

FOREST CITY REGIONAL SCHOOL DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2019

Rainey & Rainey
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA

Richard P. Rainey, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Forest City Regional School District

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 units, each major fund, of the Forest City Regional School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Forest City Regional School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3-12 and 55-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

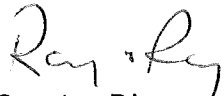
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forest City Regional 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2020, on our consideration of the Forest City Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Forest City Regional School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Forest City Regional School District's internal control over financial reporting and compliance.



Scranton, PA
March 21, 2020

FOREST CITY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Forest City Regional School District (the "District") for the year ended June 30, 2019. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

The total net position of the District decreased by \$820,169 in 2019. Net position of governmental activities decreased \$806,640 from 2018. Net position of the business-type activity decreased \$13,529 from 2018.

The District had \$16,558,085 in expenses related to governmental activities in 2019; only \$4,866,105 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$10,885,340 were adequate to provide for these programs.

In the District's business-type activity, the food service fund had an operating loss of \$13,529 in 2019. In addition to meeting all National School Lunch Program requirements, the district has continued to provide a Universal Free Breakfast to all students enrolled in the elementary school.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 60 of this report to demonstrate compliance with this budget.

PROPRIETARY FUND

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

FIDUCIARY FUND

The District accounts for its activity fund as an agency fund. The basic fiduciary fund financial statement can be found on page 22 of this report.

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-54 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The General Fund's approved budget for 2019 included revenues of \$14,540,785 and expenditures and other uses of \$15,115,142.

Actual revenues were \$15,659,535 or 104% of budget. Actual expenditures and other financing uses were \$14,765,103 or 97% of budget.

CONDENSED STATEMENT OF NET ASSETS (IN 000'S)						
	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$7,470	\$7,713	\$153	\$160	\$7,623	\$7,873
Capital assets	<u>14,280</u>	<u>13,150</u>	<u>50</u>	<u>54</u>	<u>14,331</u>	<u>13,204</u>
TOTAL	<u>21,750</u>	<u>20,863</u>	<u>203</u>	<u>214</u>	<u>21,953</u>	<u>21,077</u>
Deferred Outflows of Resources Related to Pensions and OPEB	3,449	5,030			3,449	5,030
Current liabilities	2,956	2,702	0	253	2,956	2,955
Long-term liabilities:						
Due after one year	<u>34,258</u>	<u>34,575</u>			<u>34,258</u>	<u>34,044</u>
Total liabilities	<u>37,214</u>	<u>37,277</u>	<u>0</u>	<u>253</u>	<u>37,214</u>	<u>37,530</u>
Total Deferred Inflows of	271	96			271	96

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

Resources Related to Pensions						
Net position:						
Invested in capital assets, net of related debt	5,239	(5,417)	50	55	5,289	(5,362)
Restricted	391	1,910			391	1,910
Unrestricted	<u>(17,916)</u>	<u>(7,972)</u>	<u>153</u>	<u>93</u>	<u>(17,763)</u>	<u>(8,062)</u>
Total net position	<u>\$ (12,286)</u>	<u>\$ (11,480)</u>	<u>\$ 203</u>	<u>\$ (39)</u>	<u>\$ (12,083)</u>	<u>\$ (11,518)</u>

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

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)						
	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$72	\$85	\$230	\$207	\$302	\$292
Operating grants and contributions	4,794	3,720	404	367	5,198	4,087
General revenues:						
Taxes levied for general purposes, net	7,177	6,826			7,177	6,826
Grants, subsidies and contributions not restricted	3,482	3,443			3,482	3,443
Other	<u>226</u>	<u>150</u>	<u>5</u>		<u>231</u>	<u>150</u>
Total revenues	<u>\$ 15,751</u>	<u>\$ 14,224</u>	<u>\$ 639</u>	<u>\$ 573</u>	<u>\$ 16,390</u>	<u>\$ 14,797</u>
Program expenses:						
Instruction	\$ 9,582	\$ 7,349			\$ 9,582	\$ 7,349
Instructional student support	1,585	1,046			1,585	1,046
Admin and financial support services	1,013	1,192			1,013	1,192
Operation and maintenance of plant services	2,308	2,344			2,308	2,344
Pupil transportation	1,214	1,202			1,214	1,202
Student activities	243	271			243	271
Community services						
Interest on long-term debt	197	289			197	289
Unallocated depreciation	<u>416</u>	<u>423</u>			416	423
Food service			<u>\$ 652</u>	<u>\$ 573</u>	<u>652</u>	<u>573</u>
Total expenses	<u>16,558</u>	<u>14,116</u>	<u>652</u>	<u>573</u>	<u>17,210</u>	<u>14,689</u>
Change in net position	(806)	104	(13)	3	(819)	107
Net position, beginning	<u>(11,480)</u>	<u>(11,584)</u>	<u>216</u>	<u>213</u>	<u>(11,264)</u>	<u>(11,371)</u>
Net position, ending	<u>\$ (12,286)</u>	<u>\$ (11,479)</u>	<u>\$203</u>	<u>\$216</u>	<u>\$ (12,083)</u>	<u>\$ (11,263)</u>

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

GOVERNMENTAL ACTIVITIES

In 2019, the net position of governmental activities decreased by \$806,640. Revenues increased by \$1,527,000, or 11%, from 2018. Overall, district expenses increased by \$2,442,000.

BUSINESS-TYPE ACTIVITY

The District's food service operation had a decrease of \$13,529 in 2019. The district has expanded its meal options and continued to provide a Universal Free Breakfast to all students in the Elementary School.

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR)

The following represents a summary of General Fund revenue, by source, along with changes from 2018:

	2019	2018	Increase	%
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
Local sources	6,879,922	6,898,244	(18,322)	-0.27%
State sources	8,007,730	6,909,727	1,098,003	15.89%
Federal sources	771,883	455,241	316,642	69.55%
Total	<u>15,659,535</u>	<u>14,263,212</u>	<u>1,396,323</u>	<u>9.79%</u>

LOCAL SOURCES

Local source revenues remained relatively static.

STATE SOURCES

State source revenue increased by 16% because of the receipt of construction reimbursement subsidy that was not budgeted along with a safety and security grant that was not budgeted.

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

FEDERAL Sources

The federal source revenue increased 70%, but this is due mainly to IDEA funds for 17-18 School year being received in the 18-19 School Year.

The following represents a summary of General Fund expenditures, by function, along with changes from 2018.

	2019	2018	Increase	%
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
Instruction	\$9,130,104	\$ 9,187,081	\$ (56,977)	0.62%
Support services	4,585,458	4,697,896	(112,438)	-2.39%
Noninstructional services	242,794	272,188	(29,394)	-10.80%
Other financing uses	<u>806,746</u>	<u>518,568</u>	<u>288,178</u>	<u>55.57%</u>
Total	\$ 14,765,102	\$ 14,675,733	\$ 89,369	0.61%

Capital Reserve Fund (Major)

The Capital Reserve Fund is legally restricted to capital improvements and related debt service under Pennsylvania law. The District made a small expenditure from the fund during the fiscal year for construction expenses.

NONMAJOR GOVERNMENTAL FUNDS

The Debt Service Fund accounts for the proceeds and payments on bonds payable. In 2019, the District paid \$806,746 in debt service, including \$481,764 in principal and \$264,805 in interest, on its bonds payable. There was no fund balance at June 30, 2019.

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

CAPITAL ASSETS

The District's capital assets at June 30, 2019 are summarized below.

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITY</u>	<u>TOTALS</u>
Land	\$ 7,624		\$ 7,624
Land improvements	331,488		331,488
Buildings and improvements	23,028,978		12,521,634
Furniture and equipment	<u>3,046,686</u>	<u>234,849</u>	<u>3,281,535</u>
Total	\$26,414,776	\$234,849	\$26,649,625
Less accumulated depreciation	<u>12,134,598</u>	<u>184,480</u>	<u>12,319,078</u>
Net	<u>\$ 14,280,178</u>	<u>\$ 50,369</u>	<u>\$ 14,330,547</u>

Additional information on the changes in the District's capital assets from 2018 to 2019 can be found on page 36-37 of this report.

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

LONG TERM DEBT

At June 30, 2019, the District's general obligation debt was \$8,960,000. This amount is approximately 33.1% of its legal limit of \$29.7 million. \$487,000 of this debt is scheduled for payment in 2019. The District's bonds have an A1 enhanced rating from Moody's Investors Service and a AAA rating from Standard and Poor's.

Additional information on changes in the district's long-term debt can be found on page 38 of this report.

ECONOMIC CONDITION AND OUTLOOK

The District is residential in nature and is not experiencing an increase in its tax base. Both the total assessed value of the district and the student enrollment is remaining static.

As a result of the minimal growth in the tax base and the state's lack of progress in addressing adequate funding for school districts, the District raised its real estate tax levies to the maximum amount allowed under Act 1. Although the Act 1 index was 2.9%, this only allowed for a 0.01% increase in Wayne County, a 0.01% increase in Susquehanna County and a 2.89% increase in Lackawanna County for fiscal year 2019.

REQUESTS FOR INFORMATION

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

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Net Position

June 30, 2019

	Governmental Activities	Business Type	Primary Government Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,571,359	\$ 465,458	\$ 6,036,817
Taxes Receivable - Net	788,883	-	788,883
Internal Balances	397,626	(397,626)	-
Due From Other Governments	535,036	-	535,036
Receivables - Other	118,024	64,233	182,257
Inventories	-	20,728	20,728
Prepaid Expenses	59,019	-	59,019
Total Current Assets	<u>7,469,947</u>	<u>152,793</u>	<u>7,622,740</u>
Noncurrent Assets			
Fixed Assets - Net of Accumulated Depreciation	<u>14,280,178</u>	<u>50,369</u>	<u>14,330,547</u>
TOTAL ASSETS	<u>21,750,125</u>	<u>203,162</u>	<u>21,953,287</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	3,186,925	-	3,186,925
Deferred Amounts Related to Other Post Employment Benefits	262,108	-	262,108
Total Deferred Outflows of Resources	<u>3,449,033</u>	<u>-</u>	<u>3,449,033</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 160,444	\$ -	\$ 160,444
Salaries & Benefits Payable	1,932,395	-	1,932,395
Due to Other Governments	-	-	-
Deferred Revenues	261,291	-	261,291
Accrued Interest	65,089	-	65,089
Portion Due or Payable within one Year			
Leases Payable	67,048	-	67,048
Bonds Payable	470,000	-	470,000
Total Current Liabilities	<u>2,956,267</u>	<u>-</u>	<u>2,956,267</u>
Long-term Liabilities			
Portion Due or Payable After One Year			
Leases Payable in Future Years	14,449	-	14,449
Bonds Payable in Future Years	8,490,000	-	8,490,000
Bond Premium	-	-	-
Other Post-employment Benefits	2,053,501	-	2,053,501
Net Pension Liability	23,378,000	-	23,378,000
Accumulated Compensated Absences	321,988	-	321,988
Total Long-term Liabilities	<u>34,257,938</u>	<u>-</u>	<u>34,257,938</u>
TOTAL LIABILITIES	<u>37,214,205</u>	<u>-</u>	<u>37,214,205</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	201,733	-	201,733
Deferred Amounts Related to Other Post Employment Benefits	69,489	-	69,489
Total Deferred Inflows of Resources	<u>271,222</u>	<u>-</u>	<u>271,222</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	5,238,681	50,369	5,289,050
Restricted:			
Capital Reserve	390,919	-	390,919
Debt Service Fund	-	-	-
Unrestricted	<u>(17,915,869)</u>	<u>152,793</u>	<u>(17,763,076)</u>
TOTAL NET POSITION	<u>\$ (12,286,269)</u>	<u>\$ 203,162</u>	<u>\$ (12,083,107)</u>

See Notes to Financial Statements and Independent Auditor's Report

FOREST CITY REGIONAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charge For	Operating Grants	Governmental	Business-Type	Total
	Expenditures	Services		Activities	Activities	
Governmental Activities						
Depreciation & Amortization	\$ 416,075	\$ -	\$ -	\$ (416,075)	\$ -	\$ (416,075)
Instruction	9,581,744	72,204	2,405,151	(7,104,389)	-	(7,104,389)
Instructional Student Support	1,585,122	-	296,676	(1,288,446)	-	(1,288,446)
Administrative	1,013,066	-	167,659	(845,407)	-	(845,407)
Operation of Plant	2,307,519	-	75,891	(2,231,628)	-	(2,231,628)
Pupil Transportation	1,214,852	-	823,777	(391,075)	-	(391,075)
Student Activities	242,491	-	25,784	(216,707)	-	(216,707)
Community Services	304	-	-	(304)	-	(304)
Interest - Long Term Debt	196,912	-	998,963	802,051	-	802,051
Total Government	\$ 16,558,085	\$ 72,204	\$ 4,793,901	\$ (11,691,980)	\$ -	\$ (11,691,980)
Business Type Activities						
Food Service	\$ 652,378	\$ 229,848	\$ 404,108	\$ -	\$ (18,422)	\$ (18,422)
Total Primary Government	\$ 17,210,463	\$ 302,052	\$ 5,198,009	\$ (11,691,980)	\$ (18,422)	\$ (11,710,402)
General Revenues:						
Taxes Levied for General Purposes				\$ 6,145,165	\$ -	\$ 6,145,165
Other Taxes Levied				1,031,815	-	1,031,815
Grants, Subsidies, Contributions Not Restricted				3,481,680	-	3,481,680
Investment Earnings				88,558	4,893	93,451
Refund of Prior Years Expenditures				138,122	-	138,122
Transfers Between Governmental and Fiduciary Type Activities				-	-	-
Total General Revenues				<u>\$ 10,885,340</u>	<u>\$ 4,893</u>	<u>\$ 10,890,233</u>
Change In Net Position				<u>\$ (806,640)</u>	<u>\$ (13,529)</u>	<u>\$ (820,169)</u>
Net Position, July 1, 2018				(11,479,629)	216,691	(11,262,938)
Net Position - June 30, 2019				<u>\$ (12,286,269)</u>	<u>\$ 203,162</u>	<u>\$ (12,083,107)</u>

See Notes to Financial Statements and Independent Auditor's Report

FOREST CITY REGIONAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Fund Types
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 5,180,440	\$ 216	\$ 390,703	\$ -	\$ 5,571,359
Taxes Receivable (Net)	405,044	-	-	-	405,044
Due From Other Funds	688,976	-	-	-	688,976
Due From Other Governments	535,036	-	-	-	535,036
Other Receivables	118,024	-	-	-	118,024
Prepaid Expenses	-	-	-	-	-
Inventory	-	-	-	-	-
TOTAL ASSETS	<u>\$ 6,927,520</u>	<u>\$ 216</u>	<u>\$ 390,703</u>	<u>\$ -</u>	<u>\$ 7,318,439</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Accounts Payable	\$ 160,444	\$ -	-	\$ -	\$ 160,444
Accrued Salaries and Benefits	1,697,895	-	-	-	1,697,895
Payroll Deductions and Withholdings	234,500	-	-	-	234,500
Due to Other Funds	-	-	291,350	-	291,350
Due to Other Governments	-	-	-	-	-
Unearned Revenues	261,291	-	-	-	261,291
TOTAL LIABILITIES	\$ 2,354,130	\$ -	\$ 291,350	\$ -	\$ 2,645,480
<u>FUND BALANCE</u>					
Nonspendable Fund Balance	\$ -	\$ -	-	\$ -	\$ -
Restricted Fund Balance	-	216	99,353	-	99,569
Unassigned Fund Balance	4,573,391	-	-	-	4,573,391
TOTAL FUND BALANCE	<u>\$ 4,573,391</u>	<u>\$ 216</u>	<u>\$ 99,353</u>	<u>\$ -</u>	<u>\$ 4,672,960</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,927,521</u>	<u>\$ 216</u>	<u>\$ 390,703</u>	<u>\$ -</u>	<u>\$ 7,318,440</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to Net Position of Governmental Activities

June 30, 2019

Total fund balance – total governmental funds	4,672,960
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets(net) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance	14,280,178
Deferred outflows and inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	3,186,925
Deferred outflows of resources related to other post employment benefits	262,108
Deferred inflows of resources related to pensions	(201,733)
Deferred inflows of resources related to other post employment benefits	(69,489)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued Interest	(65,089)
Leases Payable	(81,497)
Bonds and Notes Payable	(8,960,000)
Bond Issuance Costs	59,019
Other Post-Employment Benefits	(2,053,501)
Net Pension Liability	(23,378,000)
Accumulated Compensated Absences	(321,988)
	(34,801,056)
Property and earned income taxes receivable along with an amount established for an allowance for doubtful accounts are not a current financial resource, therefore they are not reported in the governmental funds balance sheet.	<u>383,839</u>
Net position governmental activities	<u>(12,286,268)</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Funds	Total Governmental Fund Types
<u>REVENUES & OTHER FINANCING SOURCES</u>					
<u>REVENUES</u>					
Local Sources	\$ 6,879,922	\$ 6,439	\$ 10,922	\$ -	\$ 6,897,283
State Sources	8,007,730	-	-	-	8,007,730
Federal Sources	771,883	-	-	-	771,883
<u>OTHER FINANCING SOURCES</u>					
Interfund Transfers (From Other Funds)	-	-	-	806,746	806,746
TOTAL REVENUES & OTHER FINANCING SOURCES	\$ 15,659,535	\$ 6,439	\$ 10,922	\$ 806,746	\$ 16,483,642
<u>EXPENDITURES AND OTHER FINANCING USES</u>					
<u>EXPENDITURES</u>					
Instruction	\$ 9,130,104	\$ -	\$ -	\$ -	\$ 9,130,104
Support Services	4,585,458	-	-	-	4,585,458
Non-Instructional Services	242,794	-	-	-	242,794
Capital Outlay	-	1,362,963	173,589	-	1,536,552
Debt Service (Principal & Interest)	-	-	-	806,746	806,746
Refund of Prior Year Receipts	-	-	-	-	-
<u>OTHER FINANCING USES</u>					
Transfers Out (To Other Funds)	806,746	-	-	-	806,746
TOTAL EXPENDITURES & OTHER FINANCING USES	\$ 14,765,102	\$ 1,362,963	\$ 173,589	\$ 806,746	\$ 17,108,400
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 894,433	\$ (1,356,524)	\$ (162,667)	\$ -	\$ (624,758)
FUND BALANCE - July 1, 2018	3,678,958	1,356,740	262,020	-	5,297,718
FUND BALANCE - June 30, 2019	\$ 4,573,391	\$ 216	\$ 99,353	\$ -	\$ 4,672,960

FOREST CITY REGIONAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Statement of Activities
June 30, 2019

Net change in fund balances – total governmental funds \$ (624,758)

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period:

Depreciation expense	(406,636)	
Amortization Expense	(9,439)	
Capital outlays	1,536,552	1,120,477

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:

Delinquent Tax Revenue	33,556	
Earned Income Taxes	40,993	74,549

Repayment of bond and note principal, net of borrowings is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in statement of net position 541,170

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense

Cost of pension benefits earned, net of employee contributions (2,164,267)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Other Post Employment Benefits	198,778	
Accrued Interest	68,664	
Comp Absences	(21,252)	246,190

Change in net position of governmental activities \$ (806,639)

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2019

	Food Service Fund
<hr/>	
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 465,458
Other Receivables	64,233
Inventories	<u>20,728</u>
Total Current Assets	\$ 550,419
<u>Noncurrent Assets</u>	
Fixed Assets	\$ 234,849
Less: Accumulated Depreciation	(184,480)
Deferred Outflows of Resources	<u>-</u>
Total Noncurrent Assets	\$ 50,369
TOTAL ASSETS	\$ <u>600,788</u>
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Due to Other Funds	\$ 397,626
Total Current Liabilities	<u>397,626</u>
TOTAL LIABILITIES	\$ <u>397,626</u>
 NET POSITION	
Invested in Capital Assets Net of Related Debt	\$ 50,369
Unrestricted	<u>152,793</u>
TOTAL NET POSITION	\$ <u>203,162</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>600,788</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2019

OPERATING REVENUES

Food Service Revenue	\$	229,848
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TOTAL OPERATING REVENUES	\$	229,848
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OPERATING EXPENSES

Salaries	\$	200,678
Employee Benefits		150,372
Food, Milk and Donated Commodities		286,838
Purchased Property Services		4,505
Dues and Fees		1,030
Depreciation		8,955

TOTAL OPERATING EXPENSES	\$	652,378
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NET OPERATING LOSS	\$	(422,530)
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NON-OPERATING REVENUES

Earnings on Investments	\$	4,893
Federal and State Subsidies		404,108

TOTAL NON-OPERATING REVENUE	\$	409,001
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Change in Net Position	\$	(13,529)
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Net Position - July 1, 2018		216,691
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Net Position- June 30, 2019	\$	203,162
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FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Users	\$	229,848	
Cash Payments To Employees For Services		(194,346)	
Cash Payments To Suppliers for Goods and Services		(294,392)	
Cash Payments For Other Operating Expenses		(5,535)	
Net Cash Used For Operating Activities		(264,425)	\$ (264,425)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash Received From Federal & State Subsidies			
Net Cash From Non-Capital Financing Activities			\$ 394,488

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Gain on Sale of Fixed Assets	\$	-	
Capital Outlay		4,810	
Net Cash Used For Non-Capital Financing Activities			\$ 4,810

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received From Investment Earnings		4,893	
Net Cash Provided By Investing Activities			\$ 4,893

NET INCREASE IN CASH AND CASH EQUIVANTS **\$ 139,766**

CASH AND CASH EQUIVALENT - JULY 1, 2018 **325,692**

CASH AND CASH EQUIVALENT - JUNE 30, 2019 **\$ 465,458**

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss) \$ (422,530)

Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:

Depreciation	\$	8,955	
(Increase)Decrease in Accounts Receivable		1,053	
(Increase)Decrease in Inventories		3,676	
Increase (Decrease) in Due to Other Funds		144,421	

Total Adjustments **\$ 158,105**

NET CASH USED FOR OPERATING ACTIVITIES **\$ (264,425)**

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Field Trip Fund</u>	<u>Student Activity Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 87,128	\$ 13,132
Due From Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 87,128</u>	<u>\$ 13,132</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Other Liabilities	\$ 87,128	\$ -
TOTAL LIABILITIES	<u>\$ 87,128</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Restricted for Field Trips	\$ -	\$ 13,132
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 13,132</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 87,128</u>	<u>\$ 13,132</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	<u>Field Trip Fund</u>
<u>ADDITIONS</u>	
Interest Earned	\$ 295
Funds Deposited Field Trips	<u>3,099</u>
TOTAL ADDITIONS	<u>\$ 3,394</u>
<u>DEDUCTIONS</u>	
Field Trips	\$ <u>2,791</u>
TOTAL DEDUCTIONS	<u>\$ 2,791</u>
Change in Net Position	\$ 603
Net Position - July 1, 2018	<u>12,529</u>
Net Position - June 30, 2019	<u>\$ 13,132</u>

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District provides elementary and secondary education to the residents of the following municipalities: Clinton Township, Herrick Township, Forest City Borough, Mount Pleasant Township, Vandling Borough, and Uniondale Borough. The District assesses taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time thereafter, be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949, as amended.

The financial statements of Forest City Regional School District (the District) are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to generally accepted accounting principles of the United States of America as applicable to governmental units.

The most significant of the District's accounting policies are described below:

Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14, as amended by GASB no. 39, the District is financially accountable if it appoints a voting majority of the organization governing board (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, there have been no component units defined within our reporting entity.

Jointly Governed Organizations

The District is a participating member of the Northeastern Educational Intermediate Unit 19. The NEIU #19 is run by a joint committee consisting of members from each participating District. No participating district appoints a majority of the joint committee.

The board of directors of each participating district must approve NEIU #19's annual operating budget. The NEIU#19 is a self-sustaining organization that provides services from fees to participating districts. As such, the District has no on-going financial interest or responsibility in the NEIU#19. The NEIU#19 contracts with participating districts to supply special education services, computer services, and as a conduit for certain federal programs.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The Statement of net position and the statement of activities display information about the district as a whole. These statements include the financial activities of the government, except for the Fiduciary Funds. The statements distinguish between those activities of the district that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements, but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The School District has elected to report all governmental funds as major funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 30 days of the end of the fiscal period. Expenditures generally are recorded 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 recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and others financing uses) of current financial resources.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Proprietary Funds

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With the measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total net position. The statement of cash flow s provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary Funds are reported using the economic resources measurement focus.

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

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The District has presented the following major governmental funds:

General Fund

The General Fund is for the general operations of the District and all financial transactions not required to be accounted for in another fund.

Capital Projects Fund

The Capital Projects Fund accounts for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Capital Reserve Fund

The Capital Reserve Fund accounts for (1) money transferred during any fiscal year from Appropriations made for any particular purpose which may not be needed, (2) surplus money in the General Fund of the treasury of the District at the end of any fiscal year, and (3) interest earnings of the fund itself. Bond

proceeds and other local, state or federal revenue received by the school may not be deposited into this fund. No transfers out of this fund are allowable for any purpose. Should the district desire to utilize the money within this Fund to pay capital project expenses, or make debt service payments, these payments must be made directly from the Capital Reserve Fund.

Debt Service Fund

The Debt Service Fund is used for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Enterprise Fund

The Enterprise Fund accounts for the District's Food Service operations. It is financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, cost, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as established by GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Fiduciary Fund Type

Trust and Agency Funds

These funds are used to account for assets held by the district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Cash, Cash Equivalents, and Investments

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and highly-liquid investments with original maturities of less than 90 days.

Investments are stated at fair value, the amount at which a financial instrument could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. This method of valuation is in compliance with GASB 79, Accounting and Financial Reporting for certain Investments and for External Investments Pools.

Intergovernmental Receivables/Payables

During the course of operations, numerous transactions occur between government units for payment of services and subsidy payments. These receivables and payables are classified as intergovernmental receivables/payables on the balance sheet.

Inventories

Inventories of the Food Service Fund are valued at the lower of cost or market.

Capital Assets

Capital assets, which include land, site improvements, buildings, building improvements, machinery and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The District defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost equal to or greater than \$5,000. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

	<u>Years</u>
Buildings and building improvements	50
Furniture & Fixtures	20
Equipment	5-10

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated Absences

Sick Leave

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Upon retirement, these employees are eligible for remuneration of unused sick days. To be eligible for this benefit, the employee must be eligible to receive superannuation, early retirement or disability pension from the Public School Employees Retirement System (PSERS), and the employee must have at least ten (10) years of service in the Forest City Regional School District. The employee must be retiring from a full-time position and complete full-time service.

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire and those under the administrator's plan.

Vacation Leave

The District maintains records of each employee's accumulated vacation days, and has valued the accumulated vacation days earned at June 30, 2019.

Unavailable and unearned Revenues

General Fund unavailable revenues represent primarily delinquent taxes not collected within 30 days subsequent to the District's year end and grants received but not expended by year end. It is expected that these receivables will be collected and included in revenues of future fiscal years.

Food Service Fund unearned revenues represent food received in its food service operations that is on hand at June 30, 2019. Such revenues will be recognized when the food commodities are used.

Long -Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns of the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and payment of principal and interest reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund receivables/payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of financial position includes separate elements for deferred outflows and inflows of resources. The separate financial statement elements, deferred outflows and inflows of resources, represent a consumption/addition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or

inflows of resources (revenue) until then. The District's items that qualify for reporting in this category are items related to pension and OPEB obligations on the government-wide statement of net position. See note 13 for details of deferred outflows and inflows related to the pension obligation and note 14 for the OPEB obligation.

Pension Plan

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

Post-Employment Benefits Other than Pensions

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 Pennsylvania Public School Employees' Retirement System ("PSERS") and additions to/deductions from PSERS fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Net Position

Net position represented the difference between assets, liabilities, and deferred inflows and outflows. Net position invested in capital assets, net of related debt consists of capital assets, of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws and regulations of others governments.

Fund Balance

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they chose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of prepares and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (board resolution) of the school board - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance. This classification reflects amounts constrained by the school's "intent" to be used for specific purposes, but are neither restricted nor committed. The business manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Use of fund balance. The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed.

The following is a summary of the District's fund balance classifications and categories within those classifications held at the fiscal year ended June 30, 2019.

Restricted

The restricted fund balance in the capital project and capital reserve fund of \$216 and \$99,353 respectively, is from debt proceeds and is for future capital construction and purchases. The remaining restricted fund balance in the debt service fund of \$9,484 is for future debt service payments

Unassigned

Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$4,573,391 for the general fund as of June 30, 2019.

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2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Under Act No. 72 enacted by the general assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Deposit Insurance Corporation.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions.

At June 30, 2019, the carrying amount of the School District's cash and cash equivalents was \$6,136,809. The depository balances throughout the year were covered by federal depository insurance up to \$250,000 per bank or by collateral held by the pledging banks trust department.

Custodial Credit Risk - Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2019, \$6,071,435 of the District's bank balance of \$6,321,434 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's Trust department not in the District's name	\$6,071,435
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FOREST CITY REGIONAL AREA SCHOOL DISTRICT

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3. SCHOOL TAXES

The School Board levies real estate taxes in three counties: Lackawanna, Susquehanna, and Wayne. The tax on real estate, as levied by the School Board, was 92.8 mills (\$92.80 per \$1,000 of assessed valuation) in Lackawanna County; 41.2 mills (\$41.20 per \$1,000 of assessed valuation) in Susquehanna County; and 16.7 mills (\$16.70 per \$1,000 of assessed valuation) in Wayne County. The counties determine assessed valuations of property and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows for Lackawanna, and Wayne Counties:

August 1	Levy Date
August 1-September 30	2% Discount Period
October 1-November 30	Face Payment Period
December 1-December 31	10% Penalty Period
January 1	Lien Date

The schedule for real estate taxes levied for each fiscal year is as follows for Susquehanna County:

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

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2019:

	Interfund Receivables	Interfund Payable
General Fund	\$ 688,976	\$ -0-
Food Service Fund	-0-	397,626
Capital Reserve	-0-	291,350
Total	<u>\$ 688,976</u>	<u>\$ 688,976</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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Interfund transfers are summarized as follows:

	Interfund Transfers – In	Interfund Transfers - Out
General Fund	\$ -0-	\$ 806,746
Debt Service Fund	806,746	-0-
	<u>\$ 14,303,828</u>	<u>\$ 14,303,828</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

5. DELINQUENT REAL ESTATE TAXES

Delinquent taxes receivable for the year of December 31, 2018 and prior years were turned over to the Delinquent Tax Office of Lackawanna, County (the "Tax Office") are responsible for collecting and remitting delinquent taxes. As of June 30, 2019, delinquent taxes outstanding amount to \$405,044.

For fund financial statement purposes, included in this amount are real estate taxes that are not susceptible to accrual at June 30, 2019 and therefore not reflected as revenue in the current year. This amount is included in "Unearned Revenues" in the liability section of the governmental funds.

6. INTERGOVERNMENTAL SUBSIDIES AND RECEIVABLES

Amounts due from other governments represent net receivables for revenues earned by the District or collections made by another governmental unit on behalf of the District. At June 30, 2019, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>
Federal Sources	\$ 60,818
State Sources	257,941
Local Sources	<u>216,277</u>
Total	<u>\$ 535,036</u>

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

7. INVENTORIES

Business Type Activities

The District is the recipient of donated commodities from the Federal Government. Inventories as reflected in the Proprietary Fund relative to the operation of the District's cafeteria consist of donated commodities from the Federal Government and are stated at values assigned by the Federal Government. Inventories of food and non-food supplies are valued at cost using the first-in, first-out method. Under this method, inventories are a component of cost of goods sold and retained earnings/fund balance. Inventory of Donated Commodities at June 30, 2019 was \$20,728.

Although title to the unused commodities donated by the Federal Government does not pass to the District until the commodities are processed for serving, the policy of the District is to include the value of such commodities in inventories of the Food Service Fund.

8. CAPITAL ASSETS

Capital assets activity for Governmental Activities for the year ended June 30, 2019, was as follows:

Governmental Activities	July 1, 2018	Increases	Decreases	June 30, 2019
Capital assets not being depreciated:				
Land	\$ 7,624	\$ -0-	\$ -0-	\$ 7,624
Construction in progress	<u>8,970,792</u>	<u>-0-</u>	<u>8,970,792</u>	<u>-0-</u>
Total capital assets not being depreciated	<u>\$ 8,978,416</u>	<u>\$ -0-</u>	<u>\$ 8,970,792</u>	<u>\$ 7,624</u>
Capital assets being depreciated:				
Land Improvements	\$ 331,488	\$ -0-	\$ -0-	\$ 331,488
Buildings & Improvements	12,521,634	10,507,344	-0-	23,028,978
Furniture & Equipment	<u>3,046,686</u>	<u>-0-</u>	<u>-0-</u>	<u>3,046,686</u>
Total capital assets being depreciated at historical cost	<u>\$ 15,899,808</u>	<u>\$ 10,507,344</u>	<u>\$ -0-</u>	<u>\$ 26,407,152</u>
Less accumulated depreciation				
Land Improvements	\$ (330,980)	\$ (507)	\$ -0-	\$ (331,487)

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Building & Improvements	(8,869,872)	(307,902)	-0-	(9,177,774)
Furniture & Equipment	<u>(2,527,110)</u>	<u>(98,227)</u>	<u>-0-</u>	<u>(2,625,337)</u>
Total accumulated depreciation	<u>\$ (11,727,962)</u>	<u>\$ (406,636)</u>	<u>\$ -0-</u>	<u>\$ (12,134,598)</u>

Total Capital assets being depreciated, net	<u>4,171,846</u>	<u>10,100,708</u>	<u>-0-</u>	<u>14,272,554</u>
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Governmental Activities capital assets, net	<u>\$ 13,150,262</u>	<u>\$ 10,100,708</u>	<u>\$ 8,970,792</u>	<u>\$ 14,280,178</u>
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Capital asset activity for the Business-type activities for the year ended June 30, 2019, was as follows:

Business-type Activities	July 1, 2018	Increases	Decreases	June 30, 2019
Food Service Equipment	\$ 230,039	\$ 4,810	\$ -0-	\$ 234,849
Less Accumulated Depreciation	<u>(175,525)</u>	<u>(8,955)</u>	<u>-0-</u>	<u>(184,480)</u>
Net Business-type Fixed Assets	<u>\$ 54,514</u>	<u>\$ (4,145)</u>	<u>\$ -0-</u>	<u>\$ 50,369</u>

Depreciation expense was charged to the functions/programs as follows:

Governmental Activities:

Instructional	\$ 272,446
Support services	77,261
Non-instructional services	52,863
Unallocated Depreciation Expense	<u>4,066</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 406,636</u>

Business-type Activities:

Food service	\$ 8,955
Total Depreciation Expense, Business-type Activities	<u>\$ 8,955</u>

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

9. LONG-TERM LIABILITIES

The following is a summary of governmental long-term liability activity of the District for the year ending June 30, 2019:

Type	Principal Outstanding July 1, 2018	Additions	Repayments	Principal Outstanding June 30, 2019	Due within One Year
Series of 2012	\$ 275,000	\$ -0-	\$ 70,000	\$ 205,000	\$ 70,000
Series of 2015	<u>9,150,000</u>	<u>-0-</u>	<u>395,000</u>	<u>8,755,000</u>	<u>400,000</u>
Total Bonds & Notes	9,425,000	-0-	465,000	8,960,000	470,000
Compensated Absences	<u>300,736</u>	<u>21,252</u>	<u>-0-</u>	<u>321,988</u>	<u>-0-</u>
Total	<u>\$9,725,736</u>	<u>\$ 54,975</u>	<u>\$ 465,000</u>	<u>\$9,281,988</u>	<u>\$ 470,000</u>

Interest expense for Bonds and Notes for the year ended June 30, 2019 was \$263,930.

General Obligation Bonds of 2012

On May 22, 2012 the District issued a bond payable in the amount of \$3,190,000. This bond is due on varying annual installments plus interest at rates ranging from 1.00% to 2.375% with the final maturity scheduled for July 1, 2021. The proceeds of this bond were used to refund the District's obligations from 2007.

General Obligation Bonds of 2015

On September 17, 2015 the District issued a bond payable in the amount of \$9,920,000. This bond is due on varying annual installments plus interest at rates ranging from 1.00% to 4.00% with the final maturity scheduled for June 30, 2035. The proceeds of this bond will be used to improve all school facilities.

Annual requirements to amortize principal and interest at June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 470,000	\$ 256,656	\$ 726,656
2021	480,000	248,115	728,115
2022	490,000	238,241	728,241
2023	500,000	227,711	727,711

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2024	510,000	216,346	726,346
2025-2029	2,760,000	873,444	3,663,444
2030-2034	3,220,000	459,073	3,679,073
2035	<u>530,000</u>	<u>50,526</u>	<u>580,256</u>
Totals	<u>\$ 8,960,000</u>	<u>\$ 2,570,112</u>	<u>\$ 11,530,112</u>

Bonds and notes payable are liquidated through payments from the Debt Service Fund. Compensated absences are liquidated through payments from the General Fund.

10. COMPENSATED ABSENCES

Employees of the District are allowed to accumulate sick leave based upon agreement with the various collective bargaining units. The accumulated sick leave may be utilized by the employee upon illness. At termination or retirement, the employee will be compensated for unused absences at an amount established by contract. The District, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16 has determined its estimated liability for compensated absences to be \$321,988 at June 30, 2019. This same amount is calculated under the “termination of payment method”. All employees who work a twelve (12) month year are entitled to annual paid vacation leave. Vacation leave credited to the employee must be utilized by the fiscal year end, carryover is not permitted.

11. LEASE OBLIGATIONS

Operating Leases

The District is obligated on certain operating leases incurred for equipment. Leases are operating leases and not capital leases and as such are expensed when paid. The more significant lease commitments are:

	<u>Sustainable Energy</u>	<u>VAR Resources</u>
Lease Amount	\$ 115,118	\$ 194,675
Payment	1,470	4,156
Term	84 Months	48 Months
Lease Rate	N/A	N/A
Purchase Option	None	None
Beginning	07/15/2014	09/01/2016
Ending	06/13/2021	08/01/2020

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Annual minimum lease payments at June 30, 2019 are as follows:

Year Ended June 30,	Sustainable Energy	Hewlett- Packard	Total
2020	\$ 17,637	\$ 49,870	\$ 67,507
2021	17,637	8,312	25,949
Totals	<u>\$ 35,274</u>	<u>\$ 58,182</u>	<u>\$ 93,456</u>

11. PENSION PLAN

Public School Employees' Retirement System Plan

General Information about the Pension Plan

Plan description

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 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 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefit 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.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

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

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

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,102,885 for the year ended June 30, 2019.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

At June 30, 2019, the District reported a liability of \$23,378,000 for its proportionate share of the net pension liability. The net pension was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .0487%, which was an increase of 3.84% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,607,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportions	\$ 309,625	\$ -0-
Net difference between projected and actual investment earnings	661,250	-0-
Difference between employer contributions and proportionate share of total contributions	98,432	-0-
Difference between projected and actual experience	-0-	73,000
Change in assumptions	-0-	114,000
Contributions subsequent to the measurement date	<u>2,102,885</u>	<u>-0-</u>
Totals	<u>\$ 3,172,195</u>	<u>\$ 187,000</u>

\$ 2,102,885 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Year ended June 30:

2020	1,197,738
2021	(287,248)
2022	(62,880)
2023	13,087
2024	4,734

Actuarial assumptions

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

-) Actuarial cost method – Entry Age Normal – level % of pay
-) Investment return – 7.25%, includes inflation at 2.75%
-) Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 1%, and merit or seniority increases of 2.25%
-) Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2015 Improvement Scale.
-) PSERS' Board approved new actuarial assumptions effective for the June 30, 2016 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2016 and are reflected above.

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 investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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.

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 are:

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Asset Class	Target allocation	Long-Term Expected Real Rate of Return
Global public equity	20%	5.2%
Fixed income	36%	2.2%
Commodities	8%	3.2%
Absolute return	10%	3.5%
Risk parity	10%	3.9%
Master LPs/Infrastructure	8%	5.2%
Real estate	10%	4.2%
Alternative investments	15%	6.7%
Cash	3%	0.4%
Financing (LIBOR)	<u>(20.0)%</u>	0.9%
	<u>100%</u>	

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 pan 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.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would 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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 28,979,000	\$ 23,378,000	\$ 18,643,0000

Pension plan fiduciary net position

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

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

12. POSTEMPLOYMENT BENEFITS

Postemployment benefits other than pension (OPEB):

Plan Description:

The district offers postemployment dental, vision, life and health insurance benefits to employees upon their retirement with the same plan provisions provided to active employees. The following is a breakdown of eligibility requirements and coverage by group.

Administrators

The member must meet the requirements of one of the following programs:

- A. Program One: Complete at least ten consecutive years of District service, must be eligible for PSERS retirement and must give written notice by April 1 in the year of retirement.
- B. Program Two: Attain 55 years of age and attain 25 years of PSERS service.
- C. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

Teachers

The member must meet the requirements of one of the following programs:

- A. Program One: Complete at least ten consecutive years of District service, must be eligible for PSERS retirement and must give written notice by April 1 in the year of retirement.
- B. Program Two: Attain 55 years of age and attain 25 years of PSERS service.
- C. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

Support Staff

The Member must meet the requirements of one of the following programs:

- A. Program Two: Attain 55 years of age and attain 25 years of PSERS service.
- B. Act 110/43 (30 years of PSERS service or upon superannuation retirement)

Employees covered by benefit terms:

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

Total

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

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Inactive employees or beneficiaries currently receiving benefits	22
Active employees	<u>89</u>
Total	<u><u>111</u></u>

Total OPEB liability and actuarial assumptions:

The District's total OPEB liability of \$1,038,501 was measured as of June 30, 2018 and was determined by rolling forward the July 1, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions and other inputs, applies to all periods included in the measurements, unless otherwise specified:

Discount rate:	2.98% based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017
Salary increases	2.50% cost of living adjustment, 1% real wage growth and merit increases which varies by age from 2.75% to 0%
Healthcare cost trend rates:	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 Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit related costs	Retiree contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate
Mortality rates:	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement

Mortality rates are presumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Changes in the total OPEB liability:

Balance at June 30, 2017	<u>\$ 1,110,474</u>
Changes for the year:	
Service Cost	26,559
Interest	32,066
Difference Between Expected And actual Experience	76,884
Changes in assumptions	3,888

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Benefit payments	<u>(211,310)</u>
Net Changes	<u>(71,973)</u>
Balance at June 30, 2018	<u>\$ 1,038,501</u>

Changes in assumptions reflect a change in the discount rate from 3.13% in 2017 to 2.98% in 2018. The trend assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

Sensitivity of net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate is 1% lower or 1% higher than the current rate:

	1% Decrease 1.98%	Current discount Rate 2.98%	1% Increase 3.98%
Districts net OPEB liability	\$ 1,088,943	\$ 1,038,501	\$ 991,080

Sensitivity of net OPEB liability to changes in the healthcare cost trend rates:

The Following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rates	1% Increase
District's net OPEB liability	\$ 969,651	\$ 1,038,501	\$ 1,119,187

For the year ended June 30, 2019, the District recognized OPEB expenses of \$64,254. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of Resources
Changes in assumption	\$ 3,589	\$ 6,290
Difference between expected And actual experience	70,970	
District benefit payments subsequent the measurement date	<u>177,827</u>	<u>-0-</u>
Total	<u>\$ 252,386</u>	<u>\$ 6,290</u>

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, \$177,827 reported as deferred outflows of resources relate to OPEB resulting from District benefit payments made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the valuation year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended <u>June 30,</u>	
2020	\$ (5,689)
2021	(5,689)
2022	(5,689)
2023	(5,689)
2024	<u>(5,689)</u>
thereafter	<u><u>(39,824)</u></u>

Health Insurance Premium Assistance Program (HIPAP):

For purpose of measuring the net HIPAP liability, deferred outflows of resources and deferred inflows of resources related to HIPAP expense, information about the fiduciary net position of 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.

PSERS provide Premium Assistance which is a governmental cost sharing, multiple-employer HIPAP 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 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 Option Program (HOP). As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance eligibility criteria:

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

-) Have 24 ½ or more years of service, or
-) Are a disability retiree, or
-) Have 15 or more years of service and retired after reaching superannuation age, and
-) Participate in the HOP or employer-sponsored health program.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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 the PSERS; HOP. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefit earned by employees during the year, with an addition amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the district were \$ 402,000 for the year ended June 30, 2019.

At June 30, 2019, the District reported a liability of \$7,404,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2017, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward PSERS' total HIPAP liability as of June 30, 2016 to June 30, 2017. The district's proportion of the net HIPAP liability was calculated utilizing the employer's one –year reported covered payroll as it relates to the total one-year reported cover payroll. At June 30, 2017, the District's proportion was 0.1039%, which was a decrease of 8.85% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019, the District recognized HIPAP expense of \$49,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to HIPAP from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change in assumptions	\$ -0-	\$ 22,000
Net difference between projected and actual investment earnings	1,000	-0-
Change in proportion	18,000	-0-
Contributions subsequent to the measurement date	<u>54,000</u>	<u>-0-</u>
	<u>\$ 730,000</u>	<u>\$ 22,000</u>

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

\$402,000 reported as deferred outflows of resources related to HIPAP resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net HIPAP liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

Year ended June 30,

2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
2024	(1,000)
thereafter	9,000

Actuarial assumptions

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

-) Actuarial cost method-Entry Age Normal-level % of pay.
-) Investment return-3.13%-S&P 20 Year Municipal Bond Rate.
-) Salary growth-Effective average of 5.00%, compromised 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 health care cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
-) Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
-) Participation rate:
 - o Eligible retirees will elect to participate pre age 65 at 50%
 - o Eligible retirees will elect to participate post age 65 at 70%

Actuarial Assumptions (continued):

The following assumptions were used to determine the contribution rate:

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

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

-) Asset valuation method: Market Value.
-) Participation rate: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority.
-) Premium Assistance: 63% of eligible retirees are assumed to elect Premium Assistance.
-) Mortality rates: Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years 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 seven years for males and three years for females for disabled annuitants,) A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three 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 HIPAP plan investments was determined using the HIPAP asset allocation policy and best estimates of geometric real rates of return for each asset class. The HIPAP plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

HIPAP-Asset Class	Target Allocation	Long-Term expected real rate of return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	<u>1.3%</u>	0.4%
	<u>100.0%</u>	

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

Discount rate

The discount rate used to measure the total HIPAP liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the HIPAP 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 3.13% which represents the S&P 20-year

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total HIPAP liability.

Sensitivity of the District's proportionate share of the net HIPAP 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, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of 1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District's proportionate share of the net HIPAP liability for June 30, 2017, calculated using current healthcare cost trends as well as what the net HIPAP liability would be if it healthcare cost trends were 1-percentage lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Decrease</u>
District's proportionate share of net HIPAP liability	\$ 1,015,000	\$ 1,015,000	\$ 1,016,000

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

The following presents the District's proportionate share of the net HIPAP liability, calculated using the discount rate of 3.13%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

	<u>1% Decrease</u> 1.98%	<u>Current</u> <u>discount rate</u> 2.98%	<u>1% Increase</u> 3.98%
District's proportionate share of net HIPAP liability	\$ 1,155,000	\$ 1,015,000	\$ 900,000

HIPAP plan fiduciary net position

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

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

13. COMMITMENTS AND CONTINGENCIES

The District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The District is required to make contractual service payments to the Northeast Intermediate Unit Number 18, as well as contributions to finance the Unit's operations. The District's responsibilities for these payments are anticipated to continue into the future.

From time to time, the District is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses that may result from these lawsuits. It is the opinion of management and supported by legal counsel, that the impact of these lawsuits will not have a material adverse effect on the financial position of the District.

Act 72 of 2004

Act 72 of 2004 (the "Act") was signed into Pennsylvania State Law by the Governor on July 5, 2004 with an effective date of September 3, 2004. The intent of the Act is to shift the burden of school funding by reducing school property taxes with increased earned or personal income taxes, new state gaming revenues and any applicable shares of the new Sterling Act Wage Tax Credits, which are credits for those living in your home district but working in Philadelphia. In May, 2005 the District elected to participate for this state property tax reduction.

14. RISK MANAGEMENT:

The school district is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages for the fiscal year ending June 30, 2019.

15. TAX ABATEMENTS:

The District's Local Economic Revitalization Tax Assistance (LERTA) is authorized by the School Board. Recipients are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased assessment. All LERTA tax abatements are based on the increase of value of the improvement.

FOREST CITY REGIONAL AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

There were no amounts recorded or receivable from other governments in association with forgone taxes. The District did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

The adoption of this pronouncement did not have a significant impact to the School District's financial statements.

16. SUBSEQUENT EVENTS

The District has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through March 20, 2020, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

Last 10 Fiscal Years (*)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.0487%	0.0469%	0.0479%	0.0480%	0.0462%	0.0461%
District's proportionate share of the net pension liability	\$ 23,378,000	\$ 23,163,000	\$ 23,738,000	\$ 20,791,000	\$ 18,286,000	\$ 18,872,000
District's covered-employee payroll	\$ 6,561,732	\$ 6,240,139	\$ 6,197,448	\$ 6,180,775	\$ 5,889,880	\$ 5,921,361
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	356.28%	371.19%	383.03%	336.38%	310.46%	318.71%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

Amounts determined as of the cost-sharing plan's June 30, 2017 fiscal year.

(*) This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO PENSION PLAN

Last 10 Fiscal Years (*)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	2,102,885	2,090,669	1,835,763	1,584,168	1,202,166	1,019,923
Contributions in relation to the contractually required contribution	2,102,885	2,090,669	1,835,763	1,584,168	1,202,166	1,019,923
Contribution deficiency (excess)				-	-	-
District's covered-employee payroll	6,561,732	6,240,139	6,197,448	6,180,775	5,892,563	5,889,880
Contributions as a percentage of covered-employee payroll	32.05%	33.50%	29.62%	25.63%	20.40%	17.32%

Amounts determined as of the cost-sharing plan's June 30, 2017 fiscal year.

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
OPEB LIABILITY AND RELATED RATIOS
(Required Supplementary Information)
FOR THE VALUATION YEAR ENDED JUNE 30

	2019	2018
Total other postemployment benefit (OPEB) liability:		
Service Cost	\$ 26,559	\$ 25,899
Interest	32,006	29,397
Difference between expected and actual expenses	76,884	-
Changes In assumptions	3,888	(7,838)
Benefit Payments	<u>(211,310)</u>	<u>(201,167)</u>
Net changes in total OPEB liability	(71,973)	(153,709)
Total OPEB liability - beginning	<u>956,765</u>	<u>1,110,474</u>
Total OPEB liability - ending	<u><u>\$ 884,792</u></u>	<u><u>\$ 956,765</u></u>
Covered-employee payroll	\$ 5,462,844	\$ 5,410,235
Total OPEB liability as percentage of covered-employee payroll	16.20%	17.68%

Note to Schedule:

Changes of assumptions:

The discount rate changes from 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, morality, withdrawal and retirement were updated based on new PSERS assumptions.

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB (HIPAP) LIABILITY
(Required Supplementary Information)
FOR THE VALUATION YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPOEB (HIPAP) liability	0.0487%	0.0469%
District's proportionate share of the net OPEB (HIPAP) liability	\$ 1,015,000	\$ 956,000
District's covered-employee payroll	\$ 6,561,732	\$ 6,197,448
District's proportionate share of the net OPEB (HIPAP) liability as a percentage of its covered-employee payroll	15.47%	15.43%
Plan fiduciary net position as a percentage of the total OPEB (HIPAP) liability	5.50%	5.73%

See accompanying notes to the required supplementary information

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB (HIPAP) CONTRIBUTIONS
(Required Supplementary Information)
FOR THE VALUATION YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 54,000	\$ 52,000
Contributions in relation to the contractually required contribution	<u>54,000</u>	<u>52,000</u>
Contribution deficiency (excess)	-	-
District's covered payroll	\$ 6,561,732	\$ 6,197,448
Contributions as a percentage of covered-employee payroll	0.82%	0.84%

See accompanying notes to the required supplementary information

FOREST CITY REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
Budget and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Expenditures	Final Budget
				Positive
				(Negative)
REVENUE & OTHER FINANCING SOURCES				
Local Sources	\$ 6,912,529	\$ 6,912,529	\$ 6,879,922	\$ (32,607)
State Sources	7,009,524	7,009,524	8,007,730	998,206
Federal Sources	618,732	618,732	771,883	153,151
TOTAL REVENUE & OTHER FINANCING SOURCES	14,540,785	14,540,785	15,659,535	1,118,750
EXPENDITURES				
INSTRUCTION				
Regular Programs - Elementary / Secondary	6,209,376	6,209,376	5,927,106	282,270
Special Programs - Elementary / Secondary	1,858,543	1,858,543	2,041,227	(182,684)
Vocational Education Programs	564,564	564,564	576,525	(11,961)
Other Instructional Programs - Elementary / Secondary	506,340	506,340	585,246	(78,906)
TOTAL INSTRUCTION	9,138,823	9,138,823	9,130,104	8,719
SUPPORT SERVICES				
Pupil Personnel	417,799	417,799	393,960	23,839
Instructional Staff	518,651	518,651	286,481	232,170
Administration	942,499	942,499	904,681	37,818
Pupil Health	156,562	156,562	183,938	(27,376)
Business	337,668	337,668	303,578	34,090
Operation and Maintenance of Plant Services	965,252	965,252	982,646	(17,394)
Student Transportation Services	1,225,445	1,225,445	1,214,692	10,753
Central	400,072	400,072	310,280	89,792
Other Support Services	15,000	15,000	5,202	9,798
TOTAL SUPPORT SERVICES	4,978,948	4,978,948	4,585,458	393,490
NON-INSTRUCTIONAL SERVICES				
Student Activities	200,000	200,000	242,494	(42,494)
Debt Service	-	-	-	-
Community Services	500	500	300	200
TOTAL NON-INSTRUCTIONAL SERVICES	200,500	200,500	242,794	(42,294)
OTHER FINANCING(SOURCES) AND USES				
Transfers Out	795,571	795,571	806,746	(11,175)
TOTAL OTHER FINANCING USES	795,571	795,571	806,746	(11,175)
TOTAL EXPENDITURES & OTHER USES	15,113,842	15,113,842	14,765,102	348,740
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(573,057)	(573,057)	894,433	\$ 1,467,490
FUND BALANCE - July 1, 2018	3,678,958	3,678,958	3,678,958	-
FUND BALANCE - June 30, 2019	\$ 3,105,901	\$ 3,105,901	\$ 4,573,391	\$ 1,467,490

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

1. Budgetary Data

Budgetary data is established by the School Board of the District and is officially adopted via ordinance. The budgets are prepared using the modified accrual basis of accounting which is method utilized for the Governmental Funds. Revenues are recognized when they become both measurable and available. Expenditures are recognized when the related liability is incurred.

Budgetary data and actual data is presented only for the General Fund.

2. Pension Data

The amounts reported in the schedule of the District's proportionate share of the net pension liability are determined as of June 30, 2018 by The Commonwealth of Pennsylvania Public School Employees' Retirement System. The plan is a cost-sharing plan. There were no changes in benefit terms and no changes in assumptions.

3. Postemployment Benefits Plan

The amounts reported in the schedule of the district's proportionate share of the net other post-employment benefits liability are determined as of June 30, 2018 by the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) (the cost-sharing plan). There were no changes in benefit terms. The change in actuarial assumptions is the discount rate increased from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

SUPPLEMENTARY INFORMATION

FOREST CITY REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2019

Grantor/Project Title	Source	Revenue Code	Grantors Number	CFDA Number	Grant Period	Grant Award	Receipts July 1, 2018 to June 30, 2019	Accrued (Deferred) July 1, 2018	Revenue Recognized	Expenditures	Accrued (Deferred) June 30, 2019	Amount Passed Through to Subrecipients June 30, 2019
U.S. DEPARTMENT OF EDUCATION												
<i>Passed through the PA Dept of Education</i>												
Title I - Improving Basic Programs	Indirect	8514	013-190482	84.010	8-1/ to 9-19	\$ 232,164	\$ 182,410	\$ -	232,164	\$ 232,164	\$ 49,754	\$ -
Title II - Improving Teacher Quality	Indirect	8515	020-190482	84.367	8-1/ to 9-19	34,322	34,322	-	34,322	34,322	-	-
Title IV-21st Century Schools	Indirect	8517	144-190482	84.424	8-1/ to 9-19	16,892	7,770	-	15,009	15,009	7,239	-
<i>Passed through Intermediate Units</i>												
IDEA - B	Indirect			84.027	8-17 to 9-18	153,327	311,562	158,235	153,327	153,327	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						\$ 436,705	\$ 536,064	\$ 158,235	\$ 434,822	\$ 434,822	\$ 56,993	\$ -
U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES												
<i>Passed through the PA Department of Public Welfare</i>												
Medical Assistance Program (Access)	Indirect	8820		93.778	7-17 to 6-18	19,979	7,770	-	7,770	7,770	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES						\$ 19,979	\$ 7,770	\$ -	\$ 7,770	\$ 7,770	\$ -	\$ -
U.S. DEPARTMENT OF AGRICULTURE												
<i>Passed through the Penna. Dept of Agriculture</i>												
Food Distribution	Indirect			10.555	7-18 to 6-19	N/A	\$ 36,420	\$ -	\$ 36,420	\$ 36,420	\$ -	\$ -
<i>Passed through the Penna. Dept of Education</i>												
School Breakfast Program	Indirect	8531		10.553	7-18 to 6-19	N/A	97,035	18,116	96,246	96,246	17,327	-
National School Lunch Program	Indirect	8531		10.555	7-18 to 6-19	N/A	227,458	40,898	225,924	225,924	39,364	-
Total Child Nutrition Cluster							360,913	59,014	358,590	358,590	56,691	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE							360,913	59,014	358,590	358,590	56,691	-
TOTAL FEDERAL ASSISTANCE							\$ 904,747	\$ 217,249	\$ 801,182	\$ 801,182	\$ 113,684	\$ -
Testing requirement - 20% Rule												
Total Expenditures (Listed Above)										\$	801,182	
20 % - Testing Requirement										\$	200,296	
Programs Tested												
Food Distribution											36,420	
School Breakfast											96,246	
National School Lunch											225,924	
TOTAL TESTED										\$	358,590	
PERCENT TESTED											45%	

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Forest City Regional School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule only presents a selected portion of the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost of principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.
2. Pass-through entity identifying numbers are presented where available.

NOTE 3 – PROGRAM DISCLOSURE- FOOTNOTES

1. All major and non-major federal grant activity of the Forest City Regional School District is included in the accompanying Schedule of Expenditures of Federal Awards.
2. The District is a sub-recipient of Federal Funds from the Commonwealth of Pennsylvania. The federal cognizant agency is the United States Department of Education.
3. District is a sub-recipient of Federal Funds from the Luzerne Intermediate Unit. The federal cognizant agency is the United States Department of Education.

NOTE 4 – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the District used food commodities totaling \$36,420.

NOTE 5 – MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, revenue code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.

NOTE 6 – INDIRECT COST RATE

Forest City Regional School District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA

Richard P. Rainey, CPA

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 of Directors
Forest City Regional School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Forest City Regional School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Forest City Regional School District's basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Forest City Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Forest City Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Forest City Regional School District's internal control.

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

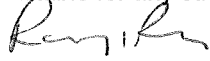
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to be "R. J. K.", is written above the location and date.

Scranton, PA
March 20, 2020

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA

Richard P. Rainey, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Forest City Regional School District

Report on Compliance for Each Major Federal Program

We have audited the Forest City Regional 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 the Forest City Regional School District's major federal programs for the year ended June 30, 2019. Forest City Regional 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 the Forest City Regional 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 the Forest City Regional 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 the Forest City Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Forest City Regional 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, 2019.

Report on Internal Control over Compliance

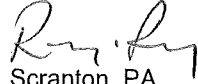
Management of the Forest City Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Forest City Regional School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

A handwritten signature in black ink, appearing to read "R. J. [unclear]", is positioned above the typed text.

Scranton, PA
March 21, 2020

FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Section I - Summary of Audit Results

1. The Auditor's report dated March 26, 2019 expresses an unmodified opinion on the General Purpose Financial Statements of Forest City Regional School District.
2. No significant deficiencies related to the audit of the financial statements as reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards report dated March 26, 2019.
3. No instances of noncompliance material to the financial statements of the Forest City Regional School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Auditor's report on compliance for the major federal awards programs for the Forest City Regional School District expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) for Forest City Regional School District.
7. Programs tested as a major program include National School Lunch Program CFDA #10.555, and School Breakfast Program CFDA #10.553.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Forest City Regional School District was determined to be a low-risk auditee.

Section II – Findings Relating to the Financial Statements

None

Section III – Findings and Questioned Cost for Federal Awards

None

**FOREST CITY REGIONAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no prior year audit findings.