



Chester Upland School District Receivership

The Honorable Judge Barry C. Dozor

Court of Common Pleas of Delaware County, PA; Docket No. CV-2012-009781

January 2021 Receivership Finance Update

By: Strategic Advisor to the Receiver, John L. Pund, CPA, Esq., MBA, LL.M.

Update from Strategic Advisor to the Receiver, John L. Pund, CPA, Esq., MBA, LL.M.
RE: Receivership Finance Update as of January 8, 2021

I. Finance Update

- Current financial information is more readily available for review. CCIU has been instrumental in getting the business office up to speed. Still more work to be done.
- CCIU also helped to ensure that the AFR was filed timely on November 30, 2020.
- CCIU is gathering the remaining open items related to the 2018-19 audit.
- The Receiver will be requesting a cost/benefit analysis from CCIU regarding the budget to actual cost of the outsourcing through December 31, 2020.

A) Comparative Statements of Activities and District-Wide Fund Balance (Fiscals 2018, 2019, and 2020)

A summary of the School's operating results (as a whole) and change in net assets and related change in fund balance follows:

	Unaudited AFR 6/30/2020	Draft Audited 6/30/2019	Restated Audited 6/30/2018
Revenues	\$130,761,780	\$138,849,787	\$130,343,094
Expenses			
Instruction	100,865,350	95,944,787	99,213,672
Support services	27,216,188	26,858,644	23,585,276
Non-Instructional services	493,570	665,994	620,756
Facilities acquisition, construction and improvement	130,016	473,609	8,301
Interest and amortization on long-term debt	8,917,713	3,895,541	4,186,181
Depreciation		2,363,266	1,840,181
Refund of Prior Year Revenues	132,307		
Food Service		2,152,569	2,060,691
Total Expenses	137,755,144	132,354,410	131,515,058
Change in Net Assets	(\$6,993,364)	\$6,495,377	(\$1,171,964)
Change in Fund Balance			
Beginning Net Position	(\$123,324,351)	(\$129,819,728)	(\$129,250,746)
Change in Net Assets	(6,993,364)	\$6,495,377	(\$1,171,964)
Ending Net Position	(\$130,317,715)	(\$123,324,351)	(\$130,422,710)

While the ending District-Wide net position has been negative, the main contributors to the decline in overall fund balance are the bonds payable and the net pension liability that are required to be recorded under GASB.

B) Reconciliation to Governmental Funds fund balance (Fiscals 2018 and 2019)

The following reconciliation to Governmental Funds fund balance illustrates the significant bonds payable and net pension liability recorded in the financial statements:

	Draft Audited 6/30/2019	Restated Audited 6/30/2018
Ending Fund Balance (All Funds) at June 30	(\$123,324,351)	(\$130,422,710)
Subtract: (Non-current capital assets used in governmental activities)	(40,802,850)	(41,716,407)
Subtract: Deferred revenues	(7,338,613)	(7,775,408)
Subtract: Deferred inflows/outflows related to pension and OPEB activities	(8,548,583)	(6,449,705)
Add Back: Business-Type Activities Funds Net Position at Year End	576,926	404,291
Add Back: Long-term liabilities		
Accrued interest	1,081,773	1,131,016
Bonds payable	81,226,604	85,143,819
PDE financial recovery loan	9,500,000	10,000,000
Commonwealth of PA transition loan	4,665,000	4,665,000
Compensated absences	836,814	706,118
Net pension liability	87,558,000	86,677,000
Net OPEB liability	4,536,249	4,589,189
Ending Governmental Funds Net Position at June 30	\$9,966,969	\$6,952,203

C) Comparative Governmental Funds Summary Statements of Activities (Fiscals 2018 and 2019)

A summary of the Governmental Funds financial statements, which includes the General Fund, Capital Projects Fund, and the Debt Service Fund, were as follows:

	Draft Audited 6/30/2019	Restated Audited 6/30/2018
Revenues	\$137,321,084	\$128,790,092
Expenses		
Instruction	97,916,473	100,634,998
Support services	27,284,184	24,342,267
Non-instructional services	688,916	634,033
Debt service	8,468,143	6,475,330
Facilities acquisition, construction and improvement	657,728	8,115,227
Total Expenses	135,015,444	140,201,855
Change in Net Assets	2,305,640	(11,411,763)
Total other financing sources/(uses)	106,144	
Change in Fund Balance		
Beginning Net Position	7,555,185*	18,363,966
Change in Net Assets	2,411,784	(11,411,763)
Ending Net Position	\$9,966,969	\$6,952,203

*Restated

D) Comparative Summary Statements of Activities (Q1 of Fiscals 2019, 2020, and 2021)

The CCIU also has provided the District’s statement of activities for the period July through September 2020 compared to prior year-to-date three-month periods ended September 2019 and September 2018. Moreover, the schedule indicated that revenues exceeded expenses for each of the three-month periods ended September 30th, as follows:

	July-Sept 2020	July-Sept 2019	July-Sept 2018
Total Revenues	\$31,383,932	\$37,672,259	\$31,753,330
Total Expenditures	\$27,352,833	\$30,673,579	\$27,225,300
Change in Net Assets	\$4,031,099	\$6,998,680	\$4,528,030

E) Budget Summary Information 2020-2021

The 2020-2021 budget prepared by the District had an estimated \$2.4M deficit. CCIU prepared an updated projection for 2020-2021 based on actual financial data through October 2020 and projected data through June 30, 2021, as follows:

	2020-2021 Budget	Updated 2020-2021 Projection
Total Revenues	\$134,223,810	\$133,073,163
Total Expenditures	\$136,611,872	\$134,979,892
Net Income	(\$2,388,062)	(\$1,906,729)

II. 2018-2019 Independent Audit Status

- The Receiver and Mr. Pund have been fully engaged in Zoom meetings and telephone conferences with the independent auditors, Maillie, LLP.
- The 2018-2019 audit is not yet finalized. However, the draft 2018-2019 audit has been circulated for review, since the outstanding items are not expected to impact the final numbers.
- The limited outstanding 2018-2019 audit open items include:
 - Some detailed documentation related to the federal grant reconciliations.
 - The management-prepare MD&A section of the audit report.
 - Corrective action plans for audit findings.
- Once the 2018-2019 audit is completed, the process for the 2019-2020 audit will be initiated.

III. Municipal Bond Refinancing

- The Receiver initiated the refinancing of certain municipal bonds due to the historically low interest rates. Refund proceeds from the bond refinancing are approximately \$700,000.
- Upon completion of the 2018-2019 audit, the bank will complete the District’s refinancing application process.

IV. Stimulus Funds

- The District substantial from the 2020 spring stimulus package and reportedly was able to use all the available funding towards COVID-19 related expenses by December 31, 2020.
- The District is expected to receive \$9,786,800 from the Winter 2020 Federal Stimulus ESSER Fund. These funds may be restricted to COVID-19 expenses, but a full understanding of allowable uses needs to develop.