



Springfield School District Springfield, Pennsylvania Delaware County

Financial Statements
Year Ended June 30, 2020



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

SPRINGFIELD SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	15
<i>Statement of Activities</i>	16
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	20
<i>Statement of Net Position (Deficit) – Proprietary Fund</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund</i>	22
<i>Statement of Cash Flows – Proprietary Fund</i>	23
<i>Statement of Net Position – Fiduciary Fund</i>	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	49
<i>Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS</i>	50
<i>Schedule of the District's Pension Plan Contributions - PSERS</i>	51
<i>Schedule of Changes in OPEB Liability – Single Employer Plan</i>	52
<i>Schedule of the District's Proportionate Share of the OPEB Liability - PSERS</i>	53
<i>Schedule of the District's OPEB Plan Contributions – PSERS</i>	54
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS	
<i>Combining Balance Sheet – Capital Projects Fund</i>	55
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund</i>	56

SPRINGFIELD SCHOOL DISTRICT

CONTENTS

SINGLE AUDIT

<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	57
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	59
<i>Summary Schedule of Prior Audit Findings</i>	60
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	61
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	63
<i>Schedule of Findings and Questioned Costs</i>	65



INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

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 Springfield School District, Springfield, Pennsylvania as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Springfield 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the Springfield School District's 2019 financial statements, and our report dated September 27, 2019 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan PSERS contributions on pages 3 through 14 and 49 through 54 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 Springfield School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants 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 and certain state grants 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 September 21, 2020, on our consideration of Springfield 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 Springfield School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
September 21, 2020**

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Management's discussion and analysis ("**MD&A**") of the financial performance of the Springfield School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2020. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of the Springfield Literacy Center (grades K to 1), two elementary schools (grades 2 to 5), a middle school (grades 6 to 8) and a high school (grades 9 to 12) consisting of approximately 4,250 students. The District covers 7 square miles and is comprised of the Township of Springfield and the Borough of Morton. During 2019-2020, there were 466 employees in the District, consisting of 288 teachers, 22 administrators, including general administration, principals and supervisors, and 156 support personnel including administrative assistants, maintenance staff, custodial staff, security staff and class room assistants.

DISTRICT MISSION

Standing as a cornerstone of the Springfield and Morton communities, we are committed to excellence in all dimensions of student life. Through dynamic, diverse and innovative programs, we empower our students to achieve their individual potential and inspire them to become ethical and contributing citizens.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2019-2020 fiscal year of \$64,997,050. During the 2019-2020 fiscal year, the District had a decrease in total net position of \$430,434. The net position of governmental activities decreased by \$369,595 and net position of business-type activities decreased by \$60,839.
- The General Fund reported a decrease in fund balance of \$1,310,542, bringing the cumulative balance to \$8,809,461 at the conclusion of the 2019-2020 fiscal year.
- At June 30, 2020, the General Fund fund balance includes \$1,783,766 which is considered nonspendable, \$3,019,053 committed to retirement rate stabilization and unassigned amounts of \$4,006,642 or 4.86% of the \$82,383,978 2020-2021 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- During 2019-2020, the Capital Projects Fund reported a decrease in fund balance of \$6,416,887 due primarily to costs paid that were associated with the high school master plan project. The remaining fund balance of \$44,214,425 as of June 30, 2020 is restricted for the high school master plan project and future capital project expenditures.
- Total General Fund revenues were \$549,274 or 0.72% less than budgeted amounts and total General Fund expenditures and other financing uses were \$2,338,730 or 2.93% less than budgeted amounts resulting in a net positive variance of \$1,789,456.
- 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, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Delaware County, Pennsylvania for what was an extended period of time resulting in a disruption of District services and an impairment of the ability of the District to generate revenues.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial 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 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 in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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 the District's near-term financing requirements.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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 governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statement can be found on Page 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan PSERS contributions, as well as additional analysis which consists of combining and individual fund financial statements.

The required and other supplementary information can be found on Pages 49 through 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2019-2020 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$64,997,050. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2020 and 2019.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 67,344,299	\$ 74,227,682	\$ 32,808	\$ 98,278	\$ 67,377,107	\$ 74,325,960
Noncurrent assets	<u>122,942,061</u>	<u>83,405,565</u>	<u>278,257</u>	<u>305,043</u>	<u>123,220,318</u>	<u>83,710,608</u>
Total assets	<u>190,286,360</u>	<u>157,633,247</u>	<u>311,065</u>	<u>403,321</u>	<u>190,597,425</u>	<u>158,036,568</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	13,401,893	15,564,474	-	-	13,401,893	15,564,474
Deferred charges – OPEB	2,493,055	1,300,863	-	-	2,493,055	1,300,863
Deferred amounts on debt refunding	<u>304,770</u>	<u>530,691</u>	<u>-</u>	<u>-</u>	<u>304,770</u>	<u>530,691</u>
Total deferred outflows	<u>16,199,718</u>	<u>17,396,028</u>	<u>-</u>	<u>-</u>	<u>16,199,718</u>	<u>17,396,028</u>
LIABILITIES						
Current liabilities	14,955,455	13,799,128	36,709	68,126	14,992,164	13,867,254
Noncurrent liabilities	<u>250,482,193</u>	<u>223,359,220</u>	<u>-</u>	<u>-</u>	<u>250,482,193</u>	<u>223,359,220</u>
Total liabilities	<u>265,437,648</u>	<u>237,158,348</u>	<u>36,709</u>	<u>68,126</u>	<u>265,474,357</u>	<u>237,226,474</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	773,285	330,296	-	-	773,285	330,296
Deferred credits – pensions	<u>5,546,551</u>	<u>2,442,442</u>	<u>-</u>	<u>-</u>	<u>5,546,551</u>	<u>2,442,442</u>
Total deferred inflows	<u>6,319,836</u>	<u>2,772,738</u>	<u>-</u>	<u>-</u>	<u>6,319,836</u>	<u>2,772,738</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	25,008,504	22,415,754	278,257	305,043	25,286,761	22,720,797
Restricted	7,226,743	8,441,451	-	-	7,226,743	8,441,451
Unrestricted (deficit)	<u>(97,506,653)</u>	<u>(95,759,016)</u>	<u>(3,901)</u>	<u>30,152</u>	<u>(97,510,554)</u>	<u>(95,728,864)</u>
Total net position (deficit)	<u>\$(65,271,406)</u>	<u>\$(64,901,811)</u>	<u>\$274,356</u>	<u>\$335,195</u>	<u>\$(64,997,050)</u>	<u>\$(64,566,616)</u>

The District's total assets as of June 30, 2020 were \$190,597,425 of which \$61,774,378 or 32.41% consisted of cash and investments and \$123,220,318 or 64.65% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2020 were \$265,474,357 of which \$134,629,735 or 50.71% consisted of general obligation debt used to acquire and construct capital assets and \$103,857,390 or 39.12% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$97,510,554 at June 30, 2020. The District's unrestricted net position decreased by \$1,781,690 during 2019-2020 primarily due to the results of current year operations and the change in the District's net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$7,226,743 as of June 30, 2020. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2020, the District's net investment in capital assets increased by \$2,565,964 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

The following table presents condensed information for the *Statement of Activities* of the District for 2020 and 2019:

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 83,994	\$ 123,144	\$ 796,711	\$ 1,030,774	\$ 880,705	\$ 1,153,918
Operating grants and contributions	11,250,382	9,997,174	216,305	275,727	11,466,687	10,272,901
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	58,699,362	58,690,751	-	-	58,699,362	58,690,751
Other taxes levied for general purposes	1,788,854	1,675,480	-	-	1,788,854	1,675,480
Grants and entitlements not restricted to specific programs	4,394,176	4,253,389	-	-	4,394,176	4,253,389
Investment earnings	1,093,751	2,043,101	914	1,808	1,094,665	2,044,909
Gain (loss) on sale of capital assets	-	2,590	-	-	-	2,590
Total revenues	<u>77,310,519</u>	<u>76,785,629</u>	<u>1,013,930</u>	<u>1,308,309</u>	<u>78,324,449</u>	<u>78,093,938</u>
EXPENSES						
Instruction	46,682,029	46,199,330	-	-	46,682,029	46,199,330
Instructional student support services	6,416,279	6,135,364	-	-	6,416,279	6,135,364
Administrative and financial support services	7,604,904	7,140,807	-	-	7,604,904	7,140,807
Operation and maintenance of plant services	6,822,597	6,780,940	-	-	6,822,597	6,780,940
Pupil transportation	3,683,219	3,520,625	-	-	3,683,219	3,520,625
Student activities	1,878,320	1,960,176	-	-	1,878,320	1,960,176
Community services	72,295	57,946	-	-	72,295	57,946
Interest and amortization expense related to non-current liabilities	4,470,471	3,810,438	-	-	4,470,471	3,810,438
Food service	-	-	1,124,769	1,351,418	1,124,769	1,351,418
Total expenses	<u>77,630,114</u>	<u>75,605,626</u>	<u>1,124,769</u>	<u>1,351,418</u>	<u>78,754,883</u>	<u>76,957,044</u>
Change in net position before transfers	(319,595)	1,180,003	(110,839)	(43,109)	(430,434)	1,136,894
Transfers	(50,000)	(35,649)	50,000	35,649	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (369,595)</u>	<u>\$ 1,144,354</u>	<u>\$ (60,839)</u>	<u>\$ (7,460)</u>	<u>\$ (430,434)</u>	<u>\$ 1,136,894</u>

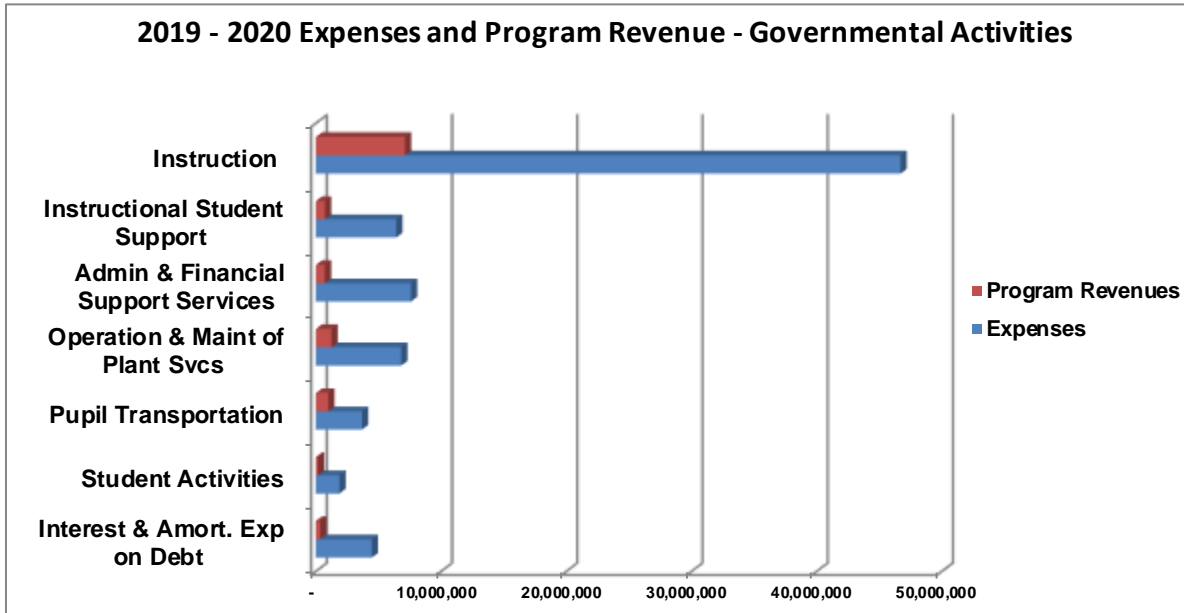
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset gains in future fiscal years. In addition, during the fourth quarter of 2019-2020 the district's financial activities was impacted by the COVID-19 pandemic. The District realized a net decrease of \$430,434 in part due to lower than budgeted revenues impacted by the COVID-19 pandemic offset by decreases in expenditures not incurred during the fourth quarter due to school activities moving to virtual education and the buildings being closed. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities located mostly in Springfield Township.

SPRINGFIELD SCHOOL DISTRICT

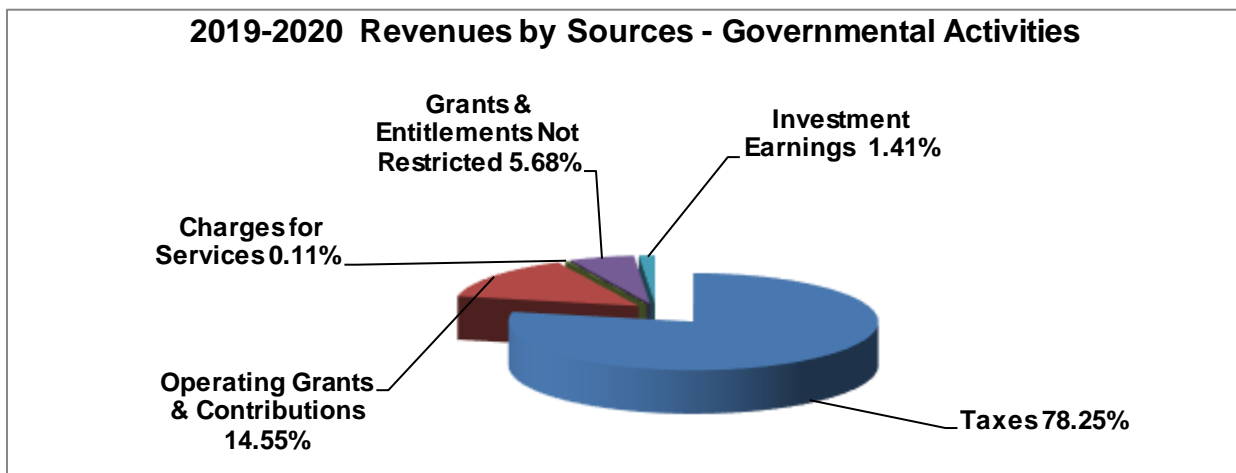
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2020, the District's governmental funds reported a combined fund balance of \$53,023,886 which is a decrease of \$7,727,429 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2020 and 2019 and the total 2020 change in governmental fund balances.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

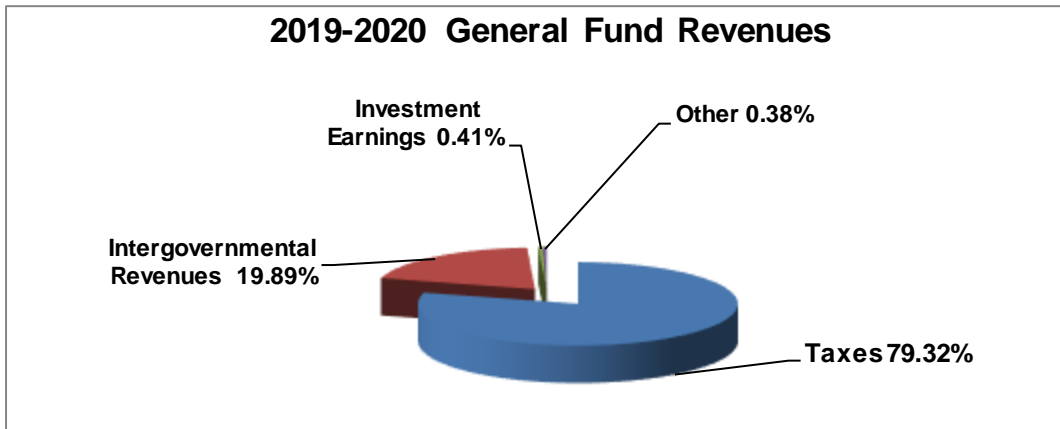
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General Fund	\$ 8,809,461	\$10,120,003	\$(1,310,542)
Capital Projects Fund	44,214,425	50,631,312	(6,416,887)
	<u>\$53,023,886</u>	<u>\$60,751,315</u>	<u>\$(7,727,429)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2019-2020 fiscal year, the General Fund fund balance was \$8,809,461 representing a decrease of \$1,310,542 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2019-2020 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 79.32% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$60,403,225	\$60,497,800	\$ (94,575)	(0.16)
Intergovernmental revenues	15,149,739	14,347,177	802,562	5.59
Investment earnings	315,555	562,388	(246,833)	(43.89)
Other	286,955	398,152	(111,197)	(27.93)
	<u>\$76,155,474</u>	<u>\$75,805,517</u>	<u>\$ 349,957</u>	<u>0.46</u>

Net tax revenues decreased by \$94,575 or 0.16% due to several factors. A millage increase of approximately 2.25% in 2019-2020 was offset by a decrease in interim, mercantile and delinquent tax collections due to the impact from the COVID-19 pandemic accounted for a majority of the current year decrease in tax revenues. The following table summarizes changes in the District's tax revenues for 2020 compared to 2019:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$57,750,900	\$57,170,464	\$ 580,436	1.02
Interim real estate tax	26,894	60,540	(33,646)	(55.58)
PURTA tax	53,467	57,177	(3,710)	(6.49)
Payments in lieu of tax	47,376	46,916	460	0.98
Transfer tax	907,969	691,812	216,157	31.25
Mercantile tax	827,419	926,491	(99,072)	(10.69)
Delinquent real estate tax	789,200	1,544,400	(755,200)	(48.90)
	<u>\$60,403,225</u>	<u>\$60,497,800</u>	<u>\$ (94,575)</u>	<u>(0.16)</u>

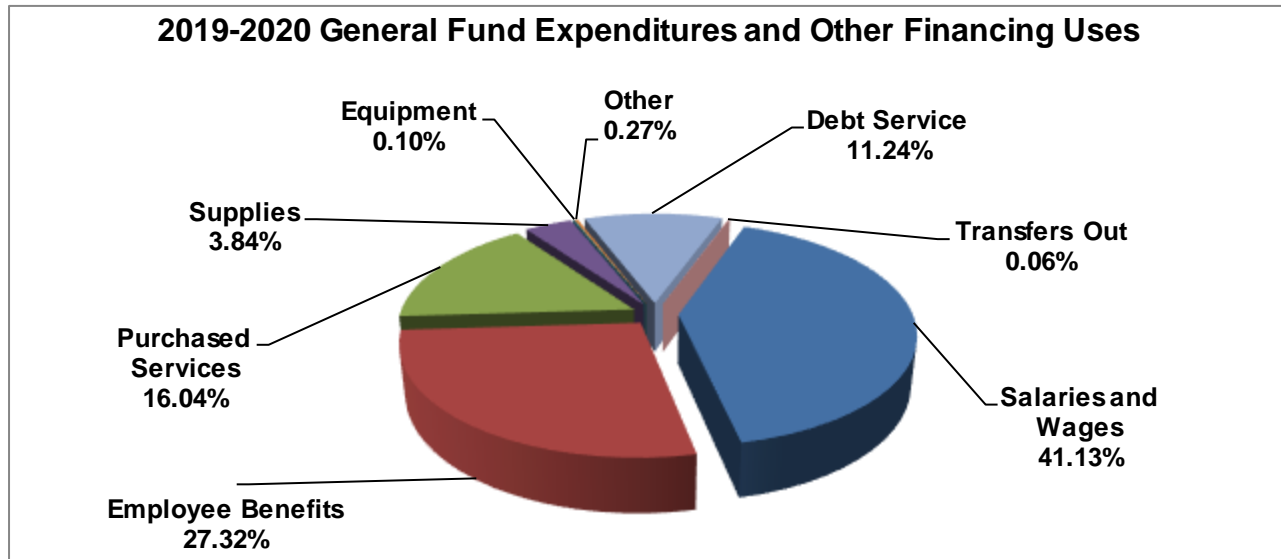
SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Intergovernmental revenues increased primarily due to additional funding received for the state retirement subsidy which increased commensurate with the employer annual contribution percentage and an increase in the transportation subsidy.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$31,861,787	\$31,188,793	\$ 672,994	2.16
Employee benefits	21,161,228	19,664,067	1,497,161	7.61
Purchased services	12,427,551	13,274,447	(846,896)	(6.38)
Supplies	2,975,921	2,923,509	52,412	1.79
Equipment	80,911	250,025	(169,114)	(67.64)
Other	205,632	97,654	107,978	110.57
Debt service	8,702,986	7,540,999	1,161,987	15.41
Transfers out	<u>50,000</u>	<u>35,649</u>	<u>14,351</u>	<u>40.26</u>
	<u>\$77,466,016</u>	<u>\$74,975,143</u>	<u>\$2,490,873</u>	<u>3.32</u>

Salaries and wages increased by \$672,994 or 2.16% in 2019-2020 as a result of additional staff added, contractually obligated pay increases for the various District union agreements in addition to salary increases for non-union employees.

Employee benefits increased by \$1,497,161 or 7.61% primarily due to an increase in the in the required annual retirement contribution to 34.29% in 2019-2020 from 33.43% in 2018-2019 and an increase in health insurance.

Purchased services decreased by \$846,896 or 6.38% primarily due to decreased special education contracted services and substitute costs due to the impact of the COVID-19 pandemic and the buildings being closed during the 4th quarter.

The increase in the debt service of \$1,161,987 or 15.41% was due to increased interest costs from the new series of bonds issued in 2018-2019 and 2019-2020 to finance the construction costs for the high school master plan.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. Transfers from the General Fund are made to this fund when available to minimize the need for additional debt borrowings. The District has been proactive in terms of preparing for unexpected and proposed capital projects each year and has developed a capital projects improvement plan which has created a priority list of capital facility needs. The District also uses this fund to support its five-year plan to update the District-wide technology plan and major equipment program. During 2019-2020, the Capital Projects Fund reported a decrease in fund balance of \$6,416,887 primarily due to capital expenditures made during the year related to the high school master plan. The remaining fund balance of \$44,214,425 as of June 30, 2020 is restricted for the high school master plan project and future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1st each year. The most significant budgeted fund is the General Fund.

Actual revenues were \$549,274 less than budgeted amounts and actual expenditures and other financing uses were \$2,338,730 less than budgeted amounts resulting in a net overall positive variance of \$1,789,456. Major budgetary highlights for 2019-2020 were as follows:

- Actual local revenues received were \$1,195,178 less than budgeted amounts as a result of decreased investment earnings, lower interim, mercantile and delinquent tax collections that were impacted by the COVID-19 pandemic.
- Actual instructional expenditures were \$2,308,821 lower than budgeted amounts due to lower benefits costs, decreased special education tuitions and purchased contracted services. Support services were \$123,313 lower than budgeted amounts as a result of operations and maintenance costs not incurred due to building closures during the COVID-19 pandemic.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUND

The District's business-type activities and proprietary fund consist of the District's food services program. The District's food services program is managed by an outside third-party contractor. During 2019-2020, the net position of the business-type activities and proprietary fund decreased by \$60,839. As of June 30, 2020, the business-type activities and proprietary fund had net position of \$274,356.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$123,220,318 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$39,509,710 or 47.20%. The increase was the result of current year additions in excess of current year depreciation expense.

Current year capital additions were \$43,339,656 and depreciation expense was \$3,829,946.

Major capital additions (including reclass from construction in progress) for the current fiscal year included the following:

- | | |
|---------------------------------------|--------------|
| • High school master plan development | \$42,765,232 |
| • Capital leases – IT equipment | \$ 462,262 |

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$134,629,735 consisting of \$122,580,000 in bonds payable and net deferred credits of \$12,049,735. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$31,439,498 or 30.47% during the fiscal year.

During 2019-2020, the District issued general obligation bonds, Series of 2019 in the amount of \$30,000,000, the proceeds from which are to be used for the construction of the high school master plan.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$134,629,735 is within the current debt limitation of the District which was \$170,924,478 as of June 30, 2020.

The District's general obligation debt rating is a Standard & Poor's AA/Stable underlying rating. Standard and Poor's notes that the AA/Stable rating reflects the District's stable financial performance, limited tax base and manageable debt position.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$103,857,390 as of June 30, 2020. The District's net pension liability decreased by \$5,161,610 or 4.73% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB liability which totaled \$10,632,256 as of June 30, 2020. The District's OPEB liability increased by \$869,360 or 8.90% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases, compensated absences and early retirement incentive plans, which totaled \$1,362,812 as of June 30, 2020. These liabilities decreased by \$24,275 or 1.75% during the fiscal year.

FACTORS BEARING ON DISTRICT'S FUTURE

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

- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant, as was seen during the 2020-2021 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania only accounted for approximately 18.60% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2019-2020. Local sources of revenue, primarily property taxes, now support approximately 80.19% of the costs of educational programs and services in the District.
- The District adopted a 2020-2021 budget totaling \$82,383,978 which used \$4,409,132 of General Fund fund balance which unassigned or committed for employer retirement rate stabilization as of June 30, 2020 and the real estate tax millage rate was increased by approximately 2.26%. The District's use of the fund balance offset projected decreases in local revenues due to the projected impact from the COVID-19 pandemic. The District budgeted a \$900,000 decrease in investment income, transfer tax and mercantile tax revenues that are projected to be impacted while the local economy recovers from the impact of the COVID-19 pandemic. In addition, District expenditures could be impacted due to the school year starting with virtual education and the buildings closed. Operating expenses in the areas of transportation and building maintenance will be delayed until the students and staff return to in-person instruction. Additional costs incurred by the District to purchase safety supplies, employee PPE, professional development and technology to support on-line learning have been purchased with federal and state grants. The District has received approximately \$370,000 of pass-through Federal funding from the Pennsylvania Department of Education and the Pennsylvania Commission on Crime and Delinquency to cover these additional expenditures.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state, 2.60% for Springfield School District for 2020-2021, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., special education and retirement system contributions) over which the school district has no control.
 - ♦ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homestead and farmstead approved tax parcels. (Act 1 permitted slot machine gambling in Pennsylvania.)
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to PSERS. The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2021-2022 is projected at 34.95%. Currently, the employer contribution rate for 2020-2021 34.51%.
- In 2018, the District successfully negotiated a new contract with the Springfield Education Association whose contract had expired on June 30, 2017. The new agreement is for five years expiring on June 30, 2022. In June 2019, the Springfield Educational Support Professionals Association agreed to a 4-year contract extension expiring on June 30, 2023.
- The District has been working on a proposed high school master plan through its facilities committee over the last six years. The plan has reviewed the existing conditions of the high school which was constructed primarily in the mid-1950s and a significant addition added in the early 1970s. The proposed plan contemplated different alternatives for the high school campus which included renovating the existing building and different scenarios for construction of a new building.

The District presented a summary of the proposed master plan at a public school board meeting in May 2014 and to the community at six scheduled public town hall meetings starting in October 2014 to review the various components of the plan which included projected costs for building renovation and new construction scenarios and the projected financing projections and related real estate tax impact. In June 2015, the School Board approved the recommendation to pursue state and local approvals to construct a new high school and commence the financing plan required to construct the high school. All Township and local approvals were received in July 2018 and the project commenced in August 2018 with a projected completion date of the fall of 2020. The District issued a new series of general obligation bonds in 2019-2020 and received proceeds totaling approximately \$36.1 million to finance costs for the high school master plan.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

- The District does not expect significant commercial business growth in the near future given the existing developed commercial and residential nature of the local economy and a lack of developable land remaining within the District. In fact, the District has experienced only a minor increase in the assessed value of commercial properties within the District, which limits growth in tax revenues for the District.
- Over the last five years, the District has experienced an increase of approximately 322 students attending the District's five schools - most notably at the elementary schools and Springfield High School. The elementary schools' increases are primarily attributed to the success of the Springfield Literacy Center and the District manages these increases by balancing the growth via redistricting the enrollment areas. The growth at Springfield High School is a result of the growth in the elementary school enrollments from prior years and these students now attending the high school. The District is preparing for a slight continuation of this growth in student enrollment at Springfield High School. The existing building has the capacity to hold approximately 500 additional students, so additional space should not be needed to absorb this slight increase. In addition, should the increase of students continue at the elementary level, additional classroom space and faculty could be required for both the elementary and middle schools.

The other demographic fact that might impact future enrollment could be the continued enrollment changes for non-public schools and the turnover in the District's citizenship census - as senior citizens move out and turn over their homes to younger families coming into District. Should the census change to increased numbers of families with school-age children, student enrollment could continue to increase in future years, possibly requiring additional staff and classroom space.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Operations, Springfield School District, 111 West Leamy Avenue, Springfield, Pennsylvania 19064.

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 58,602,421	\$ 11,957	\$ 58,614,378	\$ 71,017,846
Investments	3,160,000	-	3,160,000	-
Taxes receivable	1,216,218	-	1,216,218	1,101,283
Due from other governments	2,193,981	14,182	2,208,163	1,971,125
Other receivables	387,913	-	387,913	219,889
Prepaid expenses	1,783,766	-	1,783,766	7,675
Inventories	-	6,669	6,669	8,142
Total current assets	67,344,299	32,808	67,377,107	74,325,960
NONCURRENT ASSETS				
Capital assets, net	122,942,061	278,257	123,220,318	83,710,608
Total assets	190,286,360	311,065	190,597,425	158,036,568
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	304,770	-	304,770	530,691
Deferred charges - OPEB	2,493,055	-	2,493,055	1,300,863
Deferred charges - pension	13,401,893	-	13,401,893	15,564,474
Total deferred outflows of resources	16,199,718	-	16,199,718	17,396,028
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	5,976,217	36,709	6,012,926	5,278,786
Accrued salaries, payroll withholdings and benefits	7,357,183	-	7,357,183	7,357,094
Unearned revenues	-	-	-	1,726
Accrued interest payable	1,622,055	-	1,622,055	1,229,648
Total current liabilities	14,955,455	36,709	14,992,164	13,867,254
NONCURRENT LIABILITIES				
Due within one year	5,261,527	-	5,261,527	4,944,892
Due in more than one year	245,220,666	-	245,220,666	218,414,328
Total noncurrent liabilities	250,482,193	-	250,482,193	223,359,220
Total liabilities	265,437,648	36,709	265,474,357	237,226,474
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	773,285	-	773,285	330,296
Deferred credits - pension	5,546,551	-	5,546,551	2,442,442
Total deferred inflows of resources	6,319,836	-	6,319,836	2,772,738
NET POSITION (DEFICIT)				
Net investment in capital assets	25,008,504	278,257	25,286,761	22,720,797
Restricted	7,226,743	-	7,226,743	8,441,451
Unrestricted (deficit)	(97,506,653)	(3,901)	(97,510,554)	(95,728,864)
Total net position (deficit)	\$ (65,271,406)	\$ 274,356	\$ (64,997,050)	\$ (64,566,616)

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with summarized comparative totals for 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			2020	2019
	Services	Contributions	Contributions	Activities	Activities			
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 46,682,029	\$ 11,453	\$ 7,099,606	\$ -	\$ (39,570,970)	\$ -	\$ (39,570,970)	\$ (39,324,493)
Instructional student support services	6,416,279	-	734,888	-	(5,681,391)	-	(5,681,391)	(5,500,442)
Administrative and financial support services	7,604,904	-	718,787	-	(6,886,117)	-	(6,886,117)	(6,492,367)
Operation and maintenance of plant services	6,822,597	60,503	1,192,719	-	(5,569,375)	-	(5,569,375)	(6,078,165)
Pupil transportation	3,683,219	-	994,142	-	(2,689,077)	-	(2,689,077)	(2,600,955)
Student activities	1,878,320	12,038	164,241	-	(1,702,041)	-	(1,702,041)	(1,769,867)
Community services	72,295	-	-	-	(72,295)	-	(72,295)	(57,946)
Interest and amortization related to noncurrent liabilities	4,470,471	-	345,999	-	(4,124,472)	-	(4,124,472)	(3,661,073)
Total governmental activities	<u>77,630,114</u>	<u>83,994</u>	<u>11,250,382</u>	<u>-</u>	<u>(66,295,738)</u>	<u>-</u>	<u>(66,295,738)</u>	<u>(65,485,308)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,124,769	796,711	216,305	-	-	(111,753)	(111,753)	(44,917)
Total business-type activities	<u>1,124,769</u>	<u>796,711</u>	<u>216,305</u>	<u>-</u>	<u>-</u>	<u>(111,753)</u>	<u>(111,753)</u>	<u>(44,917)</u>
Total primary government	<u>\$ 78,754,883</u>	<u>\$ 880,705</u>	<u>\$ 11,466,687</u>	<u>\$ -</u>	<u>(66,295,738)</u>	<u>(111,753)</u>	<u>(66,407,491)</u>	<u>(65,530,225)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					58,699,362	-	58,699,362	58,690,751
Other taxes levied for general purposes					1,788,854	-	1,788,854	1,675,480
Grants and entitlements not restricted to specific programs					4,394,176	-	4,394,176	4,253,389
Investment earnings					1,093,751	914	1,094,665	2,044,909
Gain on sale of capital assets					-	-	-	2,590
TRANSFERS					<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>65,926,143</u>	<u>50,914</u>	<u>65,977,057</u>	<u>66,667,119</u>
CHANGE IN NET POSITION (DEFICIT)					<u>(369,595)</u>	<u>(60,839)</u>	<u>(430,434)</u>	<u>1,136,894</u>
NET POSITION (DEFICIT)								
Beginning of year					<u>(64,901,811)</u>	<u>335,195</u>	<u>(64,566,616)</u>	<u>(65,703,510)</u>
End of year					<u>\$ (65,271,406)</u>	<u>\$ 274,356</u>	<u>\$ (64,997,050)</u>	<u>\$ (64,566,616)</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020 with summarized comparative totals for 2019

	General Fund	Capital Projects Fund	Totals	
			2020	2019
ASSETS				
Cash	\$ 12,047,079	\$ 46,555,342	\$ 58,602,421	\$ 70,974,213
Investments	-	3,160,000	3,160,000	-
Taxes receivable	1,216,218	-	1,216,218	1,101,283
Due from other governments	2,193,981	-	2,193,981	1,960,271
Other receivables	387,913	-	387,913	219,889
Prepaid items	1,783,766	-	1,783,766	7,675
Total assets	\$ 17,628,957	\$ 49,715,342	\$ 67,344,299	\$ 74,263,331
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 475,300	\$ 5,500,917	\$ 5,976,217	\$ 5,210,660
Due to other funds	-	-	-	35,649
Accrued salaries, payroll withholdings and benefits	7,412,499	-	7,412,499	7,417,275
Unearned revenues	-	-	-	1,726
Total liabilities	7,887,799	5,500,917	13,388,716	12,665,310
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	931,697	-	931,697	846,706
FUND BALANCES				
Nonspendable				
Prepaid items	1,783,766	-	1,783,766	7,675
Restricted for				
Capital projects	-	44,214,425	44,214,425	50,631,312
Committed to				
Employer retirement rate stabilization	3,019,053	-	3,019,053	3,019,053
Healthcare rate stabilization	-	-	-	2,600,000
Unassigned	4,006,642	-	4,006,642	4,493,275
Total fund balances	8,809,461	44,214,425	53,023,886	60,751,315
Total liabilities, deferred inflows of resources and fund balances	\$ 17,628,957	\$ 49,715,342	\$ 67,344,299	\$ 74,263,331

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2020

TOTAL GOVERNMENTAL FUND BALANCES	\$ 53,023,886
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	122,942,061
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position.	304,770
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	9,575,112
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	931,697
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(250,426,877)
Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,622,055)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (65,271,406)</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2020 with summarized comparative totals for 2019

	General Fund	Capital Projects Fund	Totals	
			2020	2019
REVENUES				
Local sources	\$ 61,076,165	\$ 1,343,432	\$ 62,419,597	\$ 63,031,448
State sources	14,163,028	-	14,163,028	13,333,843
Federal sources	916,281	-	916,281	916,720
Total revenues	<u>76,155,474</u>	<u>1,343,432</u>	<u>77,498,906</u>	<u>77,282,011</u>
EXPENDITURES				
Current				
Instruction	44,111,467	-	44,111,467	43,452,185
Support services	22,615,960	212,150	22,828,110	22,042,663
Operation of noninstructional services	1,850,698	-	1,850,698	1,899,547
Facilities acquisition, construction and improvement services	-	44,325,019	44,325,019	32,170,251
Debt service	8,702,986	-	8,702,986	7,540,999
Total expenditures	<u>77,281,111</u>	<u>44,537,169</u>	<u>121,818,280</u>	<u>107,105,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,125,637)</u>	<u>(43,193,737)</u>	<u>(44,319,374)</u>	<u>(29,823,634)</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	-	2,590
Issuance of debt	-	30,000,000	30,000,000	-
Bond premiums	-	6,314,588	6,314,588	-
Refund of prior year receipts	(134,905)	-	(134,905)	(4,100)
Proceeds from extended term financing	-	462,262	462,262	359,133
Transfers out	(50,000)	-	(50,000)	(35,649)
Total other financing sources (uses)	<u>(184,905)</u>	<u>36,776,850</u>	<u>36,591,945</u>	<u>321,974</u>
NET CHANGE IN FUND BALANCES	(1,310,542)	(6,416,887)	(7,727,429)	(29,501,660)
FUND BALANCES				
Beginning of year	<u>10,120,003</u>	<u>50,631,312</u>	<u>60,751,315</u>	<u>90,252,975</u>
End of year	<u>\$ 8,809,461</u>	<u>\$ 44,214,425</u>	<u>\$ 53,023,886</u>	<u>\$ 60,751,315</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (7,727,429)

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

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

Capital outlay expenditures	\$ 43,339,656	
Depreciation expense	<u>(3,803,160)</u>	39,536,496

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources June 30, 2019	(846,706)	
Deferred inflows of resources June 30, 2020	<u>931,697</u>	84,991

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is 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.

Repayment of bonds payable	4,080,000	
Issuance of debt	(30,000,000)	
Bond premiums	(6,314,588)	
Proceeds from extended term financing	(462,262)	
Repayment of extended term financing	386,114	
Amortization of discounts, premiums and deferred amounts on refunding	<u>569,168</u>	(31,741,568)

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

Change in net pension liability and related deferred inflows and outflows	(105,080)	
Current year change in accrued interest payable	(392,407)	
Current year change in long-term early retirement incentive	122,120	
Current year change in compensated absences	(26,561)	
Current year change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(120,157)</u>	<u>(522,085)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (369,595)

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2020 with summarized comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,957	\$ 43,633
Due from other governments	14,182	10,854
Due from other funds	-	35,649
Inventories	<u>6,669</u>	<u>8,142</u>
Total current assets	<u>32,808</u>	<u>98,278</u>
NONCURRENT ASSETS		
Capital assets, net	<u>278,257</u>	<u>305,043</u>
Total assets	<u>311,065</u>	<u>403,321</u>
LIABILITIES AND NET POSITION (DEFICIT)		
LIABILITIES		
Accounts payable	<u>36,709</u>	<u>68,126</u>
Total liabilities	<u>36,709</u>	<u>68,126</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	278,257	305,043
Unrestricted (deficit)	<u>(3,901)</u>	<u>30,152</u>
Total net position (deficit)	<u>\$ 274,356</u>	<u>\$ 335,195</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services	\$ 796,711	\$ 1,030,774
OPERATING EXPENSES		
Purchased professional and technical services	93,203	96,887
Purchased property services	48,723	44,423
Purchased services	488,894	629,386
Supplies	467,163	553,690
Depreciation	26,786	27,032
Total operating expenses	<u>1,124,769</u>	<u>1,351,418</u>
Operating loss	<u>(328,058)</u>	<u>(320,644)</u>
NONOPERATING REVENUES		
Earnings on investments	914	1,808
State sources	11,157	15,019
Federal sources	205,148	260,708
Total nonoperating revenues	<u>217,219</u>	<u>277,535</u>
Net loss before transfers	(110,839)	(43,109)
Transfers in	<u>50,000</u>	<u>35,649</u>
CHANGE IN NET POSITION	(60,839)	(7,460)
NET POSITION		
Beginning of year	<u>335,195</u>	<u>342,655</u>
End of year	<u>\$ 274,356</u>	<u>\$ 335,195</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 796,711	\$ 1,030,774
Cash payments to suppliers for goods and services	<u>(1,048,464)</u>	<u>(1,302,397)</u>
Net cash used for operating activities	<u>(251,753)</u>	<u>(271,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	11,336	19,014
Federal sources	157,827	258,785
Transfers in	<u>50,000</u>	<u>35,649</u>
Net cash provided by noncapital financing activities	<u>219,163</u>	<u>313,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>914</u>	<u>1,808</u>
Net increase (decrease) in cash	(31,676)	43,633
CASH		
Beginning of year	<u>43,633</u>	<u>-</u>
Ending of year	<u>\$ 11,957</u>	<u>\$ 43,633</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (328,058)	\$ (320,644)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	26,786	27,032
Donated commodities used	33,536	55,736
(Increase) decrease in		
Inventories	1,473	(1,956)
Due from other funds	35,649	34,351
Increase (decrease) in		
Accounts payable	<u>(31,417)</u>	<u>(66,142)</u>
Net cash used for operating activities	<u>\$ (262,031)</u>	<u>\$ (271,623)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 43,814</u>	<u>\$ 55,736</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	<u>Agency Fund</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 134,285	\$ 139,065
LIABILITIES		
Due to student groups	\$ 134,285	\$ 139,065

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Springfield School District (the "**District**") operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the District of Springfield and the Borough of Morton. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following major proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of the students of the District. The measurement focus and basis of accounting for agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Cash and Cash Equivalents

The 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.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
February 28	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2019-2020 was 33.7229 mills (\$33.7229 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years, and furniture and equipment – 5-15 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2020.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to whom the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 84 "*Fiduciary Activities*" will be effective for the District for the year ended June 30, 2021. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*" will be effective for the District for the year ended June 30, 2021. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. 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 approved budget amendments.

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2020:

Instruction – nonpublic school programs	\$ 2,063
Instruction – higher education programs	\$ 1,105
Pupil support services	\$188,302
Administrative services	\$ 84,442
Pupil health services	\$ 6,942
Student transportation services	\$262,596
Student activities	\$316,637
Community services	\$ 7,295

The excess of expenditures over appropriations was financed with current year savings in other budget appropriation line items.

(3) DEPOSITS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2020, the carrying amount of the District's deposits was \$58,748,663 and the bank balance was \$58,899,622. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$604,899 was covered by federal depository insurance, and \$20,072,238 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2020, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Investments

At June 30, 2020, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (In Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of deposit and PSDLAF collateralized investment pools	\$3,160,000	\$3,160,000	\$ -

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools were valued using Level 2 inputs.

Custodial Credit Risk

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

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,988,474	\$ -	\$ -	\$ 6,988,474
Construction in progress	<u>35,285,001</u>	<u>42,765,232</u>	<u>361,736</u>	<u>77,688,497</u>
Total capital assets not being depreciated	<u>42,273,475</u>	<u>42,765,232</u>	<u>361,736</u>	<u>84,676,971</u>
Capital assets being depreciated				
Land improvements	1,944,719	6,933	-	1,951,652
Buildings	150,305,611	361,736	-	150,667,347
Furniture and equipment	<u>4,939,945</u>	<u>567,491</u>	<u>-</u>	<u>5,507,436</u>
Total capital assets being depreciated	<u>157,190,275</u>	<u>936,160</u>	<u>-</u>	<u>158,126,435</u>
Less accumulated depreciation for				
Land improvements	(1,610,984)	(63,926)	-	(1,674,910)
Buildings and improvements	(111,967,249)	(3,136,542)	-	(115,103,791)
Furniture and equipment	<u>(2,479,952)</u>	<u>(602,692)</u>	<u>-</u>	<u>(3,082,644)</u>
Total accumulated depreciation	<u>(116,058,185)</u>	<u>(3,803,160)</u>	<u>-</u>	<u>(119,861,345)</u>
Total capital assets being depreciated, net	<u>41,132,090</u>	<u>(2,867,000)</u>	<u>-</u>	<u>38,265,090</u>
Governmental activities, net	<u>\$ 83,405,565</u>	<u>\$39,898,232</u>	<u>\$361,736</u>	<u>\$ 122,942,061</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Business-type activities

Capital assets being depreciated				
Buildings and improvements	\$ 362,308	\$ -	\$ -	\$ 362,308
Machinery and equipment	<u>263,586</u>	<u>-</u>	<u>-</u>	<u>263,586</u>
Total capital assets being depreciated	<u>625,894</u>	<u>-</u>	<u>-</u>	<u>625,894</u>
Less accumulated depreciation for				
Buildings and improvements	(150,105)	(14,493)	-	(164,598)
Machinery and equipment	<u>(170,746)</u>	<u>(12,293)</u>	<u>-</u>	<u>(183,039)</u>
Total accumulated depreciation	<u>(320,851)</u>	<u>(26,786)</u>	<u>-</u>	<u>(347,637)</u>
Business-type activities, net	<u>\$ 305,043</u>	<u>\$ (26,786)</u>	<u>\$ -</u>	<u>\$ 278,257</u>

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

Governmental activities

Instruction	\$2,406,370
Instructional student support	326,944
Administrative and financial support services	419,484
Operation and maintenance of plant services	366,190
Pupil transportation	188,321
Student activities	<u>95,851</u>

Total depreciation expense – governmental activities \$3,803,160

Business-type activities

Food service	<u>\$ 26,786</u>
--------------	------------------

As of June 30, 2020, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2020 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2020</u>	<u>Remaining Commitments</u>
High School SLEP/master plan	<u>\$137,407,677</u>	<u>\$77,688,497</u>	<u>\$59,719,180</u>

(5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	<u>\$50,000</u>	General Fund	<u>\$50,000</u>

Transfers from General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital assets and debt service expenditures, while transfers from the General Fund to the Food Service Fund represent transfers to subsidize costs associated with food service operations.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 96,660,000	\$30,000,000	\$ 4,080,000	\$122,580,000	\$4,265,000
Bond premiums	6,782,275	6,314,588	822,044	12,274,819	685,908
Bond discounts	<u>(252,038)</u>	<u>-</u>	<u>(26,954)</u>	<u>(225,084)</u>	<u>(18,311)</u>
Total general obligation debt	<u>103,190,237</u>	<u>36,314,588</u>	<u>4,875,090</u>	<u>134,629,735</u>	<u>4,932,597</u>
Other noncurrent liabilities					
Capital leases	520,126	462,262	386,114	596,274	273,614
Early retirement incentive	329,464	-	126,984	202,480	55,316
Compensated absences	537,497	26,561	-	564,058	-
OPEB liability	5,027,896	882,771	-	5,910,667	-
Net OPEB liability – PSERS	4,735,000	-	13,411	4,721,589	-
Net pension liability – PSERS	<u>109,019,000</u>	<u>-</u>	<u>5,161,610</u>	<u>103,857,390</u>	<u>-</u>
Total other noncurrent liabilities	<u>120,168,983</u>	<u>1,371,594</u>	<u>5,688,119</u>	<u>115,852,458</u>	<u>328,930</u>
Total noncurrent liabilities	<u>\$223,359,220</u>	<u>\$37,686,182</u>	<u>\$10,563,209</u>	<u>\$250,482,193</u>	<u>\$5,261,527</u>

Noncurrent liabilities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2020 consisted of the following:

<u>Description</u>	<u>Interest</u> <u>Rate(s)</u>	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Final</u> <u>Maturity</u>	<u>Principal</u> <u>Outstanding</u>
General obligation bonds				
Series of 2012	2.00% - 4.00%	\$11,275,000	03/15/2021	\$ 2,125,000
Series A of 2012	2.00% - 4.00%	\$ 8,665,000	10/01/2023	7,670,000
Series B of 2012	2.00% - 4.00%	\$ 9,210,000	10/01/2024	6,995,000
Series of 2015	2.00% - 3.75%	\$ 9,995,000	10/01/2042	9,980,000
Series of 2016	2.00% - 4.00%	\$ 7,410,000	09/01/2022	6,575,000
Series A of 2016	2.00% - 3.30%	\$ 9,765,000	03/01/2043	9,750,000
Series of 2017	2.00% - 3.55%	\$ 9,500,000	03/01/2043	9,490,000
Series of 2018	1.90% - 5.00%	\$40,000,000	03/01/2043	39,995,000
Series of 2019	3.00% - 5.00%	\$30,000,000	03/01/2043	<u>30,000,000</u>
Total general obligation debt				<u>\$122,580,000</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 4,265,000	\$ 5,094,137	\$ 9,359,137
2022	4,475,000	4,888,213	9,363,213
2023	4,655,000	4,728,012	9,383,012
2024	4,935,000	4,550,510	9,485,510
2025	5,160,000	4,349,000	9,509,000
2026-2030	20,435,000	19,573,029	40,008,029
2031-2035	25,295,000	14,719,782	40,014,782
2036-2040	29,945,000	8,766,457	38,711,457
2041-2043	<u>23,415,000</u>	<u>1,881,975</u>	<u>25,296,975</u>
	<u>\$122,580,000</u>	<u>\$68,551,115</u>	<u>\$191,131,115</u>

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2020 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$273,614	\$28,753	\$302,367
2022	204,488	15,619	220,107
2023	<u>118,172</u>	<u>5,738</u>	<u>123,910</u>
	<u>\$596,274</u>	<u>\$50,110</u>	<u>\$646,384</u>

(9) EARLY RETIREMENT INCENTIVE PLAN

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's ERIP plan provides for the payment of a specific dollar amount to be applied toward participating retiree healthcare premiums for a specified number of years.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2020, 9 retirees received benefits under the District's ERIP plans and the District paid \$42,666 in ERIP benefits to retirees.

As of June 30, 2020, the District had three ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2020 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Present Value of ERIP Benefits</u>
Prior to March 2000	1	\$ 6,644
July 1, 2007	10	117,942
July 1, 2016	<u>1</u>	<u>77,894</u>
	<u>12</u>	<u>\$202,480</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(10) PENSION PLAN

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

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 PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 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 of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

Active members who joined PSERS 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 PSERS 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.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for 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 pension plan from the District were \$10,514,220 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 District reported a liability of \$103,857,390 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2220 percent, which was a decrease of 0.0051 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$10,627,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 571,919	\$3,442,292
Changes in assumptions	992,833	-
Net difference between projected and actual investment earnings	-	297,509
Changes in proportions	1,303,800	1,806,750
Difference between employer contributions and proportionate share of total contributions	19,121	-
Contributions subsequent to the measurement date	<u>10,514,220</u>	<u>-</u>
	<u>\$13,401,893</u>	<u>\$5,546,551</u>

\$10,514,220 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net 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:

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Year ended June 30:

2020	\$ 682,788
2021	(1,881,924)
2022	(1,645,132)
2023	<u>185,390</u>
	<u><u>\$ (2,658,878)</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward PSERS' 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.

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)	<u>(20.0)%</u>	0.7%
	<u>100.0 %</u>	

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

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$129,365,787</u>	<u>\$103,857,390</u>	<u>\$82,258,042</u>

Pension Plan Fiduciary Net Position

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

(11) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2019:

Active employees	440
Retirees and beneficiaries currently receiving benefits	19
Terminated OPEB plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>459</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$5,910,667, all of which is unfunded.

The District's change in its OPEB liability for the year ended June 30, 2020 was as follows:

Balances as of July 1, 2019	<u>\$5,027,896</u>
Changes for the year:	
Service cost	234,195
Interest on total OPEB liability	147,275
Differences between expected and actual experience	(446,522)
Changes in assumptions	1,239,111
Benefit payments	<u>(291,288)</u>
Net changes	<u>882,771</u>
Balances as of June 30, 2020	<u>\$5,910,667</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$643,856. At June 30, 2020, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$537,517
Changes in assumptions	<u>1,968,086</u>	<u>-</u>
	<u>\$1,968,086</u>	<u>\$537,517</u>

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 ended June 30:</u>	
2021	\$ 154,105
2022	154,105
2023	154,105
2024	154,105
2025	154,105
Thereafter	<u>660,044</u>
	<u>\$1,430,569</u>

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

The following presents the OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$5,270,943</u>	<u>\$5,910,667</u>	<u>\$6,673,687</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	<u>1% Decrease</u> <u>2.50%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>3.50%</u>	<u>1% Increase</u> <u>4.50%</u>
OPEB Liability	<u>\$6,441,910</u>	<u>\$5,910,667</u>	<u>\$5,429,396</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2020, was determined by rolling forward the OPEB Liability as of July 1, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 3.50% – 20-year high-grade municipal rate index; previously 3.00% was assumed
- Salary growth – an annual rate of 2.50%
- Assumed healthcare cost trends – 5.50% in 2019-2020 decreasing to 4.70% at 2055-2056+
- Mortality rates were based on the PubT.H.2000 Employee (Male and Female weighted by headcount) and projected using the MP-2018 mortality improvement scale as published by the Society of Actuaries.

Multiple-Agent Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance 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.

Retirees of PSERS can participate in the health insurance 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 PSERS' health options program or employer-sponsored health insurance program.

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.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Employer Contributions

The District's 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 District were \$264,034 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 District reported a liability of \$4,721,589 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 PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2220 percent, which was a decrease of 0.0051 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized negative net OPEB expense of \$232,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 26,547	\$ -
Changes in assumptions	156,438	140,320
Net difference between projected and actual investment earnings	7,950	-
Changes in proportions	70,000	92,143
Difference between employer contributions and their proportionate share of total contributions	-	3,305
Contributions subsequent to the measurement date	<u>264,034</u>	<u>-</u>
	<u>\$524,969</u>	<u>\$235,768</u>

\$264,034 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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:

Year ended June 30:

2020	\$ 704
2021	703
2022	137
2023	(493)
2024	23,109
Thereafter	<u>1,007</u>
	<u>\$25,167</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Actuarial Assumptions

The OPEB liability as of June 30, 2019, was determined by rolling forward the PSERS' 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% – Standard & Poors 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 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 OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	<u>100.00%</u>	

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 OPEB liability was 2.79%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share 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 health insurance premium assistance. As of June 30, 2019, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$4,720,863</u>	<u>\$4,721,589</u>	<u>\$4,722,175</u>

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.79%</u>	<u>2.79%</u>	<u>3.79%</u>
District's proportionate share of the net OPEB liability	<u>\$5,378,918</u>	<u>\$4,721,589</u>	<u>\$4,176,828</u>

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 PSERS's website at www.psers.pa.gov.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2019-2020 was \$779,292.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2019-2020, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2019-2020 was \$744,295.

The DCCC prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District's future annual lease payments to the DCCC are as follows:

Year ending June 30,

2021	\$ 148,923
2022	143,652
2023	138,573
2024	128,095
2025	127,965
2026-2030	639,894
2031-2035	<u>449,118</u>
	<u>\$1,776,220</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "**DCIU**"). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(13) OPERATING LEASES

The District leases office and computer equipment under non-cancelable operating leases expiring at various dates through June 2022. Rent expense for the office and computer equipment including additional operating costs, was \$98,680 for 2019-2020.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2021	\$ 95,350
2022	<u>94,240</u>
	<u>\$189,590</u>

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(15) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2019-2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The District participates in a consortium with other participating school districts and educational agencies from Delaware County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. Since the District has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The District accounts for its participation in the consortium in the General Fund in the accompanying financial statements.

The following table presents the components of the self-insurance claims surplus (liability) and the related changes in the claims surplus (liability) for the year ended June 30, 2020:

Insurance claims surplus (liability) – beginning of year	\$ -
Current year insurance claims, fees and changes in estimates	(7,303,280)
Insurance claims and fees paid	<u>8,391,434</u>
Insurance claims surplus (liability) – end of year	<u>\$ 1,088,154</u>

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2020 the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGFIELD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 62,271,343	\$ 62,271,343	\$ 61,076,165	\$ (1,195,178)
State sources	13,606,863	13,606,863	14,163,028	556,165
Federal sources	826,542	826,542	916,281	89,739
Total revenues	<u>76,704,748</u>	<u>76,704,748</u>	<u>76,155,474</u>	<u>(549,274)</u>
EXPENDITURES				
Instruction				
Regular programs	32,345,733	32,345,733	31,143,901	1,201,832
Special programs	12,413,209	12,413,209	11,345,701	1,067,508
Vocational programs	779,292	779,292	779,292	-
Other instructional programs	282,092	282,092	239,443	42,649
Nonpublic school programs	6,817	6,817	8,880	(2,063)
Adult education programs	583,145	583,145	583,145	-
Higher education programs	10,000	10,000	11,105	(1,105)
Total instruction	<u>46,420,288</u>	<u>46,420,288</u>	<u>44,111,467</u>	<u>2,308,821</u>
Support services				
Pupil support services	3,531,282	3,531,282	3,719,584	(188,302)
Instructional staff services	1,729,587	1,729,587	1,616,079	113,508
Administrative services	4,276,480	4,276,480	4,360,922	(84,442)
Pupil health	723,476	723,476	730,418	(6,942)
Business services	905,379	905,379	880,248	25,131
Operation and maintenance of plant services	5,721,297	5,721,297	5,234,461	486,836
Student transportation services	3,231,483	3,231,483	3,494,079	(262,596)
Support services - central	2,544,877	2,544,877	2,513,023	31,854
Other support services	75,412	75,412	67,146	8,266
Total support services	<u>22,739,273</u>	<u>22,739,273</u>	<u>22,615,960</u>	<u>123,313</u>
Operation of non-instructional services				
Student activities	1,461,766	1,461,766	1,778,403	(316,637)
Community services	65,000	65,000	72,295	(7,295)
Total operation of non-instructional services	<u>1,526,766</u>	<u>1,526,766</u>	<u>1,850,698</u>	<u>(323,932)</u>
Debt service				
	8,194,220	8,194,220	8,702,986	(508,766)
Total expenditures	<u>78,880,547</u>	<u>78,880,547</u>	<u>77,281,111</u>	<u>1,599,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,175,799)</u>	<u>(2,175,799)</u>	<u>(1,125,637)</u>	<u>1,050,162</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(134,905)	(134,905)
Transfers out	(924,199)	(924,199)	(50,000)	874,199
Total other financing sources (uses)	<u>(924,199)</u>	<u>(924,199)</u>	<u>(184,905)</u>	<u>739,294</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,099,998)</u>	<u>\$ (3,099,998)</u>	<u>(1,310,542)</u>	<u>\$ 1,789,456</u>
FUND BALANCE				
Beginning of year			10,120,003	
End of year			<u>\$ 8,809,461</u>	

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	<u>Measurement Date</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2220%	0.2271%	0.2254%	0.2218%	0.2189%	0.2278%
District's proportionate share of the net pension liability	\$ 103,857,390	\$ 109,019,000	\$ 111,321,000	\$ 109,917,000	\$ 94,817,000	\$ 90,165,000
District's covered-employee payroll	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497	\$ 28,731,573	\$ 28,167,194	\$ 29,069,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	339.27%	356.52%	370.96%	382.57%	336.62%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	56.00%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,941,684	\$ 9,637,000	\$ 8,621,000	\$ 7,056,000	\$ 5,652,000	\$ 4,538,000
Contributions in relation to the contractually required contribution	<u>9,952,146</u>	<u>9,631,836</u>	<u>8,649,393</u>	<u>7,068,467</u>	<u>5,666,997</u>	<u>4,543,258</u>
Contribution deficiency (excess)	(10,462)	5,164	(28,393)	(12,467)	(14,997)	(5,258)
District's covered-employee payroll	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497	\$ 28,731,573	\$ 28,167,194	\$ 29,069,946
Contributions as a percentage of covered-employee payroll	32.51%	31.50%	28.82%	24.60%	20.12%	15.63%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 234,195	\$ 244,055	\$ 216,112
Interest on total OPEB liability	147,275	144,108	157,544
Differences between expected and actual experience	(446,522)	-	(177,997)
Changes of assumptions	1,239,111	90,182	1,026,282
Benefit payments	<u>(291,288)</u>	<u>(264,027)</u>	<u>(261,682)</u>
Net change in total OPEB liability	882,771	214,318	960,259
Total OPEB liability, beginning	<u>5,027,896</u>	<u>4,813,578</u>	<u>3,853,319</u>
Total OPEB liability, ending	<u>\$ 5,910,667</u>	<u>\$ 5,027,896</u>	<u>\$ 4,813,578</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 29,066,359	\$ 27,766,387	\$ 27,089,158
Net OPEB liability as a % of covered payroll	20.34%	18.11%	17.77%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.2220%	0.2271%	0.2254%
District's proportionate share of the net OPEB liability	\$ 4,721,589	\$ 4,735,000	\$ 4,592,000
District's covered-employee payroll	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.00%	6.00%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 254,348	\$ 254,000	\$ 249,000
Contributions in relation to the contractually required contribution	<u>253,383</u>	<u>251,872</u>	<u>245,856</u>
Contribution deficiency (excess)	\$ 965	\$ 2,128	\$ 3,144
District's covered-employee payroll	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COMBINING AND INDIVIDUAL FUND FINANICAL STATEMENTS

SPRINGFIELD SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2020

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 5,786,743	\$ 40,768,599	\$ 46,555,342
Investments	<u>1,440,000</u>	<u>1,720,000</u>	<u>3,160,000</u>
Total assets	<u><u>\$ 7,226,743</u></u>	<u><u>\$ 42,488,599</u></u>	<u><u>\$ 49,715,342</u></u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 5,500,917</u>	<u>\$ 5,500,917</u>
 FUND BALANCES			
Restricted for Capital projects	<u>7,226,743</u>	<u>36,987,682</u>	<u>44,214,425</u>
Total fund balances	<u><u>7,226,743</u></u>	<u><u>36,987,682</u></u>	<u><u>44,214,425</u></u>
Total liabilities and fund balances	<u><u>\$ 7,226,743</u></u>	<u><u>\$ 42,488,599</u></u>	<u><u>\$ 49,715,342</u></u>

SPRINGFIELD SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND**

Year ended June 30, 2020

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Local sources	\$ 94,968	\$ 1,248,464	\$ 1,343,432
EXPENDITURES			
Support services	-	212,150	212,150
Facilities acquisition, construction and improvement services	<u>1,309,676</u>	<u>43,015,343</u>	<u>44,325,019</u>
Total expenditures	<u>1,309,676</u>	<u>43,227,493</u>	<u>44,537,169</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,214,708)</u>	<u>(41,979,029)</u>	<u>(43,193,737)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from extended term financing	-	462,262	462,262
Issuance of debt	-	30,000,000	30,000,000
Bond premiums	<u>-</u>	<u>6,314,588</u>	<u>6,314,588</u>
Total other financing sources (uses)	<u>-</u>	<u>36,776,850</u>	<u>36,776,850</u>
NET CHANGE IN FUND BALANCES	(1,214,708)	(5,202,179)	(6,416,887)
FUND BALANCES			
Beginning of year	<u>8,441,451</u>	<u>42,189,861</u>	<u>50,631,312</u>
End of year	<u>\$ 7,226,743</u>	<u>\$ 36,987,682</u>	<u>\$ 44,214,425</u>

SINGLE AUDIT

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-190415	07/01/18 - 09/30/19	\$ 157,990	\$ (1,726)	\$ (1,726)	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-200415	07/01/19 - 09/30/20	156,006	135,213	-	156,006	156,006	20,793	-
Total CFDA #84.010						133,487	(1,726)	156,006	156,006	20,793	-
Title II - Improving Teacher Quality	I	84.367	020-190415	07/01/18 - 09/30/19	70,099	4,315	4,315	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-200415	07/01/19 - 09/30/20	67,577	58,103	-	67,577	67,577	9,474	-
Total CFDA #84.367						62,418	4,315	67,577	67,577	9,474	-
Title III - Language Instruction for English Learners	I	84.365	010-190145	07/01/18 - 09/30/19	13,696	8,217	1,285	6,932	6,932	-	-
Title III - Language Instruction for English Learners	I	84.365	010-200145	07/01/19 - 09/30/20	14,614	10,717	-	11,691	11,691	974	-
Total CFDA #84.365						18,934	1,285	18,623	18,623	974	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-190415	08/10/18 - 09/30/19	12,610	2,522	2,522	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200415	08/10/19 - 09/30/20	11,825	9,460	-	11,825	11,825	2,365	-
Total CFDA #84.424						11,982	2,522	11,825	11,825	2,365	-
COVID-19 Education Stabilization Fund	I	84.425	FA-200-20-0415	03/13/20 - 10/30/20	128,135	-	-	15,520	15,520	15,520	-
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-200013	07/01/19 - 06/30/20	605,005	366,554	-	605,005	605,005	238,451	-
I.D.E.A. - Part B, Section 619	I	84.173	131-200013	07/01/19 - 06/30/20	2,985	2,985	-	2,985	2,985	-	-
Total U.S. Department of Education						596,360	6,396	877,541	877,541	287,577	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Treasury</u>											
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33654	03/01/20 - 10/30/20	270,375	-	-	38,739	38,739	38,739	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/18 - 06/30/19	N/A	742	742	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	10,594	-	11,157	11,157	563	-
Total State Matching						11,336	742	11,157	11,157	563	-
Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	265	265	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	4,713	-	9,423	9,423	4,710	-
Total CFDA #10.553						4,978	265	9,423	9,423	4,710	-
National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	9,847	9,847	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	143,001	-	151,910	151,910	8,909	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	43,814	-	43,814	43,814	-	-
Total CFDA #10.555						196,662	9,847	195,724	195,724	8,909	-
Total U.S. Department of Agriculture						212,976	10,854	216,304	216,304	14,182	-
Total Federal Awards and Certain State Grants						\$ 809,336	\$ 17,250	\$ 1,132,584	\$ 1,132,584	\$ 340,498	\$ -
Total Federal Awards						\$ 798,000	\$ 16,508	\$ 1,121,427	\$ 1,121,427	\$ 339,935	\$ -
Total State Awards						11,336	742	11,157	11,157	563	-
Total Federal Awards and Certain State Grants						\$ 809,336	\$ 17,250	\$ 1,132,584	\$ 1,132,584	\$ 340,498	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 369,539	\$ -	\$ 607,990	\$ 607,990	\$ 238,451	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 201,640	\$ 10,112	\$ 205,147	\$ 205,147	\$ 13,619	\$ -

Source Codes

D - Direct Funding

I - Indirect Funding

S - State Share

SPRINGFIELD SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2020

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2019-2020 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2020 was \$0.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SPRINGFIELD SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

There were no audit findings for the year ended June 30, 2019.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springfield School District, Springfield, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Springfield School District's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Springfield 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 Springfield School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Springfield School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
September 21, 2020**



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

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Springfield 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 Springfield School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Springfield School District's internal control over compliance.

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
September 21, 2020**

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Springfield School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Springfield School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Springfield School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Springfield School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Springfield School District was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None