u>Major Enterprise Fund</u> Food Service Fund
<b>CASH FLOWS from OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 946,075
Cash Payments to Employees for Services	(1,456,692)
Cash Payments to Suppliers for Goods and Services	(1,459,515)
Cash Payments for Other Operating Expenses	<u>(2,789)</u>
<b>Net Cash Used by Operating Activities</b>	<b>(1,972,921)</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Acquisitions	<b>(26,390)</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	257,560
Federal Sources	<u>1,466,270</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,723,830</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>	
Investment Earnings	5,161
Purchase of Investments	<u>(211,289)</u>
<b>Net Cash Used by Investing Activities</b>	<b>(206,128)</b>
<b>DECREASE in CASH and CASH EQUIVALENTS</b>	<b>(481,609)</b>
<b>CASH and CASH EQUIVALENTS</b>	
Beginning	<u>838,352</u>
<b>Ending</b>	<b><u>\$ 356,743</u></b>

See notes to financial statements.

**West Shore School District**  
STATEMENT of CASH FLOWS - PROPRIETARY FUNDS  
(Continued)  
Year Ended June 30, 2020

	<u>Major Enterprise Fund</u> Food Service Fund
<b>RECONCILIATION of OPERATING LOSS to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>	
Operating Loss	\$ (2,292,264)
<b>ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>	
Depreciation	59,381
Donated Commodities Used	194,640
Pension-Related Changes Other than Periodic Pension Costs	27,781
OPEB-Related Changes Other than Periodic OPEB Costs	12,386
Decrease in Other Receivables	3,294
Increase in Inventory	(14,206)
Increase in Interfund Payables	18,829
Decrease in Accounts Payable	(25,636)
Increase in Unearned Revenue	41,850
Increase in Compensated Absences	<u>1,024</u>
<b>Total Adjustments</b>	<u><b>319,343</b></u>
<b>Net Cash Used by Operating Activities</b>	<u><b>\$ (1,972,921)</b></u>
<b>SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION</b>	
<b>NONCASH FINANCING ACTIVITIES</b>	
Receipt of USDA Donated Commodities	194,640

See notes to financial statements.

# West Shore School District

## STATEMENT of NET POSITION -

### FIDUCIARY FUNDS

June 30, 2020

	<b>Primary Government</b>		<b>Component Unit</b>
	<b>Private Purpose</b>	<b>Agency Fund</b>	<b>West Shore</b>
	<b>Trust Fund</b>		<b>Foundation Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,569	\$ 388,308	\$ 118,780
Investments	33,338	-0-	776,435
Prepaid Expenses	<u>-0-</u>	<u>-0-</u>	<u>5,821</u>
<b>TOTAL ASSETS</b>	<b><u>55,907</u></b>	<b><u>388,308</u></b>	<b><u>901,036</u></b>
<b>LIABILITIES</b>			
Accounts Payable	-0-	-0-	1,036
Due to Student Groups	<u>-0-</u>	<u>388,308</u>	<u>-0-</u>
<b>TOTAL LIABILITIES</b>	<b><u>-0-</u></b>	<b><u>388,308</u></b>	<b><u>1,036</u></b>
<b>NET POSITION</b>			
Restricted for Scholarships	55,907	-0-	-0-
Net Assets with Donor Restrictions	-0-	-0-	38,160
Unrestricted	<u>-0-</u>	<u>-0-</u>	<u>861,840</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 55,907</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 900,000</u></b>

See notes to financial statements.

## West Shore School District

### STATEMENT of CHANGES in FIDUCIARY NET POSITION - FIDUCIARY FUNDS Year Ended June 30, 2020

	Primary Government Private Purpose Trust Fund	Component Unit West Shore Foundation Fund
<b>ADDITIONS</b>		
Gifts and Contributions	\$ 1,675	\$ 225,859
Investment Income:		
Interest and Dividends	904	36,380
Net Depreciation in Fair Value of Investment	-0-	(15,724)
Investment Expenses	-0-	(8,390)
<b>Net Investment Income</b>	<b>904</b>	<b>12,266</b>
<b>Total Additions</b>	<b>2,579</b>	<b>238,125</b>
<b>DEDUCTIONS</b>		
Scholarships Awarded	2,200	5,000
Support for Education Programs	-0-	59,214
General and Administrative Services	-0-	13,511
Fundraising Expenses	-0-	54,802
<b>Total Deductions</b>	<b>2,200</b>	<b>132,527</b>
<b>CHANGES in NET POSITION</b>	<b>379</b>	<b>105,598</b>
<b>NET POSITION</b>		
Beginning	55,528	794,402
<b>Ending</b>	<b>\$ 55,907</b>	<b>\$ 900,000</b>

See notes to financial statements.

# West Shore School District

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

**West Shore School District** (the School 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 School 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 School District receives revenue from local, state, and federal sources and must comply with the requirements of these funding sources.

The accounting policies of **West Shore School District** conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### Reporting Entity

Consistent with guidance contained in Statement No. 14 of the GASB, *The Financial Reporting Entity*, as amended, the criteria used by the School District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the School District as defined below.

**Impose its Will** - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**Financial Benefit or Burden** - If the School District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the School District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reporting Entity (Continued)**

Based on the foregoing criteria, the School 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 accompanying basic fund financial statements. This separate column is used to emphasize that the Foundation is legally separate from the School 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 School District office.

**Joint Ventures**

The School District is a participant in four joint venture organizations, each of which is a separate legal entity that offers services to the School District and its residents. Each of these entities serves several school Districts and/or municipalities and therefore is 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 School Districts or others that use its services. Complete financial statements for these entities can be obtained from the respective entity's administrative office.

**Cumberland County Tax Bureau** provides earned income tax collection services. The amount paid for these services for the year ended June 30, 2020, was approximately \$287,000.

**Capital Area Intermediate Unit** provides special education services and programs. The amount paid for these services for the year ended June 30, 2020, was approximately \$1,374,000.

**Cumberland Perry Area Vocational Technical School** provides vocational and technical education services and programs. The amount paid for these services for the year ended June 30, 2020, was approximately \$1,321,000.

**Harrisburg Area Community College** provides community college education services and programs. The amount paid for these services for the year ended June 30, 2020, was approximately \$454,000. The School District also paid approximately \$56,000 for capital outlays.

**Basis of Presentation - Fund Accounting**

The accounts of the School 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 with a separate set of self-balancing accounts comprising each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

**Basis of Presentation - Financial Statements**

**Government-Wide Financial Statements**

Government-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 School 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.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Government-Wide Financial Statements (Continued)**

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are 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.

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.

**Fund Financial Statements**

Fund financial statements are also provided for governmental, proprietary, and fiduciary funds of the School District. Major individual governmental funds and 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 type.

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 School District considers tax revenue to be available if received within 60 days of the end of the fiscal period. Derived tax revenues (earned income taxes) are recognized when the underlying exchange transaction from which the tax revenue is derived occurs. In governmental funds, amounts not available to liquidate current period obligations are deferred. 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.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

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 School 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.

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

The School District has the following major governmental funds:

**General Fund** - The general fund is the principal operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

**Capital Reserve Fund** - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Capital Projects Fund** - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, related to bond funded construction projects.

The School District reports the following major proprietary fund:

**Food Service Fund** - This major proprietary fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

The School District reports the following fiduciary funds:

**Private Purpose Trust Fund** - This fund accounts for assets held by the School District in a trustee capacity. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

**Agency Fund** - This fund accounts for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

**Budgetary Accounting and Encumbrances**

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.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Accounting and Encumbrances (Continued)**

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The School 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 School 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.

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.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand and interest-bearing bank deposits, and short-term investments with original maturities of three months or less from the date of acquisition. They are carried at cost plus accrued interest, which approximates fair value.

**Investments**

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a-7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

The types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations.

**Taxes Receivable and Deferred Inflows of Tax Revenues**

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. An allowance of \$304,443 as of June 30, 2020, has been recorded for taxes receivable that are not considered to be fully collectible (Note 4).

# West Shore School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxes Receivable and Deferred Inflows of Tax Revenues (Continued)

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.

#### Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### Inventories and Prepaid Expenses

Inventories represent food and supplies and are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed in the food service fund and on the government-wide financial statements. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The costs of inventory items in governmental funds are recorded as expenditures when purchased. The inventory cost has been recorded as an asset in the governmental funds, offset by fund balance classified as nonspendable in an equal amount.

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

#### Capital Assets and Depreciation

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 government-wide financial statements. Capital assets are defined by the School 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. Donated assets are stated at acquisition value on the date donated.

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.

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

# West Shore School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Capital Assets and Depreciation (Continued)

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

Assets	Governmental Activities	Business-Type Activities
Site Improvements	15 - 20	-
Buildings and Improvements	20 - 40	-
Furniture, Fixtures and Equipment	3 - 15	3 - 12
Library Books	7	-
Transportation Equipment	8	-

#### Long-Term Obligations

In government-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 premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. They are categorized as gain or loss on bond refunding in the event that debt is refinanced. Amortization continues over the life of the new or refinanced debt, whichever is shorter.

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

#### 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 School 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 School District's deferred inflows of resources at June 30, 2020, 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 School District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 School District maintains records of unused leave and applies the contracted rate for employees eligible for termination payments. The School 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 fifty 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 School 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.

For governmental funds, that portion of unpaid compensated absences that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave is paid, and a corresponding liability reflected.

**Pension Plan**

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple-employer defined benefit and defined contribution pension plan. 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.

The School District made all required contributions for the year ended June 30, 2020, and has recognized them as expenditures in the governmental funds.

In the government-wide financial statements and in the proprietary funds, 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

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Other Postemployment Benefits (OPEB)**

##### ***Single-Employer Defined Benefit OPEB Plan***

The School District sponsors a single employer defined benefit OPEB plan. For purposes of measuring the total 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 OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

##### ***Cost-Sharing Multiple-Employer Defined Benefit Plan***

The School District participates in the Pennsylvania Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Program. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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.

#### **Net Position**

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

**Net Investment in Capital Assets** - 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 School 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.

#### **Fund Balance Classification**

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the School District is bound to honor constraints on how those funds can be spent. The School 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).

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cost-Sharing Multiple-Employer Defined Benefit Plan (Continued)***

**Fund Balance Classification (Continued)**

**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 School 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 School 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.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include taxes receivable, claims liability, depreciation, compensated absences, pension related items, and other postemployment benefits. Actual results could differ from those estimates.

**Current Year Changes in Accounting Principles**

During the current year, the School District adopted GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

**Pending Changes in Accounting Principles**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the School District's June 30, 2021, financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the School District's June 30, 2022, financial statements.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cost-Sharing Multiple-Employer Defined Benefit Plan (Continued)***

**Pending Changes in Accounting Principles (Continued)**

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the School District's June 30, 2022, financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this statement are effective for the School District's June 30, 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The provisions of this statement are effective for the School District's June 30, 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this statement are effective for the School District's June 30, 2022 financial statements.

The effects of implementation of these standards have not yet been determined.

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

Under Section 440.1 of the Public-School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

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

Certain other high-quality bank and corporate instruments.

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

The deposit and investment policy of the School District adheres to state statutes. There were no deposits or investment transactions during the year that were significant violations of either the state statutes or the policy of the School District.

**Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a written policy for custodial credit risk although the public-school code requires that all deposits of the School District, which are not insured, are collateralized by the depository institution. As of June 30, 2020, \$7,150,328 of the School District's bank balance of \$7,699,057 is exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>7,150,328</u>
	<b>7,150,328</b>

**Reconciliation of Cash and Cash Equivalents to the Financial Statements**

Uninsured Amount Above	7,150,328
Insured Amount	<u>548,729</u>
Bank Balance	7,699,057
Deposits in Transit	84
External Investment Pool Balances	
Classified as Cash and Cash Equivalents	22,179,412
Outstanding Checks	<u>(612,746)</u>
<b>Total Cash and Cash Equivalents per Financial Statements</b>	<b>29,265,807</b>

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)**

**Investments**

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District currently does not have any investments that are measured at fair value.

Investments measured at amortized cost are as follows at June 30, 2020:

<b>Investments Recorded at Amortized Cost</b>		<b>Maturity</b>
PLIGIT Class	2,541,654	<=397 days
PLIGIT ARM	17,349,721	<=397 days
PLIGIT Prime	28,684,323	<=397 days
PSDLAF/Max Series	<u>3,006,492</u>	<=397 days
<b>Total Investments at Amortized Cost</b>	<b>51,582,190</b>	
Less: Outstanding Checks	(718,455)	
Less: External Investment Pool		
Balances Classified as Cash and Cash Equivalents	<u>(22,179,412)</u>	
<b>Total Investments per the Financial Statements</b>	<b>28,684,323</b>	

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool’s share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) is a 2a7-like pool with respect to Max Series investments. The amortized cost, which approximates fair value of the pool, is determined by the pool’s share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PMA Financial Network, Inc. The pool is audited annually by PricewaterhouseCoopers, LLP, an independently elected public official.

**Restrictions on Qualified Investment Pool Withdrawals**

The School District’s investments in the PLGIT account are subject to a one-day holding period. The School District is limited to two withdrawals per calendar month from the PLGIT ARM and Prime accounts.

The School District has an investment in a qualified investment pool with PSDLAF. Except for direct deposits from the Commonwealth, investments in the PSDLAF/Max account are subject to a 14-day minimum holding period, and to penalty for early withdrawal. This requirement has been waived by the trust since inception.

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)**

**Interest Rate Risk**

The School District does not have a formal investment policy for interest rate risk, but generally limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The School District does not have an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the School District investments are rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PLIGIT (Class, ARM, and Prime)	AAAm
PSDLAF - Max Series	AAAm

**Concentration of Credit Risk**

The School District places no limit on the amount they may invest in any one issuer. On June 30, 2020, the School District does not have any concentrations of credit risk in its investments.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments subject to custodial credit risk on June 30, 2020.

**NOTE 3 - REAL ESTATE TAXES**

Based upon assessments provided by the Counties, the School District bills and collects its own property taxes. The School District tax rates for the year ended June 30, 2020, were 11.9487 and 14.6918 mills for Cumberland County and York County, respectively, as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2020, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Cumberland and York County Tax Claim Bureaus)

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES**

The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2020, are as follows:

	<b>Gross Taxes Receivable</b>	<b>Net Taxes Receivable</b>	<b>Revenue Recognized</b>	<b>Deferred Taxes</b>
Real Estate Taxes	2,200,261	2,150,687	623,349	1,527,338
Personal Taxes	328,910	74,041	6,794	67,247
Earned Income Taxes	<u>6,788,745</u>	<u>6,788,745</u>	<u>3,374,092</u>	<u>3,414,653</u>
<b>General Fund</b>	<b>9,317,916</b>	<b>9,013,473</b>	<b>4,004,235</b>	<b>5,009,238</b>
Full Accrual Adjustment	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,009,238)</u>
<b>Governmental Activities</b>	<b>9,317,916</b>	<b>9,013,473</b>	<b>4,004,235</b>	<b>-0-</b>

**NOTE 5 - INTERFUND ACCOUNTS**

Individual fund receivable and payable balances at June 30, 2020, are as follows:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund	66,611	1,351,453
Capital Reserve Fund	1,200,000	-0-
Food Service Fund	<u>84,842</u>	<u>-0-</u>
	<b>1,351,453</b>	<b>1,351,453</b>

A transfer is pending from the general fund to the capital reserve fund to set aside resources for future capital expenditures.

A transfer is pending from the food service fund to the general fund for reimbursement of expenses paid by the general fund.

A transfer is pending from the general fund to the food service fund for CARES Act funding.

Interfund transfers for the year ended June 30, 2020, are as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	5,868,170	1,351,453
Capital Reserve Fund	1,200,000	-0-
Capital Projects Fund	-0-	5,868,170
Food Service Fund	<u>151,453</u>	<u>-0-</u>
	<b>7,219,623</b>	<b>7,219,623</b>

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 5 - INTERFUND ACCOUNTS (Continued)**

Transfers from the general fund to the capital reserve fund were made to provide resources for future capital expenditures.

Transfers from the general fund to the food service fund were made to cover expenses in excess of revenue using CARES Act funding.

Transfers from the capital projects fund to the general fund were made to reimburse the general fund with bond proceeds for a land purchase.

**NOTE 6 - DUE from/to OTHER GOVERNMENTS**

Amounts due to other governments primarily represent payables to other school districts for tuition expenses and at June 30, 2020, totaled \$681,488.

Due from other governments are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Local Sources - Other Taxes	117,487	-0-	117,487
Local Sources - Other Items	870,677	-0-	870,677
State Sources	4,627,464	-0-	4,627,464
Federal Sources	<u>1,426,426</u>	<u>81,065</u>	<u>1,507,491</u>
	<b>7,042,054</b>	<b>81,065</b>	<b>7,123,119</b>

**NOTE 7 - AMOUNTS RECEIVABLE from LIFE INSURANCE CONTRACTS**

The School 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 School 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 School District is the owner of all the split-dollar endorsement insurance policies.

Upon the death or termination, other than retirement, of the employee, the School 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 School 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 \$1,178,674 at June 30, 2020. Because this asset does not represent a current financial resource to be used in the general fund, it is included in nonspendable fund balance as disclosed in Note 15.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 8 - CHANGES in CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	2,981,378	5,868,170	-0-	8,849,548
Construction in Progress	<u>5,566,670</u>	<u>19,344,286</u>	<u>3,211,782</u>	<u>21,699,174</u>
<b>Total Cost</b>	<b>8,548,048</b>	<b>25,212,456</b>	<b>3,211,782</b>	<b>30,548,722</b>
Capital Assets Being Depreciated:				
Site Improvements	7,064,833	219,400	-0-	7,284,233
Buildings and Improvements	134,305,278	5,249,221	82,862	139,471,637
Furniture, Fixtures, and Equipment	16,415,228	2,627,277	-0-	19,042,505
Library Books	1,806,028	37,648	-0-	1,843,676
Transportation Equipment	<u>1,357,480</u>	<u>157,897</u>	<u>368,106</u>	<u>1,147,271</u>
<b>Total Cost</b>	<b>160,948,847</b>	<b>8,291,443</b>	<b>450,968</b>	<b>168,789,322</b>
Accumulated Depreciation:				
Site Improvements	5,210,224	203,193	-0-	5,413,417
Buildings and Improvements	69,816,990	3,968,954	7,596	73,778,348
Furniture, Fixtures, and Equipment	13,194,712	1,467,433	-0-	14,662,145
Library Books	1,735,329	27,382	-0-	1,762,711
Transportation Equipment	<u>1,161,778</u>	<u>7,484</u>	<u>368,106</u>	<u>801,156</u>
<b>Total Accumulated Depreciation</b>	<b><u>91,119,033</u></b>	<b><u>5,674,446</u></b>	<b><u>375,702</u></b>	<b><u>96,417,777</u></b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>69,829,814</u></b>	<b><u>2,616,997</u></b>	<b><u>75,266</u></b>	<b><u>72,371,545</u></b>
<b>Net Capital Assets</b>	<b>78,377,862</b>	<b>27,829,453</b>	<b>3,287,048</b>	<b>102,920,267</b>

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 8 - CHANGES in CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	1,133,735	26,390	2,175	1,157,950
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>631,007</u>	<u>59,381</u>	<u>2,175</u>	<u>688,213</u>
<b>Net Capital Assets</b>	<b>502,728</b>	<b>(32,991)</b>	<b>-0-</b>	<b>469,737</b>

Depreciation expenses were charged to programs/functions as follows:

**Governmental Activities:**

Instruction	3,318,510
Instructional Student Support	422,847
Administration and Financial Services	1,145,114
Operation and Maintenance of Plant	338,631
Pupil Transportation	43,070
Student Activities	16,598
Unallocated Depreciation Expense	<u>389,676</u>
	<b>5,674,446</b>

**NOTE 9 - ACCRUED SALARIES and BENEFITS**

At June 30, 2020, the School District was liable for \$5,355,906 of payroll, which is payable during July and August 2020, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2020, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and bonuses. The School District was also liable for the benefits on payroll paid prior to or accrued as of June 30, 2020.

Accrued salaries and benefits as of June 30, 2020, are as follows:

Accrued Salaries	5,355,906
Accrued Benefits:	
Retirement	7,245,156
Medical and Dental	2,162,261
Other Benefits	<u>405,329</u>
	<b>15,168,652</b>

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 10 - UNEARNED REVENUES**

Unearned revenues consist of the following as of June 30, 2020:

	General Fund	Food Service Fund	Total
Federal Grants	963,969	-0-	963,969
Miscellaneous School Funds	12,536	-0-	12,536
Prepaid Student Lunches	<u>-0-</u>	<u>110,135</u>	<u>110,135</u>
	<b>976,505</b>	<b>110,135</b>	<b>1,086,640</b>

**NOTE 11 - LONG-TERM DEBT**

**General Obligation Debt**

The School District issues general obligation bonds and notes to provide funds for major capital improvements. These bonds and notes are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2020, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2020	Balance Due Within One Year
Series of 2016 Bonds	September 15, 2028	1.65% - 2.00%	9,450,000	50,000
Series A of 2016 Note	August 15, 2021	1.20% - 1.35%	2,249,000	1,117,000
Series A of 2017 Bonds	November 15, 2028	2.00% - 5.00%	14,595,000	1,340,000
Series of 2018 Bonds	November 15, 2048	2.05% - 5.00%	22,800,000	30,000
Series of 2019 Bonds	November 15, 2048	2.00% - 4.00%	<u>8,855,000</u>	<u>5,000</u>
			<b>57,949,000</b>	<b>2,542,000</b>

In May 2017, the School District approved the sale of bonds up to a maximum aggregate principal amount of \$118,000,000. The School District is authorized to issue multiple series of bonds over multiple years. To date the School District has issued \$47,560,000 in bonds. The purpose of the debt is funding of capital projects of the School District and paying the related costs related to the issuance of bonds.

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 11 - LONG-TERM DEBT (Continued)**

Long-term obligation activity can be summarized as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2020</b>
<b>Governmental Activities</b>				
General Obligation Debt	51,554,000	8,855,000	2,460,000	57,949,000
Bond Premium	3,909,339	738,906	401,120	4,247,125
Bond Discount	(12,128)	-0-	(2,485)	(9,643)
Capital Lease Obligations	88,262	207,787	82,531	213,518
Estimated Liability for Compensated Absences	<u>1,497,369</u>	<u>187,293</u>	<u>165,588</u>	<u>1,519,074</u>
<b>Total Governmental Activities</b>	<b>57,036,842</b>	<b>9,988,986</b>	<b>(3,106,754)</b>	<b>63,919,074</b>
<b>Business-Type Activities</b>				
Estimated Liability for Compensated Absences	<u>10,212</u>	<u>4,169</u>	<u>3,145</u>	<u>11,236</u>
<b>Total Government</b>	<b>57,047,054</b>	<b>9,993,155</b>	<b>(3,109,899)</b>	<b>63,930,310</b>

The School District pays the long-term obligations of the governmental activities from the general fund and the long-term obligations of the business-type activities from the food service fund.

Annual debt service requirements to maturity for the above governmental general debt obligations are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	2,542,000	2,227,360	4,769,360
2022	2,627,000	2,141,764	4,768,764
2023	2,780,000	2,047,723	4,827,723
2024	2,880,000	1,947,406	4,827,406
2025	2,985,000	1,843,974	4,828,974
2026-2030	13,790,000	7,922,191	21,712,191
2031-2035	5,565,000	6,531,275	12,096,275
2036-2040	7,045,000	5,054,000	12,099,000
2041-2045	8,915,000	3,179,475	12,094,475
2046-2049	<u>8,820,000</u>	<u>859,600</u>	<u>9,679,600</u>
	<b>57,949,000</b>	<b>33,754,768</b>	<b>91,703,768</b>

# West Shore School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

##### *General Information about the OPEB Plan*

##### **Plan Description**

The School District maintains a single employer defined benefit OPEB plan to provide postemployment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

##### **Benefits Provided**

Under the collective bargaining agreements with the School District's teachers and with its support staff, the School District provides for the continuance of medical, prescription drug and dental coverage for employees with 15 years of service with the School 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 School District also provides for the continuance of medical, prescription drug and dental coverage for its retired administrators. The School 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.

Administrators retiring after July 1, 2006, with at least 15 years of service with the School 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 School 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 School 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 School 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 School District. The School 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.

##### **Employees Covered by Benefit Terms**

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	49
Inactive Employees Entitled to but not yet Receiving Benefits	-0-
Active Employees	<u>832</u>
	<b>881</b>

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Total OPEB Liability**

The School District's total OPEB liability of \$3,411,000 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2018, actuarial valuation rolled forward to the July 1, 2019, measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.36%, Based on S&P municipal bond 20-year high grade rate index.

Long Term Expected Rate of Return: N/A, the plan is unfunded.

Actuarial Cost Method: Entry age normal, level percent of pay.

Healthcare Cost Trend: 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries long-run medical cost trend model.

Retirees' Share of Benefit-Related Costs: 100.0% of premium.

Mortality Rates: RP-2014 mortality tables for males and females adjusted for mortality improvement using the Buck Modified 2016 projection scale.

The actuarial assumptions used in the July 1, 2018 valuation and rolled forward to the July 1, 2019 measurement date were based on the results of an actuarial experience study for the period ended July 1, 2018.

**Changes in the Total OPEB Liability**

<b>Balance, June 30, 2019</b>	<b>3,377,000</b>
Changes for the Year	
Service Cost	195,000
Interest	104,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	(102,000)
Benefit Payments	<u>(163,000)</u>
<b>Net Changes</b>	<b><u>34,000</u></b>
<b>Balance, June 30, 2020</b>	<b>3,411,000</b>

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the School District for the single-employer plan, as well as what the School District’s total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

**Total OPEB Liability**

2.36% Discount Rate (1% Decrease)	3,683,000
3.36% Discount Rate (Current Rate)	3,411,000
4.36% Discount Rate (1% Increase)	3,155,000

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the School District’s single-employer plan, as well as what the School District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

**Total OPEB Liability**

4.5% (1% Decrease)	2,997,000
5.5% (Current Rate)	3,411,000
6.5% (1% Increase)	3,904,000

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**

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

**Health Insurance Premium Assistance Program**

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

**Premium Assistance Eligibility Criteria**

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

- Have 24½ 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.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**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, 2019, there were no assumed future benefit increases to participating eligible retirees.

**Employer Contributions**

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$449,000 for the year ended June 30, 2020.

**OPEB Liabilities and OPEB Expense**

At June 30, 2020, the School District reported a liability of \$7,999,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School 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, 2020, the School District's proportion was 0.3761 percent, which was an increase of 0.0054 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$458,000 related to this plan.

**Actuarial Assumptions**

The total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry age normal, level percent of pay.

Investment Return: 2.79%, based on the 20-year S&P 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: Applied to retirees with less than \$1,200 in Premium Assistance per year.

Mortality Rates: 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%.

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Actuarial Assumptions (Continued)**

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 2019.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

Asset valuation method: Market Value.

Participation Rate: 63% of eligible retirees are assumed to elect premium assistance.

Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

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

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the System’s 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.

<b>OPEB - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	13.20%	0.20%
US Core Fixed Income	83.10%	1.00%
Non-US Developed Fixed	<u>3.70%</u>	0.00%
	<b>100.00%</b>	

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

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20-year municipal bond rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the School District’s proportionate share of the net OPEB liability, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

**Net OPEB Liability**

1.79% Discount Rate (1% Decrease)	9,133,000
2.79% Discount Rate (Current Rate)	7,999,000
3.79% Discount Rate (1% Increase)	7,076,000

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped as a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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 minimal impact on the following healthcare cost trends.

The following presents the School District’s proportionate share of the net OPEB liability, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

**Net OPEB Liability**

1% Decrease	7,998,000
Current Rate	7,999,000
1% Increase	8,000,000

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**OPEB Plan Fiduciary Net Position**

Detailed information about the PSERS OPEB plan’s fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System’s website at [www.psers.pa.gov](http://www.psers.pa.gov).

**AGGREGATE OPEB INFORMATION**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the School District recognized OPEB expense of \$552,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions and Benefit Payments After the Measurement Date	608,000	-0-
Differences Between Expected and Actual Experience	44,000	2,417,000
Changes of Assumptions	485,000	332,000
Difference Between Projected and Actual Investment Earnings	13,000	-0-
Changes in Proportion	<u>353,000</u>	<u>-0-</u>
	<b>1,503,000</b>	<b>2,749,000</b>

An amount of \$608,000 reported as deferred outflows of resources related to OPEB resulting from the School District’s benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (decrease) in OPEB expense as follows:

Year Ended June 30:	
2021	(128,000)
2022	(128,000)
2023	(129,000)
2024	(129,000)
2025	(119,000)
Thereafter	(1,221,000)

## West Shore School District

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 13 - DEFINED BENEFIT PENSION PLAN

##### *General Information about the Pension Plan*

##### **Plan Description**

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by PSERS. PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. 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 2.0% 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 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

##### **Contributions**

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to four membership classes. Class T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

**West Shore School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Member Contributions**

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

Members who joined the plan 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 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 School Districts' contractually required contribution rate for fiscal year ended June 30, 2020, was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$18,034,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$175,949,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was .3761 percent, which was an increase of .0054 percent from its proportion measured as of June 30, 2019.

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2020, the School District recognized pension expense of \$20,027,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	969,000	5,832,000
Changes in Assumptions	1,682,000	-0-
Net Difference Between Projected and Actual Investment Earnings	-0-	504,000
Changes in Proportion	5,901,000	-0-
Difference Between Employer Contributions and Proportionate Share of Total Contributions	107,000	68,000
Contributions Subsequent to the Measurement Date	<u>18,034,000</u>	<u>-0-</u>
	<b>26,693,000</b>	<b>6,404,000</b>

An amount of \$18,034,000 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase or (decrease) in pension expense as follows:

Year Ended June 30:	
2020	3,587,000
2021	(546,000)
2022	(1,096,000)
2023	310,000

**Actuarial Assumptions**

The total pension liability as of June 30, 2019, was determined by rolling forward PSERS's total pension liability as of June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Long Term Expected Rate of Return: 7.25%, includes inflation at 2.75%.

Actuarial Cost Method: Entry age normal, level percent of pay.

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: 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.

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions (Continued)**

There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2019. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Public Equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real Estate	10.0%	4.1%
Alternative Investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	<u>(20.0%)</u>	0.7%
	<b>100.0%</b>	

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

**Discount Rate**

The discount rate used to measure the 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

(Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Sensitivity of the School 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 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
School District's Proportionate Share of the Net Pension Liability	219,164,000	175,949,000	139,357,000

**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 PSERS' website at [www.psers.pa.gov](http://www.psers.pa.gov).

**Payable to the Pension Plan**

At June 30, 2020, the School District reported a payable of \$7,245,156 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2020. These amounts relate to the second quarter of 2020 and are payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania.

**Pension Reform**

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, are required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

Membership Class T-G, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-G member contribution rates into the defined benefit plan can fluctuate between 2.5% and 8.5% (5.5% currently). In addition, employees electing this class contribute 2.75% into the defined contribution plan. The School District is required to contribute 2.25% into the defined contribution plan. This is the default option.

Membership Class T-H, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-H member contribution rates into the defined benefit plan can fluctuate between 1.5% and 7.5% (4.5% currently). In addition, employees electing this class contribute 3.00% into the defined contribution plan. The School District is required to contribute 2.00% into the defined contribution plan.

Membership Class DC, the defined contribution option, requires that employees electing this class contribute 7.5% into the defined contribution plan and the School District will contribute 2.00%.

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Reform (Continued)**

The School District will continue to contribute to the defined benefit portion of PSERS based on an actuarially determined contribution rate which will continue to be calculated as a percent of all compensation of PSERS eligible employees but now reduced by the amounts already remitted to the defined contribution plan portion.

The total School District contribution into the defined contribution plan portion of PSERS was \$27,660 for the year ended June 30, 2020.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

**NOTE 14 - CAPITAL LEASE OBLIGATIONS**

The School District leases computer equipment under various capital lease arrangements. Lease amortization is included in depreciation expense. The leases are secured by the leased computer equipment for the year ended June 30, 2020, as follows:

Lease	Annual Payment	Period	Nominal Interest Rate	Cost	Accumulated Depreciation
1	30,838	July 2021	2.39%	119,000	76,092
2	53,801	July 2022	2.39%	<u>207,787</u>	<u>69,262</u>
				<b>326,787</b>	<b>145,354</b>

The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2020:

	2021	84,639
	2022	84,639
	2023	<u>53,801</u>
Minimum Lease Payments for all Capital Leases		223,079
Amount Representing Interest		<u>(9,561)</u>
<b>Present Value of Minimum Lease Payments</b>		<b>213,518</b>
	Current Maturities	79,536
	Long-Term Portion	133,982

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 15 - FUND BALANCE CLASSIFICATIONS**

Nonspendable fund balance consists of amounts that cannot be spent, either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2020, the School District has included the following as nonspendable fund balances:

General Fund - Inventory	345,999
General Fund - Prepaid Expense	383,046
General Fund - Long-Term Receivable from Life Insurance Contracts	<u>1,178,674</u>
	<b>1,907,719</b>

Restricted fund balance represents fund balances that can only be used for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers. At June 30, 2020, the School District has included the following as restricted fund balances:

Capital Projects Fund - Capital Outlays	13,365,002
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Committed fund balances represent fund balances that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority. At June 30, 2020, the School District has included the following as committed fund balances:

General Fund - Committed to Offset Future Retirement Contributions Rate Increases	500,000
General Fund - Committed for Future Healthcare Costs	<u>2,000,000</u>
	<b>2,500,000</b>

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official body to which the governing body delegates authority. At June 30, 2020, the School District has included the following as assigned fund balances:

General Fund - Assigned for Athletics	16,389
General Fund - Assigned for Concessions	21,991
Capital Reserve Fund - Assigned for Capital Outlays	<u>17,124,782</u>
	<b>17,163,162</b>

**West Shore School District**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 16 - OPERATING LEASES**

The School 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 School District to effectively change the terms of the agreements. Total operating lease payments included in General Fund expenditures for the year ended June 30, 2020 approximated \$307,000. Minimum lease rental payments for future years as of June 30, 2020, assuming no voluntary terminations, are as follows:

2021	306,479
2022	11,761
2023	4,183
2024	<u>3,486</u>
<b>Total</b>	<b>325,909</b>

The School 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 School District currently receives a royalty for the excess capacity in the amount of \$128,789 annually, increasing by 3% per year for the remaining term of the agreement.

**NOTE 17 - RISK MANAGEMENT**

**Health Insurance**

The School District self-insures its employees’ medical, dental and prescription drug benefits and retains independent claims companies to administer the plans. The School District obtains reinsurance coverage for the medical and prescription drug benefits through a commercial insurance company, reinsuring claims in excess of \$205,000 per individual. The School District does not reinsure its dental benefits which are subject to a \$1,000 per participant liability per year.

A liability for claims incurred prior to June 30, 2020, and subsequently paid is recorded in the amount of \$1,270,967 in accounts payable in the general fund. For the year ended June 30, 2019, the liability for claims incurred prior to June 30, 2019, and subsequently paid was \$589,421.

Changes in the School District’s claims liability amount in fiscal years 2020 and 2019 are:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2018-2019	962,559	10,301,894	10,675,032	589,421
2019-2020	589,421	11,174,362	10,492,816	1,270,967

## **West Shore School District**

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### **NOTE 17 - RISK MANAGEMENT (Continued)**

##### **Health Insurance (Continued)**

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.

##### **Other Insurance**

The School 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 School 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 School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

#### **NOTE 18 - COMMITMENTS and CONTINGENCIES**

##### **General**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The School District has continued operations within rigid guidelines aimed at halting the spread of the virus. At this point, the future impact of COVID-19 on the School District's operations and financial condition cannot be estimated. The School District's management is monitoring the evolving situation and adapting operations and decision making, as necessary.

The School District is named as a defendant in various lawsuits, all in the ordinary course of business. The School District intends to vigorously defend itself against these actions. Legal counsel for the School 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 School District.

##### **Collective Bargaining Agreements**

The School District has entered into collective bargaining agreements with the West Shore Education Association (WSEA) and the District Council 89 of the American Federation of State, County & Municipal Employees, AFL-CIO (AFSCME). The agreement with the WSEA in effect is for the period of September 1, 2014 through August 31, 2020 and was extended through August 31, 2021 during the year ended June 30, 2020. The AFSCME agreement in effect is for the period of July 1, 2020 through June 30, 2024. The agreements stipulate the overall working conditions as well as the provisions for wages and employee benefits for the School District's professional and support staff for the terms of the contracts.

**West Shore School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 18 - COMMITMENTS and CONTINGENCIES (Continued)**

**Capital Projects**

In May 2017, the School 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 that began during the year ended June 30, 2020 and will continue beyond 2026. The total estimated costs are \$218.3 million to \$246.7 million. In addition, the School 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 as described in Note 11. The School District has entered into various contracts for these and other projects. The amount remaining on the outstanding contracts is approximately \$15,598,000 as of June 30, 2020.

**Grant Programs**

The School 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.

**Transportation Contract**

The School District has entered into an agreement for the transportation of school pupils. The Agreement is for the period of December 16, 2013 through June 30, 2018 and was extended through June 30, 2023. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract. The transportation services expense related to this contract was approximately \$3,930,000 for the year ended June 30, 2020, which included a cost reduction from the original contract based on an amended agreement due to the COVID-19 impact.

**NOTE 19 - SUBSEQUENT EVENTS**

On September 3, 2020, the School District issued Series of 2020 General Obligation Bonds, which was the next series to fund capital projects as further described in Note 11. The bond issue totaled \$60,085,000 with interest rates of 2.00% - 4.00% and has a final maturity of November 15, 2048. Annual debt service requirements to maturity for Series of 2020 General Obligation Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	5,000	1,740,710	1,745,710
2022	60,000	2,485,800	2,545,800
2023	5,000	2,484,825	2,489,825
2024	5,000	2,484,625	2,489,625
2025	5,000	2,484,375	2,489,375
2026-2030	1,980,000	12,368,000	14,348,000
2031-2035	11,220,000	10,622,725	21,842,725
2036-2040	13,800,000	8,024,800	21,824,800
2041-2045	16,860,000	4,969,400	21,829,400
2046-2049	<u>16,145,000</u>	<u>1,323,700</u>	<u>17,468,700</u>
	<b>60,085,000</b>	<b>48,988,960</b>	<b>109,073,960</b>

# West Shore School District

## SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - BUDGET and ACTUAL - GENERAL FUND Year Ended June 30, 2020

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 65,457,013	\$ 65,457,013	\$ 65,868,827	\$ 411,814
Other Taxes	19,254,657	19,254,657	20,457,844	1,203,187
Investment Earnings	600,000	600,000	492,593	(107,407)
Other Revenue	<u>2,779,612</u>	<u>2,779,612</u>	<u>2,573,112</u>	<u>(206,500)</u>
Total Local Sources	88,091,282	88,091,282	89,392,376	1,301,094
State Sources	33,966,294	33,966,294	33,469,638	(496,656)
Federal Sources	<u>2,144,628</u>	<u>2,144,628</u>	<u>2,325,320</u>	<u>180,692</u>
<b>Total Revenues</b>	<b><u>124,202,204</u></b>	<b><u>124,202,204</u></b>	<b><u>125,187,334</u></b>	<b><u>985,130</u></b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	57,572,999	57,015,219	57,015,219	-0-
Special Programs	17,272,478	19,953,872	19,953,872	-0-
Vocational Programs	1,321,470	1,324,095	1,324,095	-0-
Other Instructional Programs	194,079	119,960	119,960	-0-
Non-Public School Programs	15,000	33,370	33,370	-0-
Adult Education Programs	511,355	509,843	509,843	-0-
Support Services:				
Pupil Personnel Services	4,875,765	4,987,488	4,987,488	-0-
Instructional Staff Services	1,250,350	1,759,515	1,759,515	-0-
Administrative Services	7,616,012	7,315,480	7,315,480	-0-
Pupil Health	2,281,429	2,306,176	2,306,176	-0-
Business Services	1,294,705	1,324,105	1,324,105	-0-
Operation of Plant and Maintenance Services	10,139,509	10,832,294	10,832,294	-0-
Student Transportation Services	5,352,314	4,772,860	4,772,860	-0-
Central and Other Business Services	3,632,192	3,617,567	3,617,567	-0-
Noninstructional Services:				
Student Activities	1,897,579	1,737,515	1,737,515	-0-
Community Service	103,782	98,456	98,456	-0-
Capital Outlay	713,100	6,215,363	6,215,363	-0-
Debt Service (Principal and Interest)	<u>4,531,472</u>	<u>4,726,749</u>	<u>4,726,749</u>	<u>-0-</u>
<b>Total Expenditures</b>	<b><u>120,575,590</u></b>	<b><u>128,649,927</u></b>	<b><u>128,649,927</u></b>	<b><u>-0-</u></b>
<b>EXCESS (DEFICIENCY) of REVENUES     over EXPENDITURES</b>	<b>3,626,614</b>	<b>(4,447,723)</b>	<b>(3,462,593)</b>	<b>985,130</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers In (Out)	(3,862,672)	4,211,665	4,516,717	305,052
Refund of Prior Year Revenues	-0-	-0-	(8,837)	(8,837)
Proceeds from Sale of Fixed Assets	-0-	-0-	1,170	1,170
Proceeds from Capital Leases	<u>-0-</u>	<u>-0-</u>	<u>207,787</u>	<u>207,787</u>
<b>Net Other Financing Sources (Uses)</b>	<b><u>(3,862,672)</u></b>	<b><u>4,211,665</u></b>	<b><u>4,716,837</u></b>	<b><u>505,172</u></b>
<b>NET CHANGES in FUND BALANCES</b>	<b><u>\$ (236,058)</u></b>	<b><u>\$ (236,058)</u></b>	<b><u>1,254,244</u></b>	<b><u>\$ 1,490,302</u></b>
<b>FUND BALANCES</b>				
Beginning			<u>13,093,639</u>	
Ending			<b><u>\$ 14,347,883</u></b>	

See independent auditors' report.

## West Shore School District

### NOTES to REQUIRED SUPPLEMENTARY INFORMATION

**West Shore School District** follows the following procedures on establishing the budgetary data reflected in the supplementary information:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by PDE. Prior to that deadline, management submits to the School Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.
2. If the School Board adopts the resolution, prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. A public hearing is conducted to obtain taxpayer comments.
4. If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
5. Prior to June 30, the budget is legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
7. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2020.
9. The budget for the general fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

See independent auditors' report.

## West Shore School District

### SCHEDULE of CHANGES in NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY and RELATED RATIOS - SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

Last 10 Fiscal Years

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 195,000	\$ 367,000	\$ 346,000
Interest	104,000	193,000	141,000
Change of Benefit Terms	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(2,856,000)	-0-
Changes of Assumptions	(102,000)	4,000	281,000
Benefit Payments	<u>(163,000)</u>	<u>(293,000)</u>	<u>(289,000)</u>
<b>Net Change in Total OPEB Liability</b>	<b>34,000</b>	<b>(2,585,000)</b>	<b>479,000</b>
Total OPEB Liability - Beginning	<u>3,377,000</u>	<u>5,962,000</u>	<u>5,483,000</u>
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 3,411,000</u></b>	<b><u>\$ 3,377,000</u></b>	<b><u>\$ 5,962,000</u></b>
<b>Covered Payroll</b>	47,024,297	47,024,297	43,556,499
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	7.3%	7.2%	13.7%

Note: Information is not available prior to 2018.

See independent auditors' report.

**West Shore School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
Last 10 Fiscal Years

**Funding:**

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

**Changes of Assumptions:**

Measurement period ending June 30, 2019:

Discount rate was increased from 2.98% to 3.36%.

Measurement period ending June 30, 2018:

Discount rate was reduced from 3.13% to 2.98%.

Measurement period ending June 30, 2017:

Discount rate was increased from 2.49% to 3.13%.

Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

# West Shore School District

## SCHEDULE of EMPLOYER CONTRIBUTIONS - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) HEALTH INSURANCE PREMIUM ASSISTANCE PLAN

Last 10 Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Contractually Required Contributions</b>	<b>Contributions from Employer</b>	<b>Contributions Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2018	362,000	362,000	-0-	49,924,664	.83%
2019	415,000	415,000	-0-	51,873,994	.83%
2020	449,000	449,000	-0-	53,536,996	.84%

Note: Information is not available prior to 2018.

See independent auditors' report.

**West Shore School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
Last 10 Fiscal Years

**Changes of Assumptions:**

Measurement period ending June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%.

Measurement period ending June 30, 2018:

Discount rate was decreased from 3.13% to 2.98%.

Measurement period ending June 30, 2017:

Discount rate was increased from 2.71% to 3.13%.

Salary growth changed from an effective average of 5.50% to 5.00%.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

## West Shore School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OTHER  
 POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - PUBLIC SCHOOL EMPLOYEES' RETIREMENT  
 SYSTEM (PSERS) HEALTH INSURANCE PREMIUM ASSISTANCE PLAN  
 Last 10 Fiscal Years

Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered-Employee Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.3663%	7,463,000	48,769,224	15.3027%	5.73%
2018	0.3707%	7,729,000	49,924,664	15.4813%	5.56%
2019	0.3761%	7,999,000	51,873,994	15.4201%	5.56%

Note: Information is not available prior to 2017.

See independent auditors' report.

**West Shore School District**  
 SCHEDULE of EMPLOYER CONTRIBUTIONS -  
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
 Last 10 Fiscal Years

Defined Benefit Pension Plan	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	9,016,000	9,016,000	-0-	44,867,367	20.50%
2016	11,179,000	11,179,000	-0-	45,486,864	25.00%
2017	13,861,000	13,861,000	-0-	48,769,224	29.20%
2018	15,680,000	15,680,000	-0-	49,924,664	31.74%
2019	16,985,000	16,985,000	-0-	51,873,994	32.60%
2020	18,034,000	18,034,000	-0-	53,536,996	33.36%

Note : This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on measurements date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

## West Shore School District

### SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -

#### PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3645%	144,272,000	46,514,777	310.16%	57.24%
2015	0.3487%	151,040,000	44,867,367	336.64%	54.36%
2016	0.3512%	174,044,000	45,486,864	382.62%	50.14%
2017	0.3663%	180,910,000	48,769,224	370.95%	51.84%
2018	0.3707%	177,954,000	49,924,664	356.45%	54.00%
2019	0.3761%	175,949,000	51,873,994	339.19%	55.66%

Note : This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on measurements date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

**West Shore School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
Last 10 Fiscal Years

**Changes of Benefit Terms:**

Measurement period ending June 30, 2017:

Beginning June 12, 2017, with the passage of Act 5, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

**Changes of Assumptions:**

Measurement period ending June 30, 2016:

Investment rate of return was adjusted from 7.50% to 7.25%.

Inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50% to 5.00%.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

See independent auditors' report.

**West Shore School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
Year Ended June 30, 2020

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients	
<b>Child Nutrition Cluster</b>													
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 4)	I	10.553	N/A	07/01/19-06/30/20	N/A	\$ -0-	\$ 83,685	\$ 83,685	\$ -0-	\$ -0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	-0-	114,580	114,580	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	6,916	6,916	-0-	-0-	-0-	
			<b>Total</b>	<b>10.553</b>				<b>6,916</b>	<b>205,181</b>	<b>198,265</b>	<b>-0-</b>	<b>-0-</b>	
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 4)	I	10.555	N/A	07/01/19-06/30/20	N/A	-0-	358,585	358,585	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	-0-	528,094	528,094	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	23,268	23,268	-0-	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	-0-	194,641	194,641	-0-	-0-	
			<b>Total</b>	<b>10.555</b>				<b>23,268</b>	<b>1,104,588</b>	<b>1,081,320</b>	<b>-0-</b>	<b>-0-</b>	
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19-Summer Food Service Program for Children (Note 2 & 4)	I	10.559	N/A	07/01/19-06/30/20	N/A	-0-	345,723	426,788	81,065	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	Summer Food Service Program for Children (Note 2)	I	10.559	N/A	07/01/18-06/30/19	N/A	5,418	5,418	-0-	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	Summer Food Service Program for Children	I	10.559	N/A	07/01/19-06/30/20	N/A	-0-	42,254	42,254	-0-	-0-	
			<b>Total</b>	<b>10.559</b>				<b>5,418</b>	<b>393,395</b>	<b>469,042</b>	<b>81,065</b>	<b>-0-</b>	
			<b>Total Child Nutrition Cluster</b>						<b>\$ 35,602</b>	<b>\$ 1,703,164</b>	<b>\$ 1,748,627</b>	<b>\$ 81,065</b>	<b>\$ -0-</b>

See independent auditors' report.

**West Shore School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2020

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients	
<b>Special Education Cluster (IDEA)</b>													
U.S. Department of Education	Capital Area Intermediate Unit	Special Education - Grants to States	I	84.027	062-200015	07/01/19-06/30/20	1,449,537	\$ -0-	\$ 638,233	\$ 1,449,537	\$ 811,304	\$ -0-	
U.S. Department of Education	Capital Area Intermediate Unit	Special Education - Grants to States	I	84.027	062-190015	07/01/18-06/30/19	1,481,227	471,352	471,352	-0-	-0-	-0-	
U.S. Department of Education	Capital Area Intermediate Unit	Special Education - Preschool Grants	I	84.173	131-200615	07/01/19-06/30/20	7,750	-0-	7,750	7,750	-0-	-0-	
<b>Total Special Education Cluster (IDEA)</b>								<b>471,352</b>	<b>1,117,335</b>	<b>1,457,287</b>	<b>811,304</b>	<b>-0-</b>	
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-200476	07/08/19-09/30/20	1,236,576	-0-	907,548	1,223,323	315,775	-0-	
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-190476	07/16/18-09/30/19	1,263,984	236,912	616,194	379,282	-0-	-0-	
<b>Total</b>								<b>84.010</b>	<b>236,912</b>	<b>1,523,742</b>	<b>1,602,605</b>	<b>315,775</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-200476	07/08/19-09/30/20	38,073	-0-	20,306	13,377	(6,929)	-0-	
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-190476	07/16/18-09/30/19	46,290	11,975	24,688	12,713	-0-	-0-	
<b>Total</b>								<b>84.365</b>	<b>11,975</b>	<b>44,994</b>	<b>26,090</b>	<b>(6,929)</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-200476	07/08/19-09/30/20	236,217	-0-	242,003	219,995	(22,008)	-0-	
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-190476	07/16/18-09/30/19	246,691	22,312	22,312	-0-	-0-	-0-	
<b>Total</b>								<b>84.367</b>	<b>\$ 22,312</b>	<b>\$ 264,315</b>	<b>\$ 219,995</b>	<b>\$ (22,008)</b>	<b>\$ -0-</b>

See independent auditors' report.

**West Shore School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2020

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-200476	07/08/19-09/30/20	93,751	\$ -0-	\$ 68,751	\$ 69,626	\$ 875	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-190476	07/16/18-09/30/19	80,199	(5,792)	21,386	27,178	-0-	-0-
<b>Total</b>				<b>84.424</b>				<b>(5,792)</b>	<b>90,137</b>	<b>96,804</b>	<b>875</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Elementary and Secondary School Emergency Relief Fund (Note 5)	I	84.425	200-200476	03/13/20-09/30/21	1,011,358	-0-	-0-	154,625	154,625	-0-
<b>Medicaid Cluster</b>												
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	45,358	-0-	25,239	45,358	20,119	-0-
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>								<b>\$ 772,361</b>	<b>\$ 4,768,926</b>	<b>\$ 5,351,391</b>	<b>\$ 1,354,826</b>	<b>\$ -0-</b>

Legend  
I = Indirect funding  
CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

**West Shore School District**  
SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
(Continued)  
Year Ended June 30, 2020

**NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**NOTE 2 - SEAMLESS SUMMER PROGRAM**

This represents the Seamless Summer portion of the National School Lunch Program.

**NOTE 3 - DE MINIMIS INDIRECT COST RATE**

The School District did not elect to use the 10% de minimis indirect cost rate.

**NOTE 4 - COVID-19**

Federal funding provided by Congress to address the COVID-19 pandemic is identified by "COVID-19" in the federal program column of the schedule of expenditures of federal awards. This includes new grants created by pandemic-related legislation, as well as incremental funding for existing federal programs.

**NOTE 5 - ACCESS**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2020, was \$179,843 which is listed on the PDE confirmation as program #044-007476.

See independent auditors' report.



**INDEPENDENT AUDITOR’S REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board Officers and Members  
**West Shore School District**  
New Cumberland, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **West Shore School District**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **West Shore School District’s** basic financial statements and have issued our report thereon dated January 19, 2021.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item # 2020-001 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2020-002 and #2020-003 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **West Shore School District's Response to Findings**

**West Shore School District's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **West Shore School District's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



January 19, 2021  
Lancaster, Pennsylvania



**INDEPENDENT AUDITOR'S REPORT on COMPLIANCE for Each MAJOR PROGRAM and  
on INTERNAL CONTROL over COMPLIANCE REQUIRED by the UNIFORM GUIDANCE**

To the Board Officers and Members  
**West Shore School District**  
New Cumberland, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited **West Shore School District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **West Shore School District's** major federal programs for the year ended June 30, 2020. **West Shore School District's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## **Report on Internal Control over Compliance**

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

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

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

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

*Inout CPA*

January 19, 2021  
Lancaster, Pennsylvania

**West Shore School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2020

**A. Summary of Auditors' Results**

1. The independent auditors' report expresses an unmodified opinion on the financial statements of **West Shore School District**.
2. One material weakness and two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **West Shore School District** were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for **West Shore School District** expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for **West Shore School District** are reported in part C of this schedule.
7. The programs tested as major federal programs are: Title I Grants to Local Educational Agencies CFDA #84.010, and the Child Nutrition Cluster - CFDA #10.553, CFDA #10.555, and CFDA #10.559.
8. The threshold for distinguishing type A and B programs was \$750,000.
9. **West Shore School District** was not determined to be a low-risk auditee.

**West Shore School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2020

**B. Findings - Financial Statements Audit**

**Internal Control Over Financial Reporting**

**Material Weaknesses**

**#2020-001**

**Closing Adjustments**

Criteria: The financial closing process includes preparation of reconciliations, supporting schedules, year-end accruals, and adjusting journal entries.

Statement of Condition: During our audit, we proposed material adjustments to the following School District records based on the result of our procedures. Adjustments were proposed to cash (capital reserve and capital projects funds), fixed assets and related depreciation (governmental activities and food service fund), interfund balances (general, food service, and capital projects funds), accounts payable (capital reserve, capital projects, and food service funds), deferred revenue (food service fund), bond issuance (capital projects fund), fund balance (capital reserve and capital projects funds), and a land purchase and subsequent interfund reimbursement (general and capital projects funds). The entries were to reverse prior year closing entries and to record current year amounts as of and for the year ended June 30, 2020.

Cause and Effect: The School District lost a key employee in the accounting department in March combined with the COVID-19 pandemic shutdown contributed to the School District's transactions noted above not being recorded correctly or completely, and did not provide the proper basis for preparation of the financial statements.

Recommendations: The School District should revise its year-end closing procedures related to the accounts above to proactively address these adjustments in the future. Closing procedures should include a review of balance sheet accounts for completeness and accuracy. Any necessary reconciliations should be maintained as part of the School District's accounting records. The closing adjustments should be posted to the School District's accounts prior to the start of audit fieldwork.

Based on our discussions with School District personnel, we recognize that the School District has taken steps to improve the year end close and reconciliation process over the past few years. Our comments and suggestions above relate to areas that are opportunities for continued improvements. In addition to the new GASB standards that apply to the School District, the provisions of any new Yellow Book guidance can also have an impact. There were new provisions effective for the year ended June 30, 2020, based on the most recent Yellow Book update that impacted the procedures and documentation regarding auditor independence. This led to an updated evaluation and assessment of services that we can provide as the School District's auditor and the responsibilities management has for such services.

View of Responsible Officials and Planned Corrective Action: The School District will continue to work to improve the year end close and reconciliation process. We will work to develop procedures for year-end close that include review of balance sheet accounts and work to have completed all closing adjustments prior to the start of the audit fieldwork.

**West Shore School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2020

**Internal Control Over Financial Reporting (Continued)**

**Significant Deficiencies**

**#2020-002**

**General Ledger Accounting - Capital Projects Fund**

Criteria: The detail maintained in a general ledger accounting system is integral to financial reporting and day to day oversight of the School District.

Statement of Condition: During our audit, we noted that the School District does not maintain the accounting records for the 2019 bond account in the capital projects fund in its general ledger accounting software. We were able to obtain the detail for these areas through supplemental records.

Cause and Effect: The absence of the activity in the accounting software poses a risk to completeness of financial reporting.

Recommendation: The School District should include all activity in its general ledger accounting system. Separate expense accounts can be maintained for different capital projects funds to segregate the projects. By including this fund in the general ledger, the School District can obtain more timely and complete information for entity wide reporting.

View of Responsible Officials and Planned Corrective Action: The School District will work to include all capital project funds into the general ledger accounting system.

**West Shore School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2020

**Internal Control Over Financial Reporting (Continued)**

**Significant Deficiencies**

**#2020-003**

**Capital Asset Accounting**

Criteria: Capital assets are reported on the government-wide financial statements and are disclosed in the notes to the financial statements. The detailed transactions for capital asset activity (i.e., additions, deletions, and annual depreciation) provide the necessary information for financial reporting.

Statement of Condition: During our audit, we worked with School District personnel to obtain the annual information (additions, disposals, depreciation) needed to record and disclose capital asset activity. The School District currently relies on an individual outside of the business office to serve as the point person for capital asset records.

Cause and Effect: There were numerous revisions needed to obtain complete listings of capital assets that rolled forward from the prior year. Maintaining accurate capital asset information is paramount to financial reporting and disclosure.

Recommendation: The School District should shift the primary responsibility of capital asset reporting and reconciliation to the business office. The School District should constantly update the fixed asset schedule and ensure prior year information rolls forward to the current year for all capital asset classes. By identifying assets to be capitalized throughout the year, the School District can reduce the time needed during the closing process to produce the necessary reports. Additionally, the adjustments for capital asset activity in the food service fund should be posted prior to audit fieldwork.

It is our understanding that the School District also plans to consider revising its capitalization policy during the 2021 fiscal year. We recommend the School District include policy provisions on the purchase of a group of assets. We also encourage the School District to proactively incorporate relevant statutory provisions into any revisions and utilize best practices and resources from the Pennsylvania Department of Education and the Pennsylvania Association of School Business Officials.

View of Responsible Officials and Planned Corrective Action: The School District continues to work on improving the capital asset accounting system. Fixed asset schedules will be updated to ensure prior year information rolls forward to the current year for all capital asset classes.

**C. Findings and Questioned Costs - Major Federal Awards Programs Audit**

None

# WEST SHORE SCHOOL DISTRICT



## SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS Year Ended June 30, 2020

Todd B. Stoltz, Ed.D.  
Superintendent of Schools

### #2019-001 - Internal Control-Fixed Assets

**Criteria:** The performance of key control procedures over District financial transactions helps to ensure that errors and/or irregularities are identified in a timely manner. Monitoring of these key control procedures by a second individual independent of the related control procedure helps to ensure that the controls are operating as designed.

**Statement of Condition:** During the 2018-19 fiscal year, monitoring of certain key control procedures was not performed or not performed in a timely manner over the reconciliation of fixed asset purchases and disposals and depreciation records for equipment, technology equipment and furniture and fixtures.

**Recommendation:** Procedures should be established that include identifying who enters data and who is responsible for ensuring all data is appropriately entered. In addition, the review should be performed on an established recurring basis during the year.

**Current Status:** The School District did not implement the updated processes to timely and accurately report fixed assets. This finding has been repeated in this report.

### #2019-002 – Title I -Grants to Local Education Agencies, # 103-190476, CFDA # 84.010

**Criteria:** Charges for salaries and wages are to be based on records that accurately reflect the work performed. The records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated.

**Statement of Condition:** Testing was performed on all 19 employees for two pay periods and ensured agreement of time from the personnel activity reports to the accounting records. In addition, we annualized the earnings for the 19 employees and compared the totals to the accounting records. For six of the employees we noted that the salary charges were not allocated properly based on the current staffing plan or not allocated based on the correct time period due to changes in staffing during the year.

**Recommendation:** An individual should be designated to ensure all staff salary allocation change requests are properly made and those changes are recorded in the accounting records accordingly.

**Current Status:** The School District assigned staff to review all salary allocation changes and no further findings were noted. This finding is deemed resolved.

# WEST SHORE SCHOOL DISTRICT



Todd B. Stoltz, Ed.D.  
Superintendent of Schools

## Corrective Action Plan January 19, 2021

West Shore School District respectfully submits the following corrective action plan for the year ending June 30, 2020.

Oversight Agency for Audit: U.S. Department of Education

Name and address of independent public accounting firm: Trout CPA, 1705 Oregon Pike, Lancaster, Pennsylvania, 17601-4200

Audit Period: July 1, 2019 through June 30, 2020.

The finding from the Schedule of Findings and Questions Costs for the year ended June 30, 2020 is discussed below. The finding is numbered consistently with the number assigned in the schedule:

### Findings – Financial Statement Audit

#### Material Weakness-Internal Control Over Financial Reporting

##### #2020-001 – Closing Adjustments

Criteria: The financial closing process includes preparation of reconciliations, supporting schedules, year-end accruals, and adjusting journal entries.

Statement of Condition: During the audit, we proposed material adjustments to the following School District records based on the result of our procedures. Adjustments were proposed to cash (capital reserve and capital projects funds), fixed assets and related depreciation (governmental activities and food service fund), interfund balances (general, food service, and capital projects funds), accounts payable (capital reserve, capital projects, and food service funds), deferred revenue (food service fund), bond issuance (capital project fund), fund balance (capital reserve and capital projects funds), and a land purchase and subsequent interfund reimbursement (general and capital projects funds). The entries were to reverse prior year closing entries and to record current year amounts as of and for the year ended June 30, 2020.

Cause and Effect: The School District lost a key employee in the accounting department in March and combined with the COVID-19 pandemic shutdown contributed to the School District's transactions noted above not being recorded correctly or completely and did not provide the proper basis for preparation of the financial statements.

Identification of Repeat Finding: No

Recommendation: The School District should revise its year-end close procedures to proactively address these adjustments in the future. Closing procedures should include a review of balance sheet accounts for completeness and accuracy. Any necessary reconciliations should be maintained as part of the School District's accounting records. The closing adjustments should be posted to the School District's accounts prior to the start of audit fieldwork.

Based on our discussions with School District personnel, we recognize that the School District has taken steps to improve the year end close and reconciliation process over the past few years. Our comments and suggestions above relate to areas that are opportunities for continued improvements. In addition to the new GASB standards that apply to the School District, the provisions of any new Yellow Book guidance can also have an impact. There were new provisions effective for the year ended June 30, 2020, based on the most recent Yellow Book update that impacted the procedures and documentation regarding auditor independence. This led to an updated evaluation and assessment of services that we can provide as the School District's auditor and the responsibilities management has for such services.

Views of Responsible Officials: The District will continue to work to improve the year-end close and reconciliation process. We will work to develop procedures for year-end close that include review of balance sheet accounts and work have complete all closing adjustments prior to the start of the audit fieldwork.

### **Significant Deficiencies**

#### **#2020-002 – General Ledger Accounting-Capital Projects Fund**

Criteria: The detail maintained in a general ledger accounting system is integral to financial reporting and day to day oversight of the School District.

Statement of Condition: During our audit, we noted that the School District does not maintain the accounting records for the 2019 bond account in the capital projects fund in its general ledger accounting software. We were able to obtain the detail for these areas through supplemental records.

Cause and Effect: The absence of the activity in the accounting software poses a risk to completeness of financial reporting.

Identification of Repeat Finding: No.

Recommendation: The School District should include all activity in its general ledger accounting system. Separate expense accounts can be maintained for different capital projects funds to segregate the projects. By including these funds in the general ledger, the School District can obtain more timely and complete information for entity wide reporting.

View of Responsible Officials: The District will work to include all capital project funds into the general ledger system.

#### **#2020-003– Capital Asset Accounting**

Criteria: Capital assets are reported on the government-wide financial statements and are disclosed in the notes to the financial statements. The detailed transactions for capital asset activity (i.e. additions, deletions, and annual depreciation) provide the necessary information for financial reporting.

Statement of Condition: During our audit, we worked with School District personnel to obtain the annual information (additions, disposals, depreciation) needed to record and disclose capital asset activity. The School District currently relies on an individual outside of the business office to serve as the point person for capital assets records.

Cause and Effect: There were numerous revisions needed to obtain complete listings of capital assets that rolled forward from the prior year. Maintaining accurate capital asset information is paramount to financial reporting and disclosure.

Identification of Repeat Finding: Yes.

Recommendation: The School District should shift primary responsibility of capital asset reporting and reconciliation to the business office. The School District should constantly update the fixed asset schedule and ensure prior year information rolls forward to the current year for all capital asset classes. By identifying assets to be capitalize throughout the year, the School District can reduce the time needed during the closing process to produce the necessary reports. Additionally, the adjustments for capital asset activity in the food service fund should be posted prior to audit fieldwork.

It is our understanding that the School District also plans to consider revising its capitalization policy during the 2021 fiscal year. We recommend the School District include policy provisions on the purchase of a group of assets. We also encourage the District to proactively incorporate relevant statutory provisions into any revisions and utilize best practices and resources from the Pennsylvania Department of Education and the Pennsylvania Association of School Business Officials.

View of Responsible Officials: The District continues to work on improving the capital asset accounting system. Fixed Asset schedules will be updated to ensure prior year information rolls forward to the current year for all capital asset classes.

If you have any questions in regards to the corrective action plan, please call Mindy Stuck at 717-938-9577.

Sincerely,

A handwritten signature in black ink, appearing to read 'Melinda L. Stuck', with a long horizontal flourish extending to the right.

Melinda L. Stuck  
Director of Business Affairs