

**CHESTER UPLAND SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2020*

## **INTRODUCTORY SECTION**

# CHESTER UPLAND SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2020

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Chester Upland School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Chester Upland School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

### ***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 Chester Upland School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note M, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Chester Upland School District's operational and financial performance. At this point, Chester Upland School District cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

As discussed in Note L, the School District understated its General Fund unavailable revenues for the prior year ending June 30, 2019. For the General Fund in the governmental funds, the School District has adjusted beginning fund balance. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6i through 6x, budgetary comparison information on page 52, schedule of the school district's proportionate share of the PSERS net pension liability on page 53, schedule of the school district's PSERS pension contributions on page 54, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 55, schedule of the school district's PSERS other postemployment benefit plan contributions on page 56 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 57 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 Chester Upland School District's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, on our consideration of the Chester Upland 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 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 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 Chester Upland School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania  
March 27, 2023



# CHESTER UPLAND SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### YEAR ENDED JUNE 30, 2020

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The Receiver is pleased to present to readers of the financial statements of Chester Upland School District this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

While the Board of School Directors was the governing body of the Chester Upland School District from July 1, 2010 through December 12, 2012, the District was placed in receivership on December 13, 2012, for a term of three years and thereafter extended.

## FINANCIAL HIGHLIGHTS

### Government-Wide Financial Statements

- In the governmental activities, total revenues decreased \$3.6 million - from \$136.7 million in 2019 to \$133.1 million in 2020. The decrease was the result of decreased real estate and other tax revenues of \$2.9 million, decreased operating grants and contributions of \$1.1 million, and an increase in grants and contributions not restricted to specific programs of \$840,000.
- Governmental activities general revenues accounted for \$107.5 million or 80.8% of total revenues, a net decrease of \$2.6 million from the prior year \$110.1 million or 80.5%. Over \$83.9 million of these revenues are subsidies received from the Commonwealth of Pennsylvania.
- Governmental activities program revenues, largely comprised of operating grants accounted for \$25.5 million or 19.2% of total revenues, a net decrease of \$1.1 million from the prior year \$26.6 million or 19.5%. The decrease in revenue in this category is primarily the result of a decrease in revenues from Commonwealth and federal sources for regular and special education programs. Program revenues vary from year to year depending upon grants awarded to the School District.
- Current total governmental activities expenditures increased from \$130.2 million in 2018-19 to \$133.2 million in 2019-20. This \$3.0 million increase is primarily the result of increases in Instruction services (\$3.5 million), Support services (\$341,000), Operations and maintenance of plant services (\$222,000), offset by decreases in Student transportation services (\$364,000), Administration (\$121,000), Student activities (\$139,000), Facilities acquisition, construction and improvements (\$244,000) and Interest and amortization (\$145,000).

### Fund Financial Statements

- As of the end of the current fiscal year, Chester Upland School District's General Fund reported an ending fund balance of (\$3.96 million), a decrease of \$6.4 million from the previous year Fund Balance of \$2.4 million. The majority of the decrease is attributed to a decrease in Local source revenue of \$3.3 million, a decrease in Federal source revenue of \$2.1 million and an increase in State source revenue of \$2.0 million compared to the prior year. The decrease is also attributed to higher Instruction expenditures of \$102.1 million in the current year compared to \$97.9 million in the prior year, and an increase in Transfers out of \$9.8 million in the current year compared to \$8.5 million in the prior year.

# CHESTER UPLAND SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### YEAR ENDED JUNE 30, 2020

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#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Chester Upland School District's basic financial statements. The Chester Upland School District's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Chester Upland School District's finances, in a manner similar to a private-sector business. There are two government-wide statements presented in this report.

- The *statement of net position* presents information on all of the Chester Upland School 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 Chester Upland School District is improving or deteriorating. To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- 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 earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Chester Upland School 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*).

In the government-wide financial statements, the District's activities are divided into two categories:

- ***Governmental Activities:*** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- ***Business-Type Activities:*** The District charges fees to help it cover the costs of certain services it provides, such as the food service program.

The government-wide financial statements can be found on pages 7 and 8 of this report.

# CHESTER UPLAND SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### YEAR ENDED JUNE 30, 2020

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***Fund Financial Statements.*** The fund financial statements provide more detailed information about the District's funds. 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 Chester Upland School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Chester Upland School District can be divided into two categories: Governmental Funds and the Proprietary Fund.

***Governmental Funds.*** Most of the District's basic services are included in 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 Funds financial statements focus on *short-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 a 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 government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The Chester Upland School District maintains several individual Governmental Funds. For the year ended June 30, 2020, information is presented in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, as it is considered to be the only reportable major fund.

The Chester Upland School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund for consideration of compliance with the budget.

The basic Governmental Funds financial statements can be found on pages 9 to 12 of this report.

***Proprietary Fund.*** The Chester Upland School District maintains one type of Proprietary Fund; the Food Service Fund, which is an Enterprise Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. This fund accounts for the financial transactions related to the food service operation of the District.

The basic Proprietary Fund financial statements can be found on pages 13 to 15 of this report.

***Fiduciary Funds.*** The Chester Upland School District maintains two types of Fiduciary Funds; the Student Activity Fund and Other Agency Funds. Fiduciary Funds are used to report those activities where the District acts solely as trustee or agent for the benefit of others.

The basic Fiduciary Funds financial statements can be found on page 16 of this report.

***Notes to the Basic 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 basic financial statements can be found on pages 17 to 51 of this report.

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**CHESTER UPLAND SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Chester Upland School District, liabilities exceeded assets by \$122,930,252 at the close of the most recent fiscal year.

The table below summarizes the net position of the District at June 30, 2020 and 2019.

***Chester Upland School District's Net Position***

	Governmental Activities	
	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current and other assets	\$ 31,490,276	\$ 35,744,206
Capital assets	41,152,600	40,802,850
Deferred outflows of resources	13,207,217	15,164,919
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>85,850,093</b>	<b>91,711,975</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Long-term liabilities outstanding	182,751,166	188,322,667
Other liabilities	19,655,765	19,642,658
Deferred inflows of resources	6,373,414	6,616,336
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>208,780,345</b>	<b>214,581,661</b>
<b>NET POSITION</b>		
Net investment in capital assets	(34,884,228)	(36,147,731)
Restricted	-	-
Unrestricted	(88,046,024)	(86,721,955)
<b>TOTAL NET POSITION</b>	<b>\$ (122,930,252)</b>	<b>\$ (122,869,686)</b>

The District's financial position is a product of many factors. In the governmental activities, the grants and contributions not restricted to specific programs drives the majority of the revenue generated. The tax base of the district is the third largest contributor of revenues. The District consists of three municipalities: Chester City, Upland Borough and Chester Township. In the business-type activities, which are food services, revenue is generated through meal production and resale.

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Business-Type Activities		Totals	
2020	2019	2020	2019
\$ 83,911	\$ (32,759)	\$ 31,574,187	\$ 35,711,447
-	5,921	41,152,600	40,808,771
15,000	17,000	13,222,217	15,181,919
98,911	(9,838)	85,949,004	91,702,137
115,005	115,210	182,866,171	188,437,877
131,206	443,878	19,786,971	20,086,536
8,000	8,000	6,381,414	6,624,336
254,211	567,088	209,034,556	215,148,749
-	5,921	(34,884,228)	(36,141,810)
-	-	-	-
(155,300)	(582,847)	(88,201,324)	(87,304,802)
\$ (155,300)	\$ (576,926)	\$ (123,085,552)	\$ (123,446,612)

**CHESTER UPLAND SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Changes in the net position of the District are highlighted in the following table:

***Chester Upland School District's Change in Net Position***

	Governmental Activities	
	2020	2019
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 6,229	\$ 6,539
Operating grants and contributions	25,526,954	26,635,742
Capital grants and contributions	53,647	-
General revenues		
Property taxes	22,322,048	24,261,858
Other taxes	1,615,468	2,610,739
Grants and contributions not restricted to specific programs	83,998,533	83,158,117
Investment earnings	63,347	38,415
Refund of prior year expenditures/revenues, net	89,937	-
Miscellaneous	(56,154)	36,182
Transfers	(501,126)	-
<b>TOTAL REVENUES</b>	<b>133,118,883</b>	<b>136,747,592</b>
<b>EXPENSES</b>		
Instruction	99,424,048	95,944,387
Support services	10,766,726	10,425,957
Administration	5,508,156	5,629,324
Operation and maintenance of plant services	5,838,672	5,616,684
Student transportation services	4,951,645	5,315,496
Food service	-	-
Student activities	416,080	555,387
Community services	76,494	110,607
Facilities acquisition, construction and improvements	229,670	473,609
Interest and amortization	3,622,088	3,767,124
Depreciation, unallocated	2,345,870	2,363,266
<b>TOTAL EXPENSES</b>	<b>133,179,449</b>	<b>130,201,841</b>
<b>CHANGE IN NET POSITION</b>	<b>(60,566)</b>	<b>6,545,751</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>(122,869,686)</b>	<b>(129,415,437)</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ (122,930,252)</b>	<b>\$ (122,869,686)</b>

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Business-Type Activities		Totals	
2020	2019	2020	2019
\$ 84,730	\$ 110,920	\$ 90,959	\$ 117,459
1,541,917	1,869,014	27,068,871	28,504,756
-	-	53,647	-
-	-	22,322,048	24,261,858
-	-	1,615,468	2,610,739
-	-	83,998,533	83,158,117
-	-	63,347	38,415
-	-	89,937	-
-	-	(56,154)	36,182
501,126	-	-	-
<u>2,127,773</u>	<u>1,979,934</u>	<u>135,246,656</u>	<u>138,727,526</u>
-	-	99,424,048	95,944,387
-	-	10,766,726	10,425,957
-	-	5,508,156	5,629,324
-	-	5,838,672	5,616,684
-	-	4,951,645	5,315,496
1,706,147	2,152,569	1,706,147	2,152,569
-	-	416,080	555,387
-	-	76,494	110,607
-	-	229,670	473,609
-	-	3,622,088	3,767,124
-	-	2,345,870	2,363,266
<u>1,706,147</u>	<u>2,152,569</u>	<u>134,885,596</u>	<u>132,354,410</u>
421,626	(172,635)	361,060	6,373,116
<u>(576,926)</u>	<u>(404,291)</u>	<u>(123,446,612)</u>	<u>(129,819,728)</u>
\$ <u>(155,300)</u>	\$ <u>(576,926)</u>	\$ <u>(123,085,552)</u>	\$ <u>(123,446,612)</u>



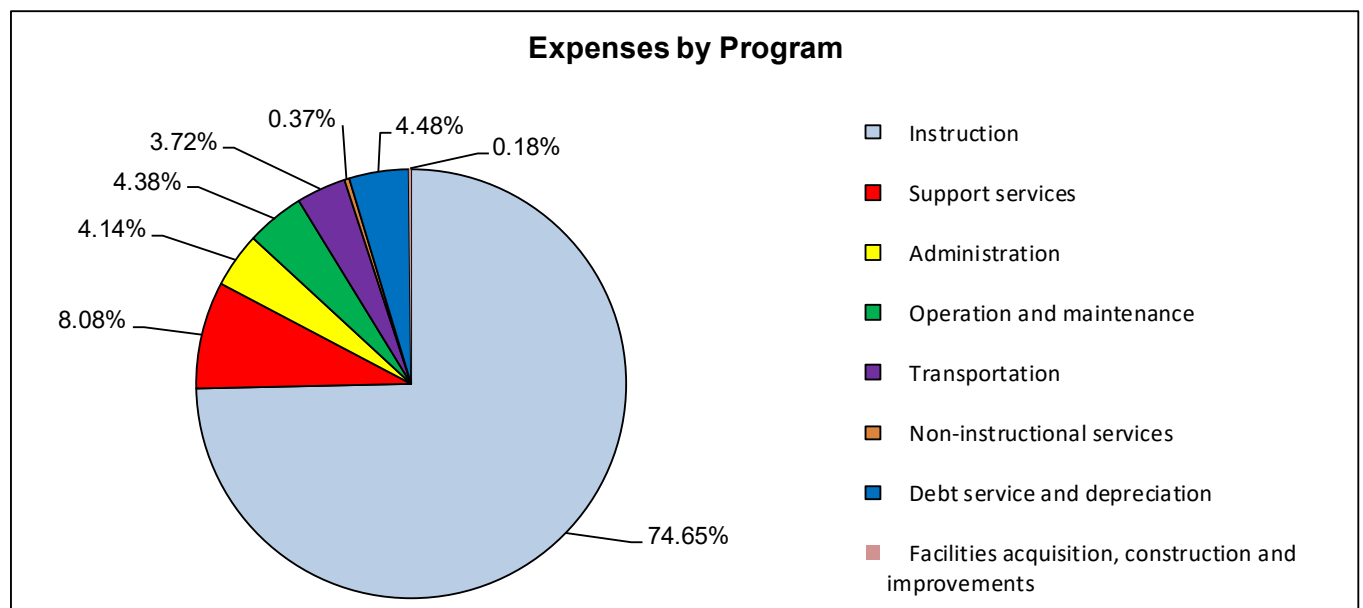
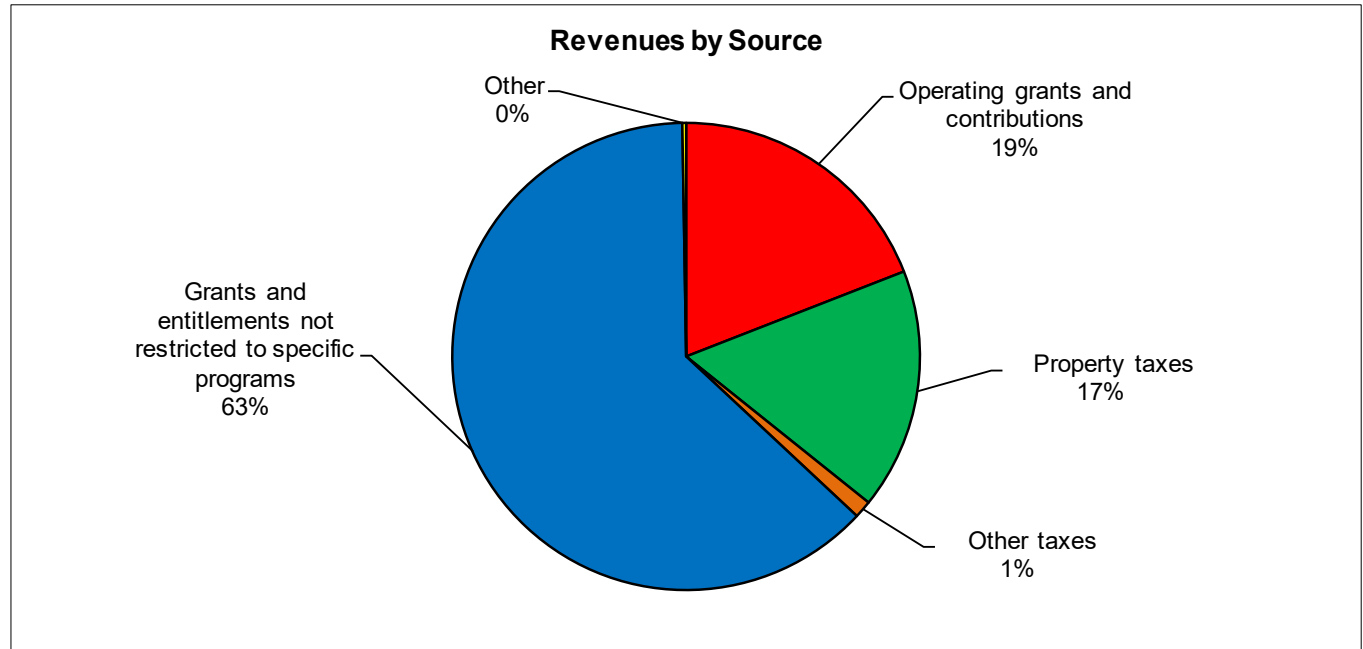
# CHESTER UPLAND SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### YEAR ENDED JUNE 30, 2020

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The following charts illustrate the sources and uses of funds for the governmental activities of the Chester Upland School District:



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the Chester Upland School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CHESTER UPLAND SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**Governmental Funds**

The focus of the Chester Upland School District's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Chester Upland School District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Chester Upland School District's Governmental Funds reported combined ending fund balances of (\$661,577), comprised of (\$3,958,763) by the General Fund, and \$3,297,186 by the Capital Projects Fund. The General Fund is the primary operating fund of the Chester Upland School District. The Capital Projects Fund reflects the balance of two series of bond borrowings to address infrastructure needs throughout the Chester Upland School District.

**Proprietary Fund**

The Chester Upland School District's Proprietary Fund financial statements at the fund-level provide the same type of information found in the government-wide financial statements but in more detail. Daily management and administration of the food service program is performed by Chartwells, Compass Group USA.

The Food Service Fund's net position increased by \$421,626 during the year, as a result of a transfer in from the General Fund of \$501,126. The district continues to make strides developing its Food Service Fund Program to be self-supporting on an annual basis. As a result, the fund's net position at year-end was (\$155,300), an increase compared to (\$576,926) in the previous year. The district along with the Food Service Management Company will continue to work in tandem towards the success of the Food Service Program. The table below shows the fund's annual net changes before fund transfers for the last five years:

<u>Year Ended June 30,</u>	<u>Annual Net Change Before Fund Transfer</u>
2016	\$ 62,558
2017	31,581
2018	(28,679)
2019	(172,635)
2020	(79,500)

Other factors concerning the Food Service Fund have already been addressed in the discussion of the School District's business-type activities.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Chester Upland School District's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$41,152,600 (net of accumulated depreciation).

**CHESTER UPLAND SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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The following table shows the breakdown of the governmental portion.

***Chester Upland School District's Capital Assets (Net of Depreciation)***

	Governmental Activities	
	2020	2019
Land and improvements	\$ 8,075	\$ 8,514
Buildings and building improvements	39,063,490	38,631,952
Furniture and equipment	2,081,035	2,108,284
Construction in progress	-	54,100
	<u>\$ 41,152,600</u>	<u>\$ 40,802,850</u>

Additional information on the Chester Upland School District's capital assets can be found in Note D of this report.

**Long-Term Debt**

***Chester Upland School District's Outstanding Debt***

	Governmental Activities	
	2020	2019
Outstanding obligation bonds and loans	<u>\$ 90,201,828</u>	<u>\$ 95,391,604</u>

Chester Upland School District maintains a Moody's A2 rating.

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

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- In July 2012, The District was placed into receivership (the "Receiver") under the Commonwealth of Pennsylvania's Recovery Act 141 of 2012. The Receiver assumes the powers and duties of the School Board and is responsible for the governance of the District other than the settling of property taxes, which remains with the School Board. The Receiver and senior administration of the District have been tasked with creating and implementing a financial and educational recovery plan and continue to meet and discuss with decision makers at the state-level regarding the recovery plan. Many factors have led to the financial challenges in the District that have resulted in the District being placed into receivership, including a limited ability to raise local revenue and heavy reliance on state funding. In addition, charter school funding has been a major contributor to the District's financial difficulties because the charter school funding formula does not take into account the actual costs of educating a student in District schools and charter schools.

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Business-Type Activities		Totals	
2020	2019	2020	2019
\$ -	\$ -	\$ 8,075	\$ 8,514
-	-	39,063,490	38,631,952
-	5,921	2,081,035	2,114,205
-	-	-	54,100
<u>\$ -</u>	<u>\$ 5,921</u>	<u>\$ 41,152,600</u>	<u>\$ 40,808,771</u>

Business-Type Activities		Totals	
2020	2019	2020	2019
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,201,828</u>	<u>\$ 95,391,604</u>

**CHESTER UPLAND SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, the Governor ordered the closure of the physical location of every "non-essential" business in Delaware County, Pennsylvania for what was an extended period of time, which included the closure of schools through the end of the 2019-2020 school year. As a result, the District provided virtual instruction for the remainder of the 2019-2020 school year, which impacted expenditures both related to unbudgeted expenditures to accommodate virtual education and savings related to expenditures for physical in-person learning not incurred for the operation of buildings and transportation. Furthermore, the Governor signed into law Act 13 of 2020 that required any employee of the District who was employed as of the closure to received their full compensation that they would have been entitled to receive from the District had COVID-19 not occurred.

During 2020-2021, the District continued to experience disruptions due to COVID-19 and operated under virtual, hybrid and in-person learning models as conditions permitted. The District continued to see decreased operational costs due to virtual and hybrid learning for a majority of the 2020-2021 school year while experiencing increased online curriculum development, equipment purchases and software licensing costs for virtual learning and costs associated with ensuring the staff and students have the necessary protective personal equipment to return to the classroom.

The District returned to full in person learning for the 2021-2022 school year with operational and educational expenditures returning to pre-COVID-19 levels.

In response to COVID-19 the Federal government has passed three pieces of legislation known as the Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**"), the Coronavirus Response and Relief Supplemental Appropriations Act ("**CRRSA**") and the American Rescue Plan ("**ARPA**") to provide funding to schools to mitigate the impact of COVID-19 through the Elementary and Secondary School Emergency Relief ("**ESSER**"). The District has been appropriated approximately \$33 million in ESSER funding to be passed-through the Pennsylvania Department of Education which will be used to coordinate preparedness and response efforts to COVID-19 and can be utilized through September 30, 2024.

- The District adopted its 2020-2021, 2021-2022 and 2022-2023 fiscal year budgets in May 2020, June 2021 and June 2022, respectively. The District's 2020-2021 budget included revenues of \$135,368,839 and expenditures of \$136,393,930. The 2020-2021 budget had no increase in the real estate tax. The District's 2021-2022 budget included revenues of \$136,390,331 and expenditures of \$133,609,420. The 2020-2021 budget included a 2.60% increase in basic education funding. The District's 2022-2023 budget included revenues of \$136,390,331 and expenditures of \$133,609,420. The 2022-2023 budget included a 13.00% increase in basic education funding and used approximately \$10.5 million in ESSER fund.

**CHESTER UPLAND SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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- The 2020-2021, 2021-2022 and 2022-23 millage rates for the City of Chester, Chester Township and Upland Borough are:

	Millage Rates	
	City of Chester	Chester Township and Upland Borough
2020 to 2021	\$ 55.6400	\$ 27.9500
2021 to 2022	15.2200	15.7300
2022 to 2023	15.2200	15.7300

- In 2015, the District entered into a settlement agreement with brick-and-mortar charter schools that significantly reduced the amount being paid to those charters as compared to the statutory charter school rate. The District also began paying the "settlement agreement rate" to the cyber charter schools, who objected and filed suit against the district to compel payment of the "statute rate." In 2018, the Commonwealth of Pennsylvania Court handed down a decision in the cyber charters' lawsuit, opining that no parties had a right to enter into an agreement that circumvents the statute, whether the agreement was mutually voluntary or not. The District sought appeal to the Pennsylvania Supreme Court which denied allocatur, effectively establishing the Commonwealth of Pennsylvania Court decision as caselaw.

Subsequent to the Commonwealth of Pennsylvania Court decision, Chester Community Charter School ("**CCCS**") filed suit against the District alleging that the decision nullified the settlement agreement and claiming right to be reimbursed for the difference between the "settlement agreement rate" and the "statute rate" from the point of the agreement to the present, and further claiming that the District was obligated to pay the statute rate going forward. Currently, CCCS claims to be owed approximately \$85 million to compensate for the difference between what the District has actually paid and what CCCS calculates to be the amount owed by statutory formula.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Chester Upland School District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer, Chester Upland School District, Administration Suite, 232 West 9th Street, Chester, PA 19013.

**CHESTER UPLAND SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,358,229	\$ 144,414	\$ 11,502,643
Taxes receivable	8,267,393	-	8,267,393
Internal balances	218,013	(218,013)	-
Due from other governments	4,747,521	85,417	4,832,938
Other receivables	6,895,239	87	6,895,326
Inventories	-	72,006	72,006
Prepaid expenses	3,881	-	3,881
Capital assets, net of accumulated depreciation			
Land and improvements	8,075	-	8,075
Buildings and building improvements	39,063,490	-	39,063,490
Furniture and equipment	2,081,035	-	2,081,035
<b>TOTAL ASSETS</b>	<b>72,642,876</b>	<b>83,911</b>	<b>72,726,787</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, OPEB activity	652,217	-	652,217
Deferred outflows of resources, pension activity	12,555,000	15,000	12,570,000
<b>TOTAL DEFERRED OUTFLOWS             OF RESOURCES</b>	<b>13,207,217</b>	<b>15,000</b>	<b>13,222,217</b>
<b>LIABILITIES</b>			
Accounts payable	14,017,021	50,767	14,067,788
Accrued salaries and benefits	3,269,692	8,433	3,278,125
Accrued interest	975,924	-	975,924
Unearned revenue	928,779	72,006	1,000,785
Due to other governments	458,949	-	458,949
Other current liabilities	5,400	-	5,400
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	5,385,776	-	5,385,776
Financial recovery loan	1,000,000	-	1,000,000
Commonwealth of PA transition loan	466,500	-	466,500
Compensated absences	96,199	-	96,199
Portion due or payable after one year			
Bonds payable	70,651,052	-	70,651,052
Financial recovery loan	8,500,000	-	8,500,000
Commonwealth of PA transition loan	4,198,500	-	4,198,500
Compensated absences	865,795	13,005	878,800
Net pension liability	86,918,000	98,000	87,016,000
Other postemployment benefit obligations	4,669,344	4,000	4,673,344
<b>TOTAL LIABILITIES</b>	<b>202,406,931</b>	<b>246,211</b>	<b>202,653,142</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, OPEB activity	492,414	-	492,414
Deferred inflows of resources, pension activity	5,881,000	8,000	5,889,000
<b>TOTAL DEFERRED INFLOWS             OF RESOURCES</b>	<b>6,373,414</b>	<b>8,000</b>	<b>6,381,414</b>
<b>NET POSITION</b>			
Net investment in capital assets	(34,884,228)	-	(34,884,228)
Unrestricted	(88,046,024)	(155,300)	(88,201,324)
<b>TOTAL NET POSITION</b>	<b>\$ (122,930,252)</b>	<b>\$ (155,300)</b>	<b>\$ (123,085,552)</b>

*See accompanying notes to the basic financial statements.*

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# CHESTER UPLAND SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 52,851,089	\$ -	\$ 10,515,208	\$ -
Special programs	42,056,387	-	8,777,044	-
Vocational education programs	1,318,120	-	410,809	-
Other instructional programs	2,088,351	-	149,177	-
Higher education programs	50,687	-	-	-
Pre-kindergarten programs	1,059,414	-	1,231,711	-
Support services				
Pupil personnel services	4,710,809	-	604,698	-
Instructional staff services	2,597,815	-	214,534	-
Administration services	4,488,423	-	560,057	-
Pupil health services	1,307,773	-	101,388	-
Business services	1,019,733	-	130,541	-
Operation and maintenance of plant services	5,838,672	-	575,342	-
Student transportation services	4,951,645	-	2,074,509	-
Central services	2,111,561	-	140,513	-
Other services	38,768	-	-	-
Operation of non-instructional services				
Student activities	416,080	6,229	39,790	-
Community services	76,494	-	1,633	-
Facilities acquisition, construction and improvement	229,670	-	-	-
Interest and amortization on long-term debt	3,622,088	-	-	53,647
Depreciation, unallocated	2,345,870	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	133,179,449	6,229	25,526,954	53,647
BUSINESS-TYPE ACTIVITIES				
Food service	1,706,147	84,730	1,541,917	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 134,885,596	\$ 90,959	\$ 27,068,871	\$ 53,647

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Transfer taxes

Public utility taxes

Grants and contributions not restricted to specific programs

Investment earnings

Refund of prior year expenditures/revenues, net

Miscellaneous

Transfers

### TOTAL GENERAL REVENUES

### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (42,335,881)	\$ -	\$ (42,335,881)
(33,279,343)	-	(33,279,343)
(907,311)	-	(907,311)
(1,939,174)	-	(1,939,174)
(50,687)	-	(50,687)
172,297	-	172,297
(4,106,111)	-	(4,106,111)
(2,383,281)	-	(2,383,281)
(3,928,366)	-	(3,928,366)
(1,206,385)	-	(1,206,385)
(889,192)	-	(889,192)
(5,263,330)	-	(5,263,330)
(2,877,136)	-	(2,877,136)
(1,971,048)	-	(1,971,048)
(38,768)	-	(38,768)
(370,061)	-	(370,061)
(74,861)	-	(74,861)
(229,670)	-	(229,670)
(3,568,441)	-	(3,568,441)
(2,345,870)	-	(2,345,870)
(107,592,619)	-	(107,592,619)
-	(79,500)	(79,500)
(107,592,619)	(79,500)	(107,672,119)
22,322,048	-	22,322,048
1,592,803	-	1,592,803
22,665	-	22,665
83,998,533	-	83,998,533
63,347	-	63,347
89,937	-	89,937
(56,154)	-	(56,154)
(501,126)	501,126	-
107,532,053	501,126	108,033,179
(60,566)	421,626	361,060
(122,869,686)	(576,926)	(123,446,612)
\$ (122,930,252)	\$ (155,300)	\$ (123,085,552)

**CHESTER UPLAND SCHOOL DISTRICT****BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,305,984	\$ 4,052,245	\$ -	\$ 11,358,229
Taxes receivable	8,267,393	-	-	8,267,393
Due from other funds	976,953	665,800	-	1,642,753
Due from other governments	4,747,521	-	-	4,747,521
Other receivables	6,895,239	-	-	6,895,239
Prepaid items	-	3,881	-	3,881
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>28,193,090</u>	\$ <u>4,721,926</u>	\$ <u>-</u>	\$ <u>32,915,016</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 14,017,021	\$ -	\$ -	\$ 14,017,021
Due to other funds	-	1,424,740	-	1,424,740
Due to other governments	458,949	-	-	458,949
Accrued salaries and benefits	3,269,692	-	-	3,269,692
Other payables	5,400	-	-	5,400
TOTAL LIABILITIES	<u>17,751,062</u>	<u>1,424,740</u>	<u>-</u>	<u>19,175,802</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenues, charter schools	6,249,202	-	-	6,249,202
Unavailable revenues, property taxes	<u>8,151,589</u>	<u>-</u>	<u>-</u>	<u>8,151,589</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>14,400,791</u>	<u>-</u>	<u>-</u>	<u>14,400,791</u>
<b>FUND BALANCE</b>				
Nonspendable, prepaid items	-	3,881	-	3,881
Restricted				
Capital projects	-	3,293,305	-	3,293,305
Unassigned	<u>(3,958,763)</u>	<u>-</u>	<u>-</u>	<u>(3,958,763)</u>
TOTAL FUND BALANCE	<u>(3,958,763)</u>	<u>3,297,186</u>	<u>-</u>	<u>(661,577)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
	\$ <u>28,193,090</u>	\$ <u>4,721,926</u>	\$ <u>-</u>	\$ <u>32,915,016</u>

*See accompanying notes to the basic financial statements.*

# CHESTER UPLAND SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

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TOTAL GOVERNMENTAL FUND BALANCE	\$	(661,577)
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund. These assets consist of:

Land and improvements	8,075
Buildings and building improvements	39,063,490
Furniture and equipment	2,081,035

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay the current year's expenditures and therefore are reported as deferred revenue in the funds.

13,472,012

Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds.

6,833,803

Long-term liabilities applicable to governmental activities are not due and payable in the current year and, accordingly, are not reported as fund liabilities.

Accrued interest	(975,924)
Bonds payable	(76,036,828)
Department of Education financial recovery loan	(9,500,000)
Commonwealth of PA transition loan	(4,665,000)
Compensated absences	(961,994)
Net pension liability	(86,918,000)
Net OPEB liability	(4,669,344)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(122,930,252)</u>
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*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 24,922,490	\$ 3,338	\$ -	\$ 24,925,828
State sources	103,886,796	-	-	103,886,796
Federal sources	5,055,495	-	-	5,055,495
TOTAL REVENUES	<u>133,864,781</u>	<u>3,338</u>	<u>-</u>	<u>133,868,119</u>
EXPENDITURES				
Instruction	102,065,991	-	-	102,065,991
Support services	27,768,837	-	-	27,768,837
Operation of non-instructional services	485,557	-	-	485,557
Debt service	-	-	8,917,713	8,917,713
Facilities acquisition, construction and improvement services	130,017	1,357,175	-	1,487,192
TOTAL EXPENDITURES	<u>130,450,402</u>	<u>1,357,175</u>	<u>8,917,713</u>	<u>140,725,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,414,379</u>	<u>(1,353,837)</u>	<u>(8,917,713)</u>	<u>(6,857,171)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	665,800	8,917,713	9,583,513
Transfers out	(9,793,839)	(290,800)	-	(10,084,639)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,793,839)</u>	<u>375,000</u>	<u>8,917,713</u>	<u>(501,126)</u>
NET CHANGE IN FUND BALANCE	(6,379,460)	(978,837)	-	(7,358,297)
FUND BALANCE AT BEGINNING OF YEAR, restated	<u>2,420,697</u>	<u>4,276,023</u>	<u>-</u>	<u>6,696,720</u>
FUND BALANCE AT END OF YEAR	<u>\$ (3,958,763)</u>	<u>\$ 3,297,186</u>	<u>\$ -</u>	<u>\$ (661,577)</u>

*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ (7,358,297)

Capital outlays are reported in the Governmental Fund 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 capital outlays exceeds depreciation during the year.

Capital outlays	2,695,620
Depreciation	<u>(2,345,870)</u>
	<u>349,750</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. The following are the net changes in these noncurrent resources:

Charter schools	3,101,214
Property taxes	<u>(115,803)</u>
	<u>2,985,411</u>

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

Bond discount	(14,224)
Principal repayments	<u>5,204,000</u>
	<u>5,189,776</u>

Under the modified accrual basis of accounting used in the Governmental Fund, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. The following are the impact of the net changes in balances:

Compensated absences	(125,180)
Accrued interest on long-term debt	105,849
Net pension liability	(1,255,000)
Net OPEB liability	<u>47,125</u>
	<u>(1,227,206)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (60,566)

*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2020**

	Enterprise Fund Food Service Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 144,414
Due from other governments	85,417
Other receivables	87
Inventories	72,006
TOTAL CURRENT ASSETS	<u>301,924</u>
CAPITAL ASSETS	
Furniture and equipment	596,842
Accumulated depreciation	(596,842)
TOTAL CAPITAL ASSETS	<u>-</u>
TOTAL ASSETS	<u>301,924</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>15,000</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	50,767
Due to other funds	218,013
Unearned revenue	72,006
Accrued salaries and benefits	8,433
TOTAL CURRENT LIABILITIES	<u>349,219</u>
NONCURRENT LIABILITIES	
Compensated absences	13,005
Net pension liability	98,000
Net OPEB liability	4,000
TOTAL NONCURRENT LIABILITIES	<u>115,005</u>
TOTAL LIABILITIES	<u>464,224</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pension activity	<u>8,000</u>
NET POSITION	
Unrestricted	<u>(155,300)</u>
TOTAL NET POSITION	<u>\$ (155,300)</u>

*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2020**

	Enterprise Fund Food Service Fund
OPERATING REVENUES	
Charges for services	\$ <u>84,730</u>
OPERATING EXPENSES	
Salaries	107,925
Employee benefits	106,434
Purchased professional and technical services	410
Purchased property services	5,829
Other purchased service	1,306,876
Supplies	172,752
Depreciation	5,921
TOTAL OPERATING EXPENSES	<u>1,706,147</u>
OPERATING LOSS	<u>(1,621,417)</u>
NONOPERATING REVENUES	
State sources	44,742
Federal sources	1,497,175
TOTAL NONOPERATING REVENUES	<u>1,541,917</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(79,500)
TRANSFERS IN	<u>501,126</u>
CHANGE IN NET POSITION	421,626
NET POSITION AT BEGINNING OF YEAR	<u>(576,926)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(155,300)</u></u>

*See accompanying notes to the basic financial statements.*



# CHESTER UPLAND SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Enterprise Fund Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 133,500
Payments to employees	(212,565)
Payments to suppliers	(2,005,925)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,084,990)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	1,673,097
State sources	55,181
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,728,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfers in	<u>501,126</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	144,414
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 144,414</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,621,417)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	5,921
Pension expense	1,000
(Increase) decrease in Inventories	(48,770)
Increase (decrease) in Accounts payable	(361,441)
Due to other funds	(109,847)
Deferred revenue	48,770
Accrued salaries and benefits	(1)
Compensated absences	795
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (2,084,990)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash financing activities	
Donated foods	\$ 164,121

*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

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	Agency Funds		
	Student	Other	
	Activity Fund	Agency Funds	Totals
ASSETS			
Cash and cash equivalents	\$ <u>17,462</u>	\$ <u>3,871</u>	\$ <u>21,333</u>
LIABILITIES			
Other current liabilities	\$ <u>17,462</u>	\$ <u>3,871</u>	\$ <u>21,333</u>

*See accompanying notes to the basic financial statements.*

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Chester Upland School District (the “School District”) is a municipal corporation governed by a locally elected nine-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Chester Upland School District (the primary government) and its component units (entities for which the government is considered to be financially accountable). Other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading are also included as part of the reporting entity. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Chester Upland School Authority is a blended component unit as defined in Governmental Accounting Standards Board Statement No. 61 although it is currently inactive, and thus has no information to report as part of the School District’s reporting entity.

The basic financial statements of the Chester Upland School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The School District has adopted all GASB Statements effective through June 30, 2020.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board and either (1) the School District’s ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District’s financial statements to be misleading. This report presents the activities of the Chester Upland School District. The School District is not a component unit of another reporting entity.

**Organization**

The School District, pursuant to an amendment to the Pennsylvania Public School Code, was organized as of July 1, 1970, as a school district of the second class. The School District is located in Delaware County, Pennsylvania. The School District’s tax base consists of the City of Chester, Chester Township and Upland Borough.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth’s obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the Commonwealth of Pennsylvania.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of having been a “distressed” school district in 1994, pursuant to Section 691 of the School Code, the School District was governed by a three-member Education Empowerment Board, which, pursuant to Section 693 of the School Code, is empowered and authorized “to exercise all the rights, powers, privileges, prerogatives and duties imposed or conferred by law on the locally elected nine member board of the distressed district, and the locally elected nine member board shall have no power to act without the approval of the special Board of Control.”

In May 2000, the Pennsylvania legislature passed, and the Governor signed, the Education Empowerment Act. Effective July 1, 2000, the School District was certified as an Education Empowerment School District. At such time, the Board of Control appointed in accordance with Section 692 of the School Code was replaced by a new Board of Control, which immediately assumed control of the School District. In accordance with the Education Empowerment Act, the new Board of Control is comprised of three members consisting of the Secretary of Education of the Commonwealth, or a designee, who serves as chairman and two members who are residents of the County and who have been appointed by the Secretary of Education of the Commonwealth.

The Education Empowerment Board possessed all of the powers and duties that Pennsylvania law confers upon local school boards and the power conferred by Section 693 of the School Code, with the exception of the power to levy taxes. The Education Empowerment Board may also exercise additional powers set forth in the Education Empowerment Act having to do with employing professional staff, disposing of buildings, contracting for educational services, reallocating internal resources and applying for waivers of certain mandates of the Commonwealth. The Education Empowerment Board was empowered to serve until the School District no longer has a history of low test performance and has reached the goals set forth in a School District improvement plan to be prepared in accordance with the Education Empowerment Act.

In July 2012, the Pennsylvania legislature passed and the Governor signed into law, Act 141 of 2012. Under the act, a school district may be declared financially distressed and a recovery officer appointed to develop and implement a recovery plan. Effective December 13, 2012, a Receiver was appointed and assumed control of the School District.

**Government-Wide and Fund Financial Statements**

The government-wide statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the Governmental Funds, Proprietary Fund and Fiduciary Funds. The major Governmental Fund and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the Governmental Fund, the School District considers revenues to be available if they are collected within 60 days after the fiscal year-end. Property taxes, dividends, interest and grants associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Expenditures generally are recorded when a liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the Governmental Fund. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District reports the following major Governmental Funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund. The general tax revenues of the School District are accounted for in the General Fund.

**Capital Projects Fund** - The Capital Projects Fund accounts for capital activity.

**Debt Service Fund** - The Debt Service Fund accounts for the payment of general long-term debt principal and interest.

The School District reports the following major Proprietary Fund:

**Food Service Fund** - The Food Service Fund accounts for the financial transactions related to the food service operations of the School District.

Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions.

The Proprietary Fund distinguishes 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 Food Service Fund are charges to customers for sales. Operating expenses of the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Deposits and Investments**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawals.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. 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 their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2020, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Receivables and Payables**

The School District property tax year runs from July 1 through February 28. The discount period (2% of gross levy) runs from July 1 through September 15. The flat period runs from September 16 through November 16. The penalty period (10% of gross levy) runs from November 17 to collection. The School District taxes are billed and collected by the local appointed tax collector. In the government-wide financial statements, property taxes are recognized as revenues in the year for which they are levied. In the fund financial statements, property taxes are recognized to the extent that they are both measurable and available. Outstanding tax levies are offset on the Governmental Fund balance sheet by deferred revenues in the liability section. The amounts expected to be collected within the first 60 days after the fiscal year-end are recorded as revenue. The remaining balance is reflected as unearned revenue.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues in the government-wide financial statements are susceptible to accrual in the period in which they become measurable unless accorded other treatment by GASB standards. All revenues and receivables in the government-wide and Governmental Fund financial statements are shown net of allowance for uncollectible accounts. Allowances are based on historical trends or specific account evaluation as deemed necessary.

Due to/from other governments primarily consist of amounts arising from transfer payments and amounts due from grantors or to grantees for specific programs.

**Inventories**

**General Fund** - Textbooks and instruction supplies are charged to expense upon acquisition.

**Food Service Fund** - Food and supplies are valued at cost (first-in, first-out method) or at estimated market value in the case of food donated by the U.S. Department of Agriculture.

**Restricted Assets**

Certain assets in the General Fund are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants.

**Unearned Revenue**

Unearned revenue consists of revenues that have not met all requirements of revenue recognition. Unearned revenue items primarily consist of reimbursement-type grants where costs have not yet been incurred; this includes instances where the School District receives periodic advance funding but has not expended the funds nor met all the criteria to claim the funds as revenue for the current fiscal period. In the fund financial statements, unearned revenue includes property and grant revenue that are not available resources. Such is the case in the General Fund, where unavailable revenue has been established to offset real estate tax receivables and charter school receivables. In addition, unearned revenue has been established to offset federal subsidies allotted to the School District that have not been earned.

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 (amount not rounded) or purchased with debt proceeds. The asset must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	10-50
Furniture and equipment	5-20

**Compensated Absences**

It is the School District's policy to permit employees to accumulate all earned but unused sick leave and vacation days. Employees are granted vacation and sick leave in varying amounts. The School District's policy is to pay for unused sick leave not exceeding certain amounts based upon meeting certain requirements when employees separate from service with the School District. All vacation pay is accrued when incurred in the government-wide and Proprietary Fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

**Deferred Outflows/Inflows of Resources**

The School District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualifies for reporting in this category. It is the deferred outflow related to OPEB activity and the deferred outflow related to pension activity, both of which are reported in the government-wide statement of net position and proprietary fund statement of net position. The deferred outflow related to pension activities is the difference between expected and actual experience, changes in assumptions, changes in proportion, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow related to OPEB activities is the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, arises only under a modified accrual basis of accounting. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and charter schools.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The deferred inflow related to pension activity and the deferred inflows related to OPEB activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience, net difference between projected and actual investment earnings, changes in proportion, and difference between employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow related to OPEB activities is the result of changes in assumptions and changes in proportions.

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issue costs are recognized in the current period.

In the fund financial statements, the Governmental Fund recognizes 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position and Fund Equity**

The difference between fund assets and liabilities is "net position" on the government-wide and Proprietary Fund statements and "fund balance" on the Governmental Fund statements. Net position is classified as "net investment in capital assets," legally "restricted" for a specific purpose, or "unrestricted" and available for appropriation for the general purposes of the fund.

In the Governmental Fund financial statements, nonspendable and restricted fund balance represent amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments and assignments of fund balance represent tentative management plans that are subject to change.

**Fund Balance**

Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- ***Committed*** - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. As of June 30, 2020, the Board has not delegated the authority to assign fund balance.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Fund balance sheet (page 9). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Accounting and Control**

An annual budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. As required, the proposed budget is made available for public inspection prior to the date of adoption required by July 1.

The General Fund is the only fund for which a budget is legally required. Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of the approved budget.

After the legal adoption of the budget, the Board of School Directors is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget are also required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Excess of Expenditures Over Appropriations**

During the year ended June 30, 2020, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Expenditures Over Budget</u>
General Fund	Instruction	
	Special programs	\$ (6,482,566)
	Other instructional programs	(903,898)
	Higher education programs	(20,687)
	Support services	
	Pupil personnel	(299,982)
	Instructional staff	(403,644)
	Pupil health	(489,353)
	Operation and maintenance of plant services	(238,238)
	Central and other services	(564,316)
	Other support services	(13,268)
	Facilities acquisition, construction and improvement services	(130,017)

These excess expenditures were funded by various functions that were under budget in the General Fund and additional revenue sources.

**NOTE C – CASH AND INVESTMENTS**

The School District maintains separate bank and money market accounts for its various funds.

School District funds are invested only in authorized types of investments for school districts [Pennsylvania Stat. Ann. Tit. 24,4-440.1 (c)-(d)]. To the extent that a savings account, certificate of deposit, or time deposit is utilized as one of these investments, the aggregate principal and interest will be kept below the FDIC insured amount of \$250,000, or it will be collateralized according to Pennsylvania State Law P.L. 281, No. 72 (Act 72) to the extent it exceeds \$250,000.

There are three categories of custodial credit risk that apply to the School District's bank balances:

1. Insured or collateralized with securities held by the School District or by the School District's agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the School District's agent in the School District's name.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE C – CASH AND INVESTMENTS (Continued)**

3. Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the School District's name.

The School District depository accounts are carried at cost plus accrued interest. At June 30, 2020, the carrying amount of the School District's deposits was \$11,523,976, and the bank balance was \$15,345,930.

Checking and savings accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 of 1971.

**Custodial Credit Risk - Deposits**

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

As of June 30, 2020, \$15,004,724 of the School District's bank balance of \$15,345,930 was exposed to custodial credit risk as follows:

Insured	\$ 341,206
Uninsured and collateral held by pledging bank's trust department not in the School District's name	<u>15,004,724</u>
TOTAL DEPOSIT	<u>\$ 15,345,930</u>

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2020.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE D – CAPITAL ASSETS**

Capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ 54,100	\$ -	\$ (54,100)	\$ -
Capital assets being depreciated				
Land and improvements	2,250,040	-	-	2,250,040
Buildings and building improvements	77,335,701	2,124,676	-	79,460,377
Furniture and equipment	12,309,397	625,044	-	12,934,441
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>91,895,138</b>	<b>2,749,720</b>	<b>-</b>	<b>94,644,858</b>
Accumulated depreciation				
Land and improvements	(2,241,526)	(439)	-	(2,241,965)
Buildings and building improvements	(38,703,749)	(1,693,138)	-	(40,396,887)
Furniture and equipment	(10,201,113)	(652,293)	-	(10,853,406)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(51,146,388)</b>	<b>(2,345,870)</b>	<b>-</b>	<b>(53,492,258)</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 40,802,850</b>	<b>\$ 403,850</b>	<b>\$ (54,100)</b>	<b>\$ 41,152,600</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 596,842	\$ -	\$ -	\$ 596,842
Accumulated depreciation	(590,921)	(5,921)	-	(596,842)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 5,921</b>	<b>\$ (5,921)</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE E – LONG-TERM DEBT**

**Bonds Payable**

Bonds payable consist of the following at June 30, 2020:

School Revenue Bonds, Series A, B and C of 2011, principal amount \$46,625,000, maturing September 15, 2011 through September 15, 2026, bearing interest from 1.50% to 5.25%, interest paid semiannually on March 15 and September 15.	\$ 34,855,000
School Revenue Bonds, Series of 2014, principal amount \$7,155,000, maturing November 15, 2014 through November 15, 2023, bearing interest at 3.48%, interest paid semiannually on May 15 and November 15.	4,050,000
<b>SUBTOTAL FORWARD</b>	<b>\$ 38,905,000</b>

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE E – LONG-TERM DEBT (Continued)**

SUBTOTAL FORWARDED	\$ 38,905,000
School Revenue Bonds, Series of A of 2016, principal amount \$18,045,000, maturing September 15, 2018 through September 15, 2029, bearing interest from 5.185% to 5.485%, interest paid semiannually on March 15 and September 15.	18,035,000
School Revenue Bonds, Series of B of 2016, principal amount \$7,085,000, maturing September 15, 2019 through September 15, 2030, bearing interest at 5.25%, interest paid semiannually on March 15 and September 15.	7,080,000
Federally Taxable School Revenue Bonds, Qualified Zone Academy Bonds-Tax Credit Series of 2017, principal amount \$7,500,000, maturing September 15, 2030, bearing interest at 3.5%, interest paid semiannually on March 15 and September 15.	7,445,000
General Obligation Bonds, Series 2018, principal amount \$6,160,000, maturing September 15, 2031, bearing interest from 3.00% to 5.00%, interest paid semiannually on March 15 and September 15.	\$ <u>5,310,000</u>
	\$ <u><u>76,775,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 5,400,000	\$ 3,513,729	\$ 8,913,729
2022	5,635,000	3,275,530	8,910,530
2023	5,889,000	3,025,811	8,914,811
2024	6,126,000	2,786,735	8,912,735
2025	6,415,000	2,498,274	8,913,274
2026-2030	37,550,000	7,159,257	44,709,257
2031-2032	<u>9,760,000</u>	<u>247,319</u>	<u>10,007,319</u>
	\$ <u><u>76,775,000</u></u>	\$ <u><u>22,506,655</u></u>	\$ <u><u>99,281,655</u></u>

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE E – LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$ 81,979,000	\$ -	\$ (5,204,000)	\$ 76,775,000	\$ 5,400,000
Bond (discounts) premiums	(752,396)	-	14,224	(738,172)	(14,224)
<b>TOTAL GENERAL OBLIGATION BONDS</b>	<b>81,226,604</b>	<b>-</b>	<b>(5,189,776)</b>	<b>76,036,828</b>	<b>5,385,776</b>
<b>Department of Education</b>					
Financial Recovery Loan	9,500,000	-	-	9,500,000	1,000,000
Commonwealth of PA Transition Loan	4,665,000	-	-	4,665,000	466,500
Compensated absences	836,814	-	125,180	961,994	96,199
Net pension liability	87,558,000	-	(640,000)	86,918,000	-
Net OPEB liability (PSERS)	3,803,000	149,000	-	3,952,000	-
Net OPEB liability (single employer plan)	733,249	-	(15,905)	717,344	-
<b>TOTAL NET OPEB LIABILITY</b>	<b>4,536,249</b>	<b>149,000</b>	<b>(15,905)</b>	<b>4,669,344</b>	<b>-</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES</b>	<b>\$ 188,322,667</b>	<b>\$ 149,000</b>	<b>\$ (5,720,501)</b>	<b>\$ 182,751,166</b>	<b>\$ 6,948,475</b>
<b>BUSINESS- TYPE ACTIVITIES</b>					
Compensated absences	\$ 12,210	\$ 795	\$ -	\$ 13,005	\$ -
Net pension liability	99,000	-	(1,000)	98,000	-
Net OPEB liability (PSERS)	4,000	-	-	4,000	-
<b>TOTAL BUSINESS- TYPE ACTIVITIES LONG- TERM LIABILITIES</b>	<b>\$ 115,210</b>	<b>\$ 795</b>	<b>\$ (1,000)</b>	<b>\$ 115,005</b>	<b>\$ -</b>

Claims and judgments and compensated absences are generally liquidated by the General Fund.

**Department of Education Financial Recovery Loan**

In 2013, the School District received approval for a \$10,000,000 financial recovery loan from the Commonwealth of Pennsylvania Department of Education to be used to implement the components of the School District's financial recovery plan. The loan bears no interest and the first payment of \$500,000 was due September 30, 2018. Annual principal payments of \$1,000,000 will be due on June 30 of each year starting in 2021. The final payment of \$2,500,000 will be due on June 30, 2028.

**Commonwealth of Pennsylvania Transition Loan**

In 2015, the School District received approval for a \$4,665,000 transition loan from the Commonwealth of Pennsylvania Department of Education to be used to implement the components of the School District's financial recovery plan. The loan bears no interest, and the annual principal payments of \$466,500 will be due on June 30 of each year, beginning with June 30, 2021. The final payment of \$1,399,500 will be due on June 30, 2028.



**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE F – INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 976,953	\$ -
Capital Projects Fund	665,800	1,424,740
Food Service Fund	-	218,013
	<u>\$ 1,642,753</u>	<u>\$ 1,642,753</u>

Interfund balances between funds represent temporary loans recorded at year-end. The balances generally are paid shortly after year-end.

Interfund transfers for the period ended June 30, 2020, were as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 9,793,839	\$ -
Debt Service Fund	-	8,917,713
Capital Projects Fund	290,800	665,800
Food Service Fund	-	501,126
	<u>\$ 10,084,639</u>	<u>\$ 10,084,639</u>

The School District typically transfers budgeted dollar amounts from the General Fund to the Capital Projects Fund, Food Service Fund and the Debt Service Fund to assist in providing for various repairs, maintenance, or purchase of buildings and equipment, and payment of debt service costs.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE G – COMMITMENTS AND CONTINGENCIES**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance.

There are a number of tax assessment appeals in the Delaware County Court of Common Pleas from the decisions of the Board of Assessment & Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

The District is engaged in litigation with several charter schools for amounts the charter schools claim are owed to them by the District. One claim by the Chester Community Charter School claims to be owed approximately \$85 million through the 2021-2022 school year to compensate for the difference between what the District has actually paid and what CCCS calculates to be the amount owed by statutory formula. The District and the Receiver are currently negotiating the charter school tuition rate with the charter schools under the supervision of the Delaware County Court of Common Pleas. A final settlement has not been reached. Although the District may be held liable for some of the amounts claimed to be owed, the District is disputing the total amount and cannot project the scope of any settlement liability. The District has recorded a payable in the accompanying financial statements that includes all amounts the District has determined are due and payable to the charter schools totaling approximately \$3.4 million as of June 30, 2020.

**NOTE H – PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**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.pa.gov](http://www.psers.pa.gov).

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE H – PENSION PLAN (Continued)**

***Contributions***

**Members 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 services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$8,357,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$87,016,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.1860%, which was an increase of 0.0034% from its proportion measured as of June 30, 2019.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE H – PENSION PLAN (Continued)**

For the year ended June 30, 2020, the School District recognized pension expense of \$9,613,000 . At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 477,000	\$ 2,880,000
Changes in assumptions	831,000	-
Net difference between projected and actual investment earnings	-	249,000
Changes in proportions	2,812,000	2,750,000
Difference between employer contributions and proportionate share of total contributions	87,000	2,000
Contributions subsequent to the measurement date	<u>8,348,000</u>	<u>-</u>
	<u>\$ 12,555,000</u>	<u>\$ 5,881,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 2,000	\$ 4,000
Changes in assumptions	1,000	-
Changes in proportions	3,000	4,000
Contributions subsequent to the measurement date	<u>9,000</u>	<u>-</u>
	<u>\$ 15,000</u>	<u>\$ 8,000</u>

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE H – PENSION PLAN (Continued)**

\$8,357,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 28,750	\$ -
2022	(1,393,250)	(1,000)
2023	(458,250)	(1,000)
2024	148,750	-
	<u>\$ (1,674,000)</u>	<u>\$ (2,000)</u>

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE H – PENSION PLAN (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<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, 2019.

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

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE H – PENSION PLAN (Continued)**

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 108,388,000	\$ 87,016,000	\$ 68,919,000

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

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS**

**Other Postemployment Benefits**

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

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

***Health Insurance Premium Assistance Program***

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



**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

**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 insurance program.

**Pension Plan Description**

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

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

**Employer Contributions**

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$210,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$3,956,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.1860% percent, which was an increase of 0.0034% from its proportion measured as of June 30, 2019.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

For the year ended June 30, 2020, the School District recognized OPEB expense of \$186,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 22,000	\$ -
Changes in assumptions	131,000	118,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportions	167,000	145,000
Contributions subsequent to the measurement date	<u>210,000</u>	<u>-</u>
	<u>\$ 537,000</u>	<u>\$ 263,000</u>

\$210,000 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ (4,000)
2022	(4,000)
2023	(6,000)
2024	(8,000)
2025	58,000
Thereafter	<u>28,000</u>
	<u>\$ 64,000</u>

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

**Actuarial Assumptions**

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%.
  - Eligible retirees will elect to participate Post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

The OPEB plan's policy regarding the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	<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, 2019.

**Discount Rate**

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

**Sensitivity of the Net OPEB Liability to Change in Healthcare Cost Trend Rates**

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2018, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2018, 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.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I – OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

The following presents the net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 3,955,000	\$ 3,956,000	\$ 3,956,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
School District's proportionate share of the net OPEB liability	\$ 4,507,000	\$ 3,956,000	\$ 3,499,000

**OPEB Plan Fiduciary Net Position**

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

**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN**

**Plan Description**

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouse and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the School District and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Plan Membership**

At June 30, 2019, plan membership consisted of the following:

Active participants	446
Vested former participants	-
Retired participants	24
	<hr/>
	470
	<hr/>

**Funding Policy and Funding Status**

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2020 benefit payments paid as they came due were \$76,051.

**Benefits Provided**

The plan provides the following benefits:

For participants who retired under the early retirement incentive, coverage includes medical, prescription drug, dental and vision for which HRA payments are made for five years. The School District contributes annually to an HRA for 5 years. The annual contribution amount is based on date of retirement and amounts can range from \$5,000 to \$10,000. The member has the option to continue the School District's medical, prescription drug, dental and vision coverage until age 65 by paying the full premium. Member's spouse and family are included as dependents.

All other participants who elect to participate in the plan are eligible for this benefit upon retirement age with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement is made of up two types of individuals. For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Coverage continues until the member and spouse both reach Medicare Age.

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Assumptions**

The following assumptions and actuarial methods and calculations were used:

**Interest Rate** – 3.36%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

**Salary** – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed on a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

**Health Care Cost Trend** – 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Withdrawal** – Rates of withdrawal vary by age, gender and years of service. Samples rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease by age and gender.

<b>Age</b>	<b>Male Rate</b>	<b>Female Rate</b>	<b>Age</b>	<b>Male Rate</b>	<b>Female Rate</b>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

**Mortality** – 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.

**Disability** – No disability was assumed.

**Retirement** – Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

**Percent of Eligible Retirees Coverage in Plan** – 20% of employees are assumed to elect coverage.

**Percent Married at Retirement** – 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

**Spouse Age** – Wives are assumed to be two years younger than their husbands.

**Retiree Contributions** – Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Per Capita Claims Cost** – Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.

**Actuarial Value of Assets** – Equal to the Market Value of Assets

**Actuarial Cost Method – Entry Age Normal** – Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**Participant Data** – Based on census information as of April 2019. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2018-2019 school year.

**Changes in Assumptions** – In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
	<hr/>
Balance at June 30, 2018	\$ 733,249
Changes for the year	
Service cost	51,816
Interest	22,167
Changes in assumptions	(13,837)
Benefit payments	(76,051)
Net changes	<hr/> (15,905) <hr/>
Balance at June 30, 2019	\$ <hr/> 717,344 <hr/>



**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

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

The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36%) or 1-percentage-point higher (4.36%) than the current discount rate:

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
Net OPEB Liability	\$ <u>754,438</u>	\$ <u>717,344</u>	\$ <u>682,487</u>

The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rates	1% Increase
Net OPEB Liability	\$ <u>638,472</u>	\$ <u>717,344</u>	\$ <u>811,281</u>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** – For the year ended June 30, 2020, the School recognized OPEB expense of \$57,068. At June 30, 2020, the School 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 assumptions	\$ 35,024	\$ 12,773
Differences between expected and actual experience	-	216,641
Contributions subsequent to the measurement date	<u>80,193</u>	<u>-</u>
	\$ <u>115,217</u>	\$ <u>229,414</u>

**CHESTER UPLAND SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE J – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

\$80,193 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ (16,915)
2022	(16,915)
2023	(16,915)
2024	(16,915)
2025	(16,915)
Thereafter	<u>(109,815)</u>
	<u>\$ (194,390)</u>

**NOTE K – DEFICITS**

As of June 30, 2020, the School District incurred deficits in the net position of the governmental activities totaling \$122,930,252, deficits in the fund balance of the general fund totaling \$3,958,763, and deficits in the net position of the food service fund totaling \$155,300. Management is in the process of dealing with adverse effects of these deficits as follows:

1. Management also prepares monthly financial statements that are presented to the School Board at each meeting and are part of the record of the Board minutes. This financial statement presents the revenues and expenditures to date in comparison with the budget. In addition, expenditures are critically reviewed as they are incurred.
2. Management utilizes a detailed projection worksheet that is used to facilitate cost projections throughout the year so as to better manage the School District budget.

**NOTE L – PRIOR PERIOD ADJUSTMENT**

The School District understated its General Fund unavailable revenues for the prior year ending June 30, 2019 by \$3,147,988. For the General Fund in the governmental funds, the School District has adjusted beginning fund balance from \$5,568,685 to \$2,420,697.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M – RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a pandemic which has impacted the global economy. The COVID-19 pandemic has led to widespread voluntary and government mandated closings of school districts, local stores and businesses, which has the potential to lead to significant job losses. These job losses have the potential to impact all aspects of the School District operations, including tax collections. In addition, the School District’s operations are heavily dependent on federal and state appropriations, grants, and contracts. Due to the economic uncertainty, future federal and state funding may be negatively impacted which could result in less money that is relied upon by the School District to fund specific programs. The extent to which the COVID-19 coronavirus impacts the School District will depend on future developments, which are highly uncertain and cannot be reasonably estimated at this time.

**NOTE N – SUBSEQUENT EVENTS**

In February 2021, the School District decided to sell a property to the City of Chester for \$508,782, which represents the complete forgiveness of all accounts receivable claimed for crossing guard services through December 31, 2020.

In June 2022, the School District issued General Obligation Bonds, Series of 2022 in the amounts of \$32,000,000. The purpose of the bonds are to (a) acquire two parcels of real estate and the buildings thereon located at 1410 Edgmont Avenue and 1350 Edgmont Avenue in Chester, Pennsylvania (the “Real Estate”), and associated construction and improvements, (b) fund miscellaneous capital projects, including improvements to certain other School District facilities, (c) fund the payment of a portion of the capitalized interest on the Bonds, (d) fund a deposit to a debt service reserve fund for the Bonds, and (e) fund the payment of costs of issuance of the Bonds.

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, the Governor ordered the closure of the physical location of every “non-essential” business in Delaware County, Pennsylvania for what was an extended period of time, which included the closure of schools through the end of the 2019-2020 school year. As a result, the District provided virtual instruction for the remainder of the 2019-2020 school year, which impacted expenditures both related to unbudgeted expenditures to accommodate virtual education and savings related to expenditures for physical in-person learning not incurred for the operation of buildings and transportation. Furthermore, the Governor signed into law Act 13 of 2020 that required any employee of the District who was employed as of the closure to received their full compensation that they would have been entitled to receive from the District had COVID-19 not occurred.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N – SUBSEQUENT EVENTS (Continued)**

During 2020-2021, the District continued to experience disruptions due to COVID-19 and operated under virtual, hybrid and in-person learning models as conditions permitted. The District continued to see decreased operational costs due to virtual and hybrid learning for a majority of the 2020-2021 school year while experiencing increased online curriculum development, equipment purchases and software licensing costs for virtual learning and costs associated with ensuring the staff and students have the necessary protective personal equipment to return to the classroom.

The District returned to full in person learning for the 2021-2022 school year with operational and educational expenditures returning to pre-COVID-19 levels.

In response to COVID-19 the Federal government has passed three pieces of legislation known as the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) and the American Rescue Plan (“ARPA”) to provide funding to schools to mitigate the impact of COVID-19 through the Elementary and Secondary School Emergency Relief (“ESSER”). The District has been appropriated approximately \$33 million in ESSER funding to be passed-through the Pennsylvania Department of Education which will be used to coordinate preparedness and response efforts to COVID-19 and can be utilized through September 30, 2024.

The District has identified capital projects to be funded with the ESSER CRRSA and ARPA appropriations and their estimated project total costs are as follows:

- Toby Farms Intermediate School HVAC and electrical upgrades and window replacements - \$9,001,000
- Stem at Showalter HVAC upgrade - \$1,562,000
- Chester Upland School of the Arts chiller replacement and window upgrades - \$2,065,000

These projects commenced in 2023 and are anticipated to be completed by the end of the ESSER grant period of September 30, 2024.

Effective July 1, 2022, Widener University transferred its ownership and management the Widener Partnership Charter School (“WPCS”) to the District for a purchase price of approximately \$9.1 million including the real estate located at 1450 Edgmont Avenue to be paid from the proceeds of the general obligation bonds, Series of 2022. WPCS became part of the District as a public school and will allow WPCS students to access new benefits that a public school can provide, such as extra-curricular activities, like sports. WPCS is a K-8 school with approximately 400 students and 70 employees who will transition to the District. The District had made appointments to top leadership positions during the 2021-2022 and 2022-2023 school years. Nafis Nichols was appointed by the Delaware County Court of Common Pleas as Interim Receiver for the 2021-2022 school year and was subsequently reappointed to the Receiver position for a three-year term through June 30, 2025. Nafis Nichols replaced outgoing Receiver Janu Baughn who retired at the conclusion of the 2020-2021 school year.

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N – SUBSEQUENT EVENTS (Continued)**

In connection with the District's financial recovery plan the District entered into a 3 year administrative services agreement with the Montgomery County Intermediate Unit ("MCIU") effective for the 2021-2022 school year for \$3,579,685 per year to oversee daily operation of the District's educational programs and business office operations. This agreement included the appointment of Dr. Craig Parkinson as Interim Superintendent to replace Superintendent Dr. Carol D. Birks. Dr. Craig L. Parkinson was hired as Superintendent for the 2022-2023 school year and given a five-year contract. Furthermore, the District has hired Dr. Latrice N. Mumin as Assistant Superintendent and Dejuana Mosely as Business Manager effective for 2022-2023 school year. As a result of these key employee hirings the District has been able reduce the amounts of services needed under the administrative services agreement with the MCIU and amounts to be paid under the services agreement for 2022-2023 are estimated to be \$550,000.

The District has been the target of cyber security attacks by third parties. In early 2021, a third party obtained unauthorized access to the email account of the Business Manager of the District and used the account to email fraudulent wire instructions to the Pennsylvania Department of Education in connection with a subsidy payment to the District. Approximately \$13 million in federal and state subsidy payment were rerouted to an unauthorized account of which \$10 million were able to be recovered. In a related incident in December 2020 a fraudulent email was sent to E-Collect, the District's tax collection agency for delinquent real estate taxes, resulting in approximately \$550 thousand being rerouted to an unauthorized account of which none was able to be recovered. Since these incidents, the District has established stronger controls over access to bank accounts and ACH transactions and established more stringent security procedures to recognize and prevent phishing attempts.

In March 2017, Delaware County was court ordered to conduct a county-wide reassessment of the valuation of real property. The new assessed real property values as a result of the reassessment were effective beginning January 1, 2021 or the 2021-2022 school year. The reassessment in 2020 led to a slight decrease in the District's real property assessed value to \$1,634,009,649 for the 2021-2022 school year. As required by law, the District was required to reset their millage rate based on the new real property assessment value so the new rate generates the same amount of real estate tax revenue as the previous fiscal year (a process commonly referred to as "revenue neutral").

The 2021-2022 reset millage rates and the prior year millage rates for the City of Chester, Chester Township and Upland Borough were:

	City of Chester	Township and Upland Borough
2020 to 2021	55.6400	27.9500
2021 to 2022	15.2200	15.7300

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CHESTER UPLAND SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 27,242,688	\$ 27,242,688	\$ 24,922,490	\$ (2,320,198)
State sources	102,855,915	102,855,915	103,886,796	1,030,881
Federal sources	5,876,407	5,876,407	5,055,495	(820,912)
<b>TOTAL REVENUES</b>	<b>135,975,010</b>	<b>135,975,010</b>	<b>133,864,781</b>	<b>(2,110,229)</b>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	54,804,365	54,804,365	52,709,910	2,094,455
Special programs	38,422,676	38,422,676	44,905,242	(6,482,566)
Vocational education programs	1,723,471	1,723,471	1,311,295	412,176
Other instructional programs	1,158,066	1,158,066	2,061,964	(903,898)
Nonpublic school programs	235,000	235,000	-	235,000
Higher education programs	30,000	30,000	50,687	(20,687)
Pre-K instructional programs	1,093,678	1,093,678	1,026,893	66,785
Support services				
Pupil personnel	4,302,624	4,302,624	4,602,606	(299,982)
Instructional staff	2,220,446	2,220,446	2,624,090	(403,644)
Administration	4,573,028	4,573,028	4,392,623	180,405
Pupil health	806,723	806,723	1,296,076	(489,353)
Business	1,174,131	1,174,131	996,371	177,760
Operation and maintenance of plant services	6,545,330	6,545,330	6,783,568	(238,238)
Pupil transportation services	5,481,549	5,481,549	4,947,892	533,657
Central and other services	1,522,527	1,522,527	2,086,843	(564,316)
Other support services	25,500	25,500	38,768	(13,268)
Operation of non-instructional services				
Student activities	559,795	559,795	409,346	150,449
Community services	467,108	467,108	76,211	390,897
Facilities acquisition, construction and improvement services	-	-	130,017	(130,017)
Debt service	1,466,500	1,466,500	-	1,466,500
<b>TOTAL EXPENDITURES</b>	<b>126,612,517</b>	<b>126,612,517</b>	<b>130,450,402</b>	<b>(3,837,885)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>9,362,493</b>	<b>9,362,493</b>	<b>3,414,379</b>	<b>(5,948,114)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(8,917,713)	(8,917,713)	(9,793,839)	(876,126)
Budgetary reserve	(1,268,394)	(1,268,394)	-	1,268,394
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,186,107)</b>	<b>(10,186,107)</b>	<b>(9,793,839)</b>	<b>392,268</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (823,614)</b>	<b>\$ (823,614)</b>	<b>(6,379,460)</b>	<b>\$ (5,555,846)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, restated</b>			<b>2,420,697</b>	
<b>FUND BALANCE AT END OF YEAR</b>			<b>\$ (3,958,763)</b>	

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY	<u>0.1860%</u>	<u>0.1826%</u>	<u>0.1757%</u>	<u>0.1875%</u>	<u>0.1945%</u>	<u>0.1831%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	<u>\$ 87,016,000</u>	<u>\$ 87,657,000</u>	<u>\$ 86,775,000</u>	<u>\$ 92,919,000</u>	<u>\$ 84,248,000</u>	<u>\$ 72,472,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 25,647,675</u>	<u>\$ 24,585,577</u>	<u>\$ 23,399,108</u>	<u>\$ 24,286,515</u>	<u>\$ 25,025,330</u>	<u>\$ 23,361,647</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>339.27%</u>	<u>356.54%</u>	<u>370.85%</u>	<u>382.60%</u>	<u>336.65%</u>	<u>310.22%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, 2017, 2016, 2015, and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.



**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 8,357,000	\$ 8,368,000	\$ 7,825,000	\$ 6,712,000	\$ 6,069,000	\$ 5,112,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>8,357,000</u>	<u>8,368,000</u>	<u>7,825,000</u>	<u>6,712,000</u>	<u>6,069,000</u>	<u>5,112,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>25,114,545</u>	\$ <u>25,647,675</u>	\$ <u>24,585,577</u>	\$ <u>23,399,108</u>	\$ <u>24,286,515</u>	\$ <u>25,025,330</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>33.28%</u>	<u>32.63%</u>	<u>31.83%</u>	<u>28.68%</u>	<u>24.99%</u>	<u>20.43%</u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**CHESTER UPLAND SCHOOL DISTRICT****SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE  
PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY  
LAST THREE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY	<u>0.1860%</u>	<u>0.1826%</u>	<u>0.1757%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	<u>\$ 3,956,000</u>	<u>\$ 3,807,000</u>	<u>\$ 3,580,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 25,647,675</u>	<u>\$ 24,585,577</u>	<u>\$ 23,399,108</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**CHESTER UPLAND SCHOOL DISTRICT****SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT  
BENEFIT PLAN CONTRIBUTIONS  
LAST THREE FISCAL YEARS**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 210,000	\$ 213,000	\$ 205,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>210,000</u>	<u>213,000</u>	<u>205,000</u>
CONTRIBUTION DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>25,114,545</u>	\$ <u>25,647,675</u>	\$ <u>24,585,577</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.84%</u>	<u>0.83%</u>	<u>0.83%</u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST THREE FISCAL YEARS**

	2020	2019	2018
TOTAL OPEB LIABILITY			
Service cost	\$ 51,816	\$ 62,465	\$ 55,088
Interest	22,167	31,619	24,955
Difference between expected and actual experience	-	(256,031)	-
Changes in assumptions	(13,837)	2,830	43,508
Benefit payments	(76,051)	(120,823)	(125,440)
NET CHANGE IN TOTAL OPEB LIABILITY	(15,905)	(279,940)	(1,889)
TOTAL OPEB LIABILITY, BEGINNING	733,249	1,013,189	1,015,078
TOTAL OPEB LIABILITY, ENDING	\$ 717,344	\$ 733,249	\$ 1,013,189
COVERED PAYROLL	\$ 24,756,931	\$ 24,756,931	\$ 22,150,973
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	2.90%	2.96%	4.57%

**NOTES TO SCHEDULE**

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

***Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards***

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Chester Upland School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Chester Upland School District's basic financial statements, and have issued our report thereon dated March 27, 2023.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Chester Upland 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 Chester Upland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chester Upland 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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006 and 2020-007 that we consider to be material weaknesses.

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Chester Upland 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*.

### ***Chester Upland School District's Response to Findings***

Chester Upland School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Chester Upland School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

### ***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.



Limerick, Pennsylvania  
March 27, 2023

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

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

We have audited the Chester Upland School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Chester Upland School District's major federal programs for the year ended June 30, 2020. Chester Upland School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Chester Upland 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 (CFR) 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 Chester Upland 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 Chester Upland School District's compliance.

To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

***Basis for Adverse Opinion on the Title I Grants to Local Education Agencies Program***

As described in the accompanying schedule of findings and questions costs, the Chester Upland School District did not comply with requirements regarding CFDA 84.010 Title I Grants to Local Education Agencies as described in finding 2020-008 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and 2020-009 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Chester Upland School District to comply with the requirements applicable to that program.

***Adverse Opinion on the Title I Grants to Local Education Agencies Program***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Chester Upland School District did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Basis for Adverse Opinion on the Supporting Effective Instruction State Grants Program***

As described in the accompanying schedule of findings and questions costs, the Chester Upland School District did not comply with requirements regarding CFDA 84.367 Supporting Effective Instruction State Grants Program as described in finding 2020-008 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and 2020-009 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Chester Upland School District to comply with the requirements applicable to that program.

***Adverse Opinion on the Supporting Effective Instruction State Grants Program***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Chester Upland School District did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Report on Internal Control Over Compliance***

Management of the Chester Upland 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 Chester Upland 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 as a basis for designing 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 Chester Upland School District's internal control over compliance.



To the Receiver  
Chester Upland School District  
Chester, Pennsylvania

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-008 and 2020-009 to be material weaknesses.

*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. None of the deficiencies were considered to be significant deficiencies.

Chester Upland School District's response to the noncompliance findings and internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Chester Upland School District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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.



Limerick, Pennsylvania  
March 27, 2023

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Grants to Local Educational Agencies	I	84.010	013-190081	September 7, 2018 to September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	013-200081	September 4, 2019 to September 30, 2021
Title I Grants to Local Educational Agencies	I	84.010	042-18-0081	March 18, 2019 to September 30, 2019
Title I Grants to Local Educational Agencies	I	84.010	042-19-0081	September 13, 2019 to September 30, 2020
Title I Grants to Local Educational Agencies Part A Set Aside	I	84.010	152-180081	June 28, 2019 to September 30, 2019
Total CFDA 84.010				
School Improvement Grants	I	84.377	142-17-0081	September 15, 2017 to September 30, 2018
School Improvement Grants	I	84.377	142-18-0081	February 21, 2019 to September 30, 2019
Total CFDA 84.377				
Supporting Effective Instruction State Grants	I	84.367	020-19-0081	September 1, 2018 to September 30, 2019
Supporting Effective Instruction State Grants	I	84.367	020-20-0081	September 4, 2019 to September 30, 2021
Total CFDA 84.367				
English Language Acquisition State Grants	I	84.365	010-19-0081	September 1, 2018 to September 30, 2019
English Language Acquisition State Grants	I	84.365	010-20-0081	September 4, 2019 to September 30, 2021
Total CFDA 84.365				
Student Support and Academic Enrichment Program	I	84.424	144-19-0081	September 1, 2018 to September 30, 2019
Student Support and Academic Enrichment Program	I	84.424	144-20-0081	September 4, 2019 to September 30, 2021
Total CFDA 84.424				
21st Century Community Learning Centers	I	84.287	4100078089A	October 1, 2017 to September 30, 2020
21st Century Community Learning Centers	I	84.287	410083501	July 1, 2019 to June 30, 2024
Total CFDA 84.287				
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>	<u>Amount Passed Through To Subrecipients</u>
\$ 2,950,850	\$ 907,810	\$ 799,929	\$ 107,881	\$ 107,881	\$ -	\$ -
2,902,440	1,786,242	-	2,463,431	2,463,431	677,189	-
420,995	300,711	225,623	75,088	75,088	-	-
858,273	594,189	-	635,800	635,800	41,611	-
385,884	385,884	115,086	270,798	270,798	-	-
7,518,442	3,974,836	1,140,638	3,552,998	3,552,998	718,800	-
1,427,000	329,308	329,308	-	-	-	-
1,142,000	406,163	344,243	61,920	61,920	-	-
2,569,000	735,471	673,551	61,920	61,920	-	-
280,224	64,235	(17,823)	114,844	114,844	32,786	-
235,332	235,332	-	235,332	235,332	-	-
515,556	299,567	(17,823)	350,176	350,176	32,786	-
29,103	2,239	(12,845)	28,516	28,516	13,432	-
22,882	14,081	-	20,345	20,345	6,264	-
51,985	16,320	(12,845)	48,861	48,861	19,696	-
215,924	16,610	16,610	-	-	-	-
220,853	186,876	-	218,019	218,019	31,143	-
436,777	203,486	16,610	218,019	218,019	31,143	-
434,869	362,835	303,739	93,166	93,166	34,070	-
400,000	239,341	-	268,879	268,879	29,538	-
834,869	602,176	303,739	362,045	362,045	63,608	-
\$ 11,926,629	\$ 5,831,856	\$ 2,103,870	\$ 4,594,019	\$ 4,594,019	\$ 866,033	\$ -

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
SUBTOTAL FORWARDED				
<b>Passed through the Delaware County Intermediate Unit</b>				
Special Education - Grants to States	I	84.027	N/A	July 1, 2019 to September 30, 2020
Total CFDA 84.027 (Special Education Cluster)				
Career and Technical Education-Basic Grants to States	I	84.048	N/A	July 1, 2018 to June 30, 2019
Career and Technical Education-Basic Grants to States	I	84.048	N/A	July 1, 2019 to June 30, 2020
Total CFDA 84.048				
TOTAL U.S. DEPARTMENT OF EDUCATION				
<b>U.S. DEPARTMENT OF TREASURY</b>				
<b>Passed through the Delaware County Intermediate Unit</b>				
Coronavirus Relief Fund	I	21.019	N/A	March 13, 2020 to December 30, 2020
Total CFDA 21.019				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
School Breakfast Program	I	10.553	N/A	July 1, 2018 to June 30, 2019
School Breakfast Program	I	10.553	N/A	July 1, 2019 to June 30, 2020
Total CFDA 10.553				
Summer Food Service Program for Children	I	10.559	N/A	July 1, 2019 to June 30, 2020
Total CFDA 10.559				
National School Lunch Program	I	10.555	N/A	July 1, 2018 to June 30, 2019
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
Total CFDA 10.555				
Total Child Nutrition Cluster				
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2019 to June 30, 2020
Total CFDA 10.582				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

**Source Codes:**

D = Direct funding  
I = Indirect funding

**Footnotes:**

(a) = Total amount of foods received from Department of Agriculture.  
(b) = Beginning inventory at July 1, 2019.  
(c) = Total amount of foods used.  
(d) = Ending inventory at June 30, 2020.

*See accompanying notes to the schedule of expenditures of federal awards.*

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2019	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2020	Amount Passed Through To Subrecipients
\$ 11,926,629	\$ 5,831,856	\$ 2,103,870	\$ 4,594,019	\$ 4,594,019	\$ 866,033	\$ -
586,012	-	-	586,012	586,012	586,012	-
586,012	-	-	586,012	586,012	586,012	-
64,052	64,052	64,052	-	-	-	-
50,613	-	-	50,613	50,613	50,613	-
114,665	64,052	64,052	50,613	50,613	50,613	-
12,627,306	5,895,908	2,167,922	5,230,644	5,230,644	1,502,658	-
3,594,850	-	-	35,863	35,863	35,863	-
3,594,850	-	-	35,863	35,863	35,863	-
N/A	91,247	91,247	-	-	-	-
N/A	330,706	-	330,706	330,706	-	-
N/A	421,953	91,247	330,706	330,706	-	-
N/A	88,770	-	140,675	140,675	51,905	-
N/A	88,770	-	140,675	140,675	51,905	-
N/A	170,092	170,092	-	-	-	-
N/A	784,639	-	784,639	784,639	-	-
N/A	212,890 (a)	(23,237) (b)	164,121 (c)	164,121	(72,006) (d)	-
N/A	1,167,621	146,855	948,760	948,760	(72,006)	-
N/A	1,678,344	238,102	1,420,141	1,420,141	(20,101)	-
N/A	43,523	-	43,523	43,523	-	-
N/A	43,523	-	43,523	43,523	-	-
-	1,721,867	238,102	1,463,664	1,463,664	(20,101)	-
\$ 16,222,156	\$ 7,617,775	\$ 2,406,024	\$ 6,730,171	\$ 6,730,171	\$ 1,518,420	\$ -

**CHESTER UPLAND SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - ORGANIZATION AND SCOPE**

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education and U.S. Treasury Department programs and in the Food Service Fund for U.S. Department of Agriculture programs.

The Chester Upland School District has two major federal programs for the year ended June 30, 2020:

- Title I Grants to Local Educational Agencies
- Supporting Effective Instruction State Grants

The above major programs constituted 58.00% of the total expenditures of federal awards as follows:

Total expenditures per schedule of expenditures of federal awards	\$ <u>6,730,171</u>	
Title I Grants to Local Educational Agencies	\$ 3,552,998	
Supporting Effective Instruction State Grants	<u>350,176</u>	
	\$ <u>3,903,174</u>	
	\$ <u>3,903,174</u>	= 58.00%
	\$ <u>6,730,171</u>	

**NOTE B - BASIS OF ACCOUNTING**

The School District uses the modified accrual method of recording transactions charged to the Governmental Fund and the accrual method of recording transactions charged to the Proprietary Fund.

**NOTE C - DONATED FOODS**

Donated foods were valued according to cost estimates provided by the U.S.D.A.

**NOTE D - INDIRECT COST RATES**

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Chester Upland School District.
2. Material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Chester Upland School District were disclosed during the audit.
4. Material weaknesses relating to the audit of Title I Grants to Local Educational Agencies and Supporting Effective Instruction State Grants are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Chester Upland School District expresses a qualified opinion.
6. There were audit findings disclosed that are required to be reported in accordance with Section 516(a) of the Uniform Guidance.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA</u>
Title I Grants to Local Educational Agencies	84.010
Supporting Effective Instruction State Grants	84.367

The threshold for distinguishing Types A and B programs was \$750,000.

8. Chester Upland School District was not determined to be a low-risk auditee.



**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2020-001 Data Collection Form**

**Condition:** The School District did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

**Criteria:** An entity subject to a Single Audit are required to submit and certify its audit package and Data Collection Form within nine months of its fiscal year-end.

**Effect:** The School District is not in compliance with Federal Audit Clearinghouse requirements.

**Cause:** The Single Audit was not completed and submitted in a timely manner.

**Recommendation:** We recommend that the School District institute policies and procedures that allow for the Data Collection Form to be submitted by the required deadline.

**Management's Response:** The District is working in conjunction with third parties consultants to complete financial statement audits for 2020-2021 and 2022-2022 and to timely complete its 2022-2023 financial statement audit. It is anticipated that the 2022-2023 audit will be completed and the data collection form submitted to the Federal Audit Clearinghouse by the appropriate due date as required. Business office management will implement controls with respect to ensuring future data collection forms are filed in a timely fashion.

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-001.

**2020-002 Bank Reconciliations**

**Condition:** During the audit, we noted that the School District had several bank accounts that were not recorded in the accounting system and were not being reconciled to the general ledger. We also noted that it does not appear that accounts were reconciled to the general ledger on a timely basis.

**Criteria:** Bank statements should be maintained for all accounts, and cash accounts should be reconciled on a timely basis to the general ledger.

**Effect:** Cash activity may be misstated.

**Cause:** There were bank accounts not reflected on the books, and bank accounts were not being reconciled on a timely basis.

**Recommendation:** We recommend the School District put processes in place to ensure that all bank accounts of the School District are reflected within the accounting system. Bank reconciliations should be prepared on a timely, monthly basis that reconcile the ending balance on the bank statement to the ending balance on the books. Finally, we recommend that a member of management, such as the Controller or Chief Financial Officer, review the bank reconciliations for appropriateness, investigate and resolve any unusual items that may be observed and document his or her approval by initialing the form.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**Management's Response:** Management has restructured its business office and implemented processes to ensure that all bank accounts are recorded in the accounting software and are being reconciled to the bank statement on a timely, monthly basis. These procedures include indication of the review of the bank reconciliation by Business Office management for accuracy and the resolution of any discrepancies.

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-002.

**2020-003 Monthly and Annual Reconciliations and Closing Procedures**

**Condition:** Our audit procedures revealed that there is no systematic method of ensuring that timely and complete monthly and annual reconciliations and closing procedures take place. This situation leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which renders the accounting information inadequate to making well informed business decisions. This accounting function disorganization will ultimately cause significant errors in the financial records and financial statements as well as allow for possible irregularities including fraud to exist and continue without notice.

**Criteria:** The general ledger and subsidiary ledgers should be reconciled on a monthly basis.

**Effect:** Differences between the actual account balances and the amount reflected in the general ledger could accumulate over a period of time. Without proper monthly reconciliations and closing procedures, the determination of the actual balance requires a significant time investment and a lengthy reconciliation process.

**Cause:** The Business Office does not have an adequate process of reconciling and closing the books on a monthly basis.

**Recommendation:** In order to maintain proper control over the account balances, we strongly suggest that management establish a system of procedures to ensure that account balances are reconciled on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will ensure that the balances in the general ledger reflect the accurate balances.

**Management's Response:** Management has restructured its business office and is working with third party consultants to ensure timely maintenance and reconciliation of the general ledger and subsidiary ledgers and to develop and implement processes to ensure that account balances are reconciled on a consistent and timely basis. These procedures will include the posting of monthly journal entries, performing account reconciliations to source documents, recording of quarterly and annual adjusting entries and financial analysis to ascertain discrepancies in monthly activity.

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-003.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2020-004 Schedule of Expenditures and Federal Awards Reporting**

**Condition:** The School District does not have policies and procedures in place to accurately account for grant receipts and expenditures and, as a result, was unable to accurately prepare the schedule of expenditures of federal awards.

**Criteria:** The School District should have policies and procedures in place to accurately account for grant receipts and expenditures and be able to accurately prepare the schedule of expenditures of federal awards.

**Effect:** Inaccurate accounting of grant receipts and expenditures and preparation of schedule of expenditures of federal awards.

**Cause:** Grant activity is not recorded in accordance with the Financial Management provisions of the Uniform Grant Guidance. These provisions require that the revenues and expenditures related to Federal awards be tracked separately in the accounting system. The schedule of expenditures of federal awards that was originally provided could not be tied out to the accounting records of the School District. Additionally, the Business Office had difficulty closing their books and as a result of additional adjustments by management, the schedule of expenditures of federal awards would become out of date.

**Recommendation:** We recommend the School District implement procedures to ensure consistent and accurate accounting for federal and state grant receipts and expenditures in their financial management system in accordance with the requirements of the Uniform Grant Guidance.

**Management's Response:** The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirement of the Uniform Guidance including the reporting requirements for the Schedule of Expenditures of Federal Awards ("SEFA"). The Federal Programs Coordinator is responsible for proper grant intake (i.e. federal grant and contract identification), reconciliation to the accounting software and internal review and approval. Management has restructured its business office and is working with third party consultants in partnership with the Federal Programs Coordinator to implement policies and procedures to ensure consistent, accurate and timely accounting of federal awards. These policies and procedures include tracking of federal grants in the District's accounting software on a consistent basis and reconciliation to source documents.

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-004.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2020-005 Internal Control Policies and Procedures**

**Condition:** During the audit, we noted that the School District does not have a formal internal control document that details key processes and controls over each area, that is consistent with actual processes and procedures followed by the School District. Processing of transactions varies by department; there is no consistent and standard policy in place to ensure that all transactions are processed in a consistent manner. Lack of consistency creates issues with ensuring consistent and appropriate recording and classification of balances for financial reporting purposes, and with maintaining an effective internal control structure. Due to significant turnover of personnel in the business office, we highly recommend formalized internal control policies and procedures be reviewed and adopted. Performing this type of review and adoption process would greatly assist the Receiver and Administration in fully understanding day-to-day activities as well as disclosing any potential current inefficiencies.

**Criteria:** Internal Control – Integrated Framework, published by COSO, defines control activities as “policies and procedures that help ensure management directives are carried out.” Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents. Management review controls are defined as activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure. A proper system of internal control is essential in order to prevent, detect, and correct misstatements, and to ensure that such information is useful in decision-making and evaluating managerial and departmental performance, as well as demonstrating accountability and stewardship. Controls must be properly designed, in place, and operating effectively to ensure that the School District’s accounting and financial information is fairly stated in accordance with GAAP.

**Effect:** There are not effective internal controls in place over key areas and processes. In addition, transactions of the same type may not be processed consistently.

**Cause:** The School District does not have a formal internal controls policies and procedures to standardize the treatment and processing of transactions, or to ensure proper management review of transactions for completeness, accuracy, or consistency.

**Recommendation:** We recommend that management implement a formal internal control policy and procedures document, that standardizes processes and controls amongst all School District departments, to ensure consistency in reporting, and to establish effective internal controls, including segregation of duties and review and approval controls, over all key areas. We recommend that the School District consider initiating a thorough review of current internal control policies and procedures and evaluate the need for changes or improvement to enhance the effectiveness and efficiency of current operations.

We further recommend that management enhance its review and approval process over cash receipts and disbursement transactions, to ensure that all transactions are properly approved prior to processing in the system and that supporting documentation is maintained for all transactions.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**Management's Response:** Management has restructured its business office and is working with third party consultants to implement the proper internal control policies and procedures to standardize the treatment and processing of transactions and to facilitate the review of transactions for completeness, accuracy and consistency. It is a goal of the District to document a system of policies and procedures consistent with the COSO internal framework to provide reasonable assurance the District is operating ethically, transparently and accordance with established standards in a formalized document

**2020-006 Record Storage and Retrieval**

**Condition:** During the audit, we noted that accounting records frequently could not be located when needed. The School District appears to lack a clearly specified system for filing records. The result was that employees spent nonproductive time searching for needed documents. In some cases, documentation such as invoices could not be located with the School District's records and employees had to reach out to vendors to obtain copies of documentation that the School District could not locate.

**Criteria:** Records for all financial activity should be filed and maintained in an organized manner.

**Effect:** Accounting records could not be located.

**Cause:** The School District lacks a system for filing and maintaining records.

**Recommendation:** We recommend the School District put into place a filing system for all documents. Decide on a systematic manner of filing documents, e.g., purchase orders filed consecutively by number, vendor bills filed alphabetically by vendor name, journal entries filed by month, etc. Consideration should also be given to grants, so all documents related to the compliance requirements for each grant are filed and maintained together.

The system for filing documents should be described in an accounting manual or other document so that all employees know how to find, file and refile documents.

The School District should establish, maintain and follow a record retention policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents' termination.

Assign personnel the responsibility of periodically reviewing files to ensure records are being maintained in accordance with the policy. Also assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

**Management's Response:** Management has restructured its business office and has implemented policies and procedures for creating, storing and destroying its records, including electronic data. These policies and procedures have facilitated the maintenance and location of financial records and will be incorporated into the future development of an internal control document.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2020-007 Lack of Cash Disbursement Controls**

**Condition:** During the audit, we noted that duplicate invoices were entered into the accounting system, and as a result, duplicate payments were made to various vendors. We also noted during the audit that there is not an effective verification system that services performed for the School District are complete and acceptable before issuing checks for the service. These situations occur due to breakdowns in the internal control system and lack of effective oversight and review. The magnitude and amount of such errors could have a significant impact on the School District and could be detrimental to its operations and cash flow.

**Criteria:** The accounts payable ledger should be reviewed and reconciled on a monthly basis. Invoices or other supporting documents should accompany the check request, and checks should be signed only after the signer reviews the appropriate supporting documentation.

**Effect:** There are not effective internal controls in place over the cash disbursement process.

**Cause:** The School District does not have a formal internal controls policies and procedures to standardize the treatment and processing of transactions, or to ensure proper management review of transactions for completeness, accuracy, or consistency.

**Recommendation:** We recommend that management closely evaluate the School District's cash disbursement procedures and take appropriate action to prevent duplicate invoices and duplicate payments in the future. Duplicate invoices received from vendors should be discarded immediately when received to ensure that there is no possibility of them being recirculated into the payment processing system. Management should also establish a system of regular supervisory review of the cash disbursement process and verify that services were in fact provided to the School District before issuing checks for the service.

**Management's Response:** Management has restructured its business office and has implemented standardized policies and procedures for the processing of vendor payments through a centralized database within its accounting software and a management review process. These policies and procedures have minimized the chances that a duplicate invoice will be paid and will be incorporated into the future development of an internal control document.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2020-008 Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

**Federal Agency:** Department of Education

**Federal Program:** Title I Grants to Local Educational Agencies – CFDA 84.010  
Supporting Effective Instruction State Grants – CFDA 84.367  
School Improvement Grants – CFDA 84.377

**Condition:** The School District was unable to provide supporting documentation for all expenses.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)**

**Criteria:** For Title I and School Improvement grants, the expenses charged to the program by the School District should be supported by the School Districts financial records. We were unable to observe documentation supporting salaries paid, and one individual invoice for a disbursement could not be examined.

**Effect:** The School District was not in compliance with the requirements.

**Cause:** The School District did not maintain adequate documentation for expenses

**Recommendation:** We recommend that the School District establish a policy and procedure to ensure supporting documentation is maintained for all transactions.

**Management's Response:** The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirements of the Uniform Guidance. Management has restructured its business office and is working with third party consultants in conjunction with the Federal Programs Coordinator to implement policies and procedures to properly document federal grant expenditures. These policies and procedures include maintaining proper source documentation for federal award program activities and reconciling that documentation with amounts recorded in the general ledger within the District's accounting software on a consistent basis.

**Questioned Costs:** None

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-005.

**2020-009 Reporting**

**Federal Agency:** Department of Education

**Federal Program:** Title I Grants to Local Educational Agencies – CFDA 84.010  
Supporting Effective Instruction State Grants – CFDA 84.367  
School Improvement Grants – CFDA 84.377

**Condition:** The School District reports related to these grants were either filed late or not at all. The accuracy of the reports that were filed could not be determined as the supporting documentation or reconciliations for the amounts disclosed in the report were not complete.

**Criteria:** For Title I, Title II and School Improvement grants, the School District is required to submit Quarterly Reconciliation of Cash on Hand Reports within 10 working days after the end of each quarter, and a Final Expenditure Report which is due 30 days after the funding period ends, or October 30<sup>th</sup>. The reports should be supported by the School Districts financial records.

**Effect:** The School District was not in compliance with their reporting requirements.

**Cause:** The School District did not properly complete and file all reports on an accurate, timely basis.

**CHESTER UPLAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(Continued)**

**Recommendation:** We recommend that the School District establish a policy and procedure to ensure the reports are properly completed and filed on a timely basis. The completion of reports should include a step in which the School District personnel completing the report print out all supporting general ledger expense reports for the quarter and reconcile those general ledger reports to the various amounts disclosed on the quarterly performance report. These reports and reconciliations should then be attached to and maintained with a copy of the filed reports in the School District records. This same process should be applied to the Final Expenditure Report as well. The completed quarterly reports should then be filed within 10 working days of the end of each calendar quarter, and the Final Expenditure Report should be filed within 30 days after the end of the funding period.

**Management's Response:** The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirements of the Uniform Guidance. Management and the Federal Programs Coordinator have implemented policies and procedures to identify grant reporting due dates and identify relevant grant information and source documentation need to for reporting requirements. The Federal Programs Coordinator reviews grant reporting filing deadlines on a regular basis and reconciles source documentation to the general ledger in the accounting software with Business Office management prior to filing quarterly and final expenditure reports.

**Questioned Costs:** None,

**Repeat Finding:** This is a repeat finding from the previous audit, 2019-006.



# CHESTER UPLAND SCHOOL DISTRICT

## SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

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### 2019-001 Data Collection Form

**Description of Finding:** The School District did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-001.

### 2019-002 Bank Reconciliations

**Description of Finding:** The School District had several bank accounts that were not recorded in the accounting system and were not reconciled to the general ledger.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-002.

### 2019-003 Monthly Reconciliation and Closing Procedures

**Description of Finding:** The School District does not have a systematic method of ensuring that timely and complete monthly reconciliation and closing procedures take place.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-003.

### 2019-004 Schedule of Expenditures and Federal Awards Reporting

**Description of Finding:** The School District does not have policies and procedures in place to accurately account for grant receipts and expenditures and, as a result, was unable to accurately prepare the schedule of expenditures of federal awards.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-004.

### 2019-005 Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Federal Agency:** Department of Education

**Federal Program:** Title I Grants to Local Educational Agencies – CFDA 84.010  
School Improvement Grants – CFDA 84.377

**Condition:** The School District was unable to provide supporting documentation for all expenses.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-008.

# CHESTER UPLAND SCHOOL DISTRICT

## SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

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### 2019-006 Reporting

**Federal Agency:** Department of Education

**Federal Program:** Title I Grants to Local Educational Agencies – CFDA 84.010  
Supporting Effective Instruction State Grants – CFDA 84.367  
School Improvement Grants – CFDA 84.377

**Description of Finding:** The School District reports related to these grants were either filed late or not filed at all. The accuracy of the reports that were filed could not be determined as the supporting documentation or reconciliations for the amounts disclosed in the report was not complete.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2020-009.



## CHESTER UPLAND SCHOOL DISTRICT

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# AUDIT CITATION ACTION PLAN

FISCAL YEAR ENDED JUNE 30, 2020

### **Finding 2020-001 - Repeat of 2019-001; Data Collection Form**

#### **Description of Finding:**

The school district does not submit and certify its data collection form to the Federal Audit Clearinghouse within nine months of the fiscal year end.

#### **District Position:**

The School District concurs with the finding.

#### **Corrective Action to be Taken:**

The District is working in conjunction with third parties consultants to complete financial statement audits for 2020-2021 and 2022-2022 and to timely complete its 2022-2023 financial statement audit. It is anticipated that the 2022-2023 audit will be completed and the data collection form submitted to the Federal Audit Clearinghouse by the appropriate due date as required. Business office management will implement controls with respect to ensuring future data collection forms are filed in a timely fashion.

#### **Timetable for Implementation:**

Upon completion of 2022-2023 audit but no later than March 31, 2024

#### **Monitoring to be Performed:**

The Receiver and Business Manager will monitor that this is completed by the deadline.

#### **Responsible Person(s) with Scope of Authority:**

Receiver and Business Manager

### **Finding 2020-002 - Repeat of 2019-002; Bank Reconciliations**

#### **Description of Finding:**

During the audit, it was noted that Chester Upland School District had several bank accounts that were not recorded in the accounting system and were not being reconciled to the general ledger. We also noted that it does not appear that accounts were reconciled to the general ledger on a timely basis.

#### **District Position:**

The District concurs with this finding.

#### **Corrective Action to be Taken**

Management has restructured its business office and implemented processes to ensure that all bank accounts are recorded in the accounting software and are being reconciled to the bank statement on a timely, monthly basis. These procedures include indication of the review of the bank reconciliation by Business Office management for accuracy and the resolution of any discrepancies.

#### **Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

#### **Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

#### **Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-003 - Repeat of 2019-003; Monthly and Annual Reconciliations and Closing Procedures**

**Description of Finding:**

Audit procedures revealed that there is no systematic method of ensuring that timely and complete monthly and annual reconciliations and closing procedures take place. This situation leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which renders the accounting information inadequate to making well informed business decisions. This accounting function disorganization will ultimately cause significant errors in the financial records and financial statements as well as allow for possible irregularities including fraud to exist and continue without notice.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

Management has restructured its business office and is working with third party consultants to ensure timely maintenance and reconciliation of the general ledger and subsidiary ledgers and to develop and implement processes to ensure that account balances are reconciled on a consistent and timely basis. These procedures will include the posting of monthly journal entries, performing account reconciliations to source documents, recording of quarterly and annual adjusting entries and financial analysis to ascertain discrepancies in monthly activity.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-004 - Repeat of 2019-004; Schedule of Expenditures and Federal Awards Reporting**

**Description of Finding:**

The School District does not have policies and procedures in place to accurately account for grant receipts and expenditures and, as a result, was unable to accurately prepare the schedule of expenditures of federal awards.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirement of the Uniform Guidance including the reporting requirements for the Schedule of Expenditures of Federal Awards ("**SEFA**"). The Federal Programs Coordinator is responsible for proper grant intake (i.e. federal grant and contract identification), reconciliation to the accounting software and internal review and approval. Management has restructured its business office and is working with third party consultants in partnership with the Federal Programs Coordinator to implement policies and procedures to ensure consistent, accurate and timely accounting of federal awards. These policies and procedures include tracking of federal grants in the District's accounting software on a consistent basis and reconciliation to source documents.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-005 - Internal Control Policies and Procedures**

**Description of Finding:**

During the audit, we noted that the School District does not have a formal internal control document that details key processes and controls over each area, that is consistent with actual processes and procedures followed by the School District. Processing of transactions varies by department; there is no consistent and standard policy in place to ensure that all transactions are processed in a consistent manner. Lack of consistency creates issues with ensuring consistent and appropriate recording and classification of balances for financial reporting purposes, and with maintaining an effective internal control structure. Due to significant turnover of personnel in the business office, we highly recommend formalized internal control policies and procedures be reviewed and adopted. Performing this type of review and adoption process would greatly assist the Receiver and Administration in fully understanding day-to-day activities as well as disclosing any potential current inefficiencies.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

Management has restructured its business office and is working with third party consultants to implement the proper internal control policies and procedures to standardize the treatment and processing of transactions and to facilitate the review of transactions for completeness, accuracy and consistency. It is a goal of the District to document a system of policies and procedures consistent with the COSO internal framework to provide reasonable assurance the District is operating ethically, transparently and accordance with established standards in a formalized document

**Timetable for Implementation:**

Policies and procedures implemented for 2022-2023 fiscal year. Policies and procedures document timetable to be determined.

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-006 - Record Storage and Retrieval**

**Description of Finding:**

During the audit, we noted that accounting records frequently could not be located when needed. The School District appears to lack a clearly specified system for filing records. The result was that employees spent nonproductive time searching for needed documents. In some cases, documentation such as invoices could not be located with the School District's records and employees had to reach out to vendors to obtain copies of documentation that the School District could not locate.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

Management has restructured its business office and has implemented policies and procedures for creating, storing and destroying its records, including electronic data. These policies and procedures have facilitated the maintenance and location of financial records and will be incorporated into the future development of an internal control document.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-007 - Lack of Cash Disbursement Controls**

**Description of Finding:**

During the audit, we noted that duplicate invoices were entered into the accounting system, and as a result, duplicate payments were made to various vendors. We also noted during the audit that there is not an effective verification system that services performed for the School District are complete and acceptable before issuing checks for the service. These situations occur due to breakdowns in the internal control system and lack of effective oversight and review. The magnitude and amount of such errors could have a significant impact on the School District and could be detrimental to its operations and cash flow.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

Management has restructured its business office and has implemented standardized policies and procedures for the processing of vendor payments through a centralized database within its accounting software and a management review process. These policies and procedures have minimized the chances that a duplicate invoice will be paid and will be incorporated into the future development of an internal control document.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-008 - Repeat of 2019-005; Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

**Description of Finding:**

The School District was unable to provide supporting documentation for all expenses.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirements of the Uniform Guidance. Management has restructured its business office and is working with third party consultants in conjunction with the Federal Programs Coordinator to implement policies and procedures to properly document federal grant expenditures. These policies and procedures include maintaining proper source documentation for federal award program activities and reconciling that documentation with amounts recorded in the general ledger within the District's accounting software on a consistent basis.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager

**Finding 2020-009 - Repeat of 2019-006; Reporting**

**Description of Finding:**

The School District reports related to several grants were either filed late or not at all. The accuracy of the reports that were filed could not be determined, as the supporting documentation or reconciliations for the amounts disclosed in the report were not complete.

**District Position:**

The School District concurs with the finding.

**Corrective Action to be Taken:**

The District has appointed a Federal Programs Coordinator who is familiar with the Single Audit requirements of the Uniform Guidance. Management and the Federal Programs Coordinator have implemented policies and procedures to identify grant reporting due dates and identify relevant grant information and source documentation need to for reporting requirements. The Federal Programs Coordinator reviews grant reporting filing deadlines on a regular basis and reconciles source documentation to the general ledger in the accounting software with Business Office management prior to filing quarterly and final expenditure reports.

**Timetable for Implementation:**

Implemented for 2022-2023 fiscal year

**Monitoring to be Performed:**

The Receiver and Business Manager will monitor timely and continued implementation.

**Responsible Person with Scope of Authority:**

Receiver and Business Manager