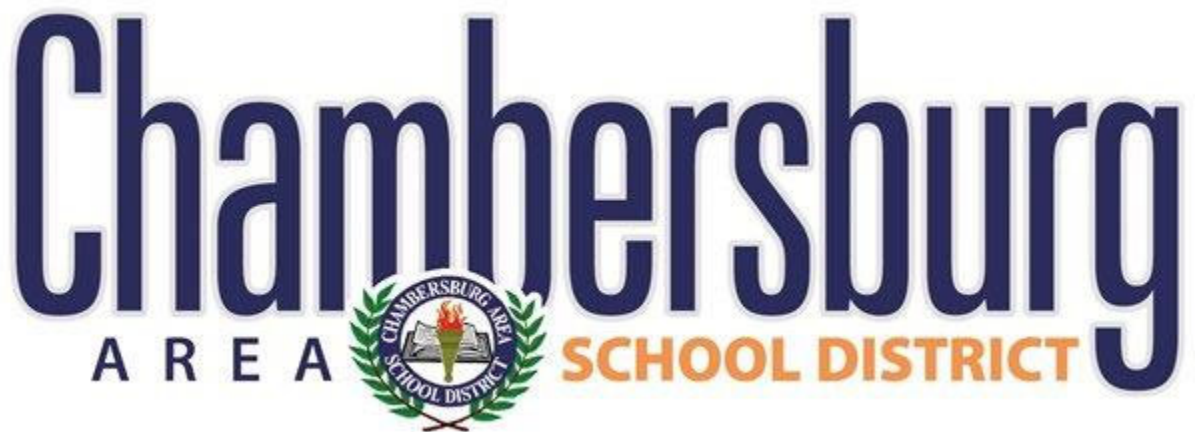


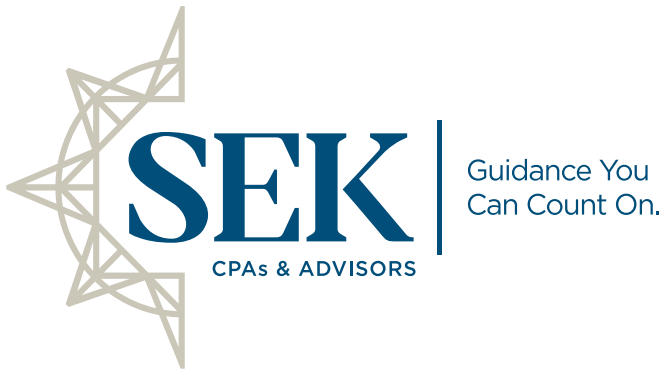
Audited  
Financial  
Statements

June 30,  
2021



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Chambersburg Area School District  
Chambersburg, Pennsylvania

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambersburg Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chambersburg Area School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1 to the financial statements, Chambersburg Area School District adopted new accounting guidance, Government Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. See Note 17 for restatement for the implementation of GASB 84. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 10, the general fund budgetary comparison schedule on page 61, and the schedules related to pension and OPEB liabilities on pages 62 through 66 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 response 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 Chambersburg Area School District’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of Chambersburg Area 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 the 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 Chambersburg Area School District's internal control over financial reporting and compliance.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania  
February 4, 2022

## CHAMBERSBURG AREA SCHOOL DISTRICT

### Management Discussion and Analysis - Unaudited

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The *Management, Discussion, and Analysis* (MD&A) of the Chambersburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review the financial statements and related notes to augment their understanding of the School District's financial performance.

#### **BACKGROUND**

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The School District's financial statements have been prepared in accordance with all GASB Accounting Standards.

Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires capital asset accounting, proper combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

GASB 68 has substantially changed the accounting and reporting for pension plans. GASB 68 seeks to improve the calculation and reporting of pension costs to provide more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position rather than as a footnote. This results in an immediate recognition of more components of the pension expense and more extensive disclosures with **significant negative impacts** on the Government Wide Statement of Net Position and the Proprietary Fund – Statement of Net Position.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, deferred inflows of resources, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Chambersburg Area School District, the cafeteria and enterprise activities are structured as business activities, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Type Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

## CHAMBERSBURG AREA SCHOOL DISTRICT Management Discussion and Analysis - Unaudited

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Funds utilized by the School District:

- ◆ Major governmental activities including:
  - General Fund
  - Capital Reserve Fund
  - Capital Projects Fund
- ◆ Other funds:
  - Special Revenue Fund
  - Enterprise Funds, including Food Service Fund and CASHS School Store
  - Internal Service Fund - Medical Insurance
  - Private Purpose Trust funds
  - Custodial Fund – Student Activity accounts

### ***FINANCIAL HIGHLIGHTS***

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Key financial highlights for the year ending June 30, 2021 are as follows:

- ◆ Total Net Position of Governmental Activities of \$ (109,052,174).
  - Positive change of \$ 10,942,513
- ◆ Total fund balance of all governmental funds equaled \$ 35,707,736.
  - General Fund - \$ 31,606,110
    - Nonspendable - \$ 264,068
    - Restricted - \$ 2,428,760
    - Committed – \$ 3,915,177
    - Assigned – \$ 24,998,105
    - Unassigned - \$ 0
  - Capital Reserve Fund - \$ 2,456,790
  - Capital Projects Fund - \$ 1,555,460
  - Other Governmental Funds - \$ 89,376
- ◆ Operating revenues exceeded operating expenditures by \$ 11,730,224. COVID-19 and employee attrition contributed to the excess of revenues over expenditures. Planned expenditures for transportation, buildings and grounds, and other contracted services were reduced due to the number of virtual days.

### ***ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE PAST FISCAL YEAR***

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**Net Position** - On June 30, 2021, the School District had total net position from governmental activities of \$ (109,052,174), an increase of \$ 10,942,513 in the fiscal year. Factors affecting the net position increase in the 2020-2021 year are:

- ◆ Total Governmental assets increased by \$ 6,647,747. This is primarily due to an increase in Cash and Cash equivalents.
- ◆ Other notable factors:
  - Outstanding debt decreased from \$ 144,640,762 to \$ 138,555,918 or \$ 6,084,844.
  - Net pension liability increased from \$ 186,461,625, to \$ 194,359,218 or \$ 7,897,593.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**

Table 1 summarizes the assets, liabilities, and net position of the School District as of June 30, 2021 and 2020.

**Table 1**  
**Net Position As of June 30, 2021 - (Government-Wide)**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets	\$ 57,816,390	\$ 1,724,777	\$ 59,541,167
Noncurrent Assets	175,306,039	308,171	175,614,210
Deferred Outflows of Resources	<u>37,046,881</u>	<u>647,408</u>	<u>37,694,289</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 270,169,310</u>	<u>\$ 2,680,356</u>	<u>\$ 272,849,666</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current Liabilities	\$ 26,749,030	\$ 269,462	\$ 27,018,492
Noncurrent Liabilities	342,275,473	4,093,109	346,368,582
Deferred Inflows of Resources	<u>10,196,981</u>	<u>1,665,246</u>	<u>11,862,227</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 379,221,484</u>	<u>\$ 6,027,817</u>	<u>\$ 385,249,301</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 40,093,500	\$ 308,171	\$ 40,401,671
Restricted	4,888,339	-	4,888,339
Unrestricted	<u>(154,034,013)</u>	<u>(3,655,632)</u>	<u>(157,689,645)</u>
Total Net Position	<u>\$ (109,052,174)</u>	<u>\$ (3,347,461)</u>	<u>\$ (112,399,635)</u>

**Net Position As of June 30, 2020 - (Government-Wide)**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets	\$ 49,902,003	\$ 2,076,388	\$ 51,978,391
Noncurrent Assets	176,572,679	345,385	176,918,064
Deferred Outflows of Resources	<u>31,002,480</u>	<u>818,166</u>	<u>31,820,646</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 257,477,162</u>	<u>\$ 3,239,939</u>	<u>\$ 260,717,101</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current Liabilities	\$ 25,767,983	\$ 180,334	\$ 25,948,317
Noncurrent Liabilities	339,249,629	5,826,986	345,076,615
Deferred Inflows of Resources	<u>11,029,612</u>	<u>665,799</u>	<u>11,695,411</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 376,047,224</u>	<u>\$ 6,673,119</u>	<u>\$ 382,720,343</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 40,202,618	\$ 345,385	\$ 40,548,003
Restricted	1,547,845	-	1,547,845
Unrestricted	<u>(160,320,525)</u>	<u>(3,778,565)</u>	<u>(164,099,090)</u>
Total Net Position	<u>\$ (118,570,062)</u>	<u>\$ (3,433,180)</u>	<u>\$ (122,003,242)</u>



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**

Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2021 and 2020.

**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2021**  
**(Government-wide)**

	Governmental Activities	Business-Type Activities	Total
<b>Program Revenues</b>			
Charges for Services	\$ 2,999,322	\$ 112,997	\$ 3,112,319
Operating Grants and Contributions	30,675,396	3,152,481	33,827,877
Capital Grants and Contributions	941,393	-	941,393
<b>General Revenues</b>			
Taxes	98,585,180	-	98,585,180
Grants, Subsidies and Contributions	23,929,340	-	23,929,340
Investment Earnings	91,554	2,312	93,866
Other	630,444	-	630,444
Total Revenues	<u>157,852,629</u>	<u>3,267,790</u>	<u>161,120,419</u>
<b>Program Expenses</b>			
Instruction	98,819,255	-	98,819,255
Support Services			
Instructional Student Support	11,493,715	-	11,493,715
Administrative and Financial	9,898,230	-	9,898,230
Operation and Maintenance	13,709,406	-	13,709,406
Pupil Transportation	6,514,498	-	6,514,498
Community Services	316,826	-	316,826
Student Activities	1,881,905	-	1,881,905
Interest	4,276,281	-	4,276,281
Food Service	-	3,177,239	3,177,239
Other Services	-	4,832	4,832
Total Expenses	<u>146,910,116</u>	<u>3,182,071</u>	<u>150,092,187</u>
Change in Net Position	<u>\$ 10,942,513</u>	<u>\$ 85,719</u>	<u>\$ 11,028,232</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**

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**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2020**  
**(Government-wide)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Program Revenues</b>			
Charges for Services	\$ 772,024	\$ 1,152,805	\$ 1,924,829
Operating Grants and Contributions	29,199,491	3,903,045	33,102,536
Capital Grants and Contributions	1,909,155	5,000	1,914,155
<b>General Revenues</b>			
Taxes	92,520,568	-	92,520,568
Grants, Subsidies and Contributions	23,940,394	-	23,940,394
Investment Earnings	741,193	30,941	772,134
Other	<u>505,781</u>	<u>14,732</u>	<u>520,513</u>
Total Revenues	<u>149,588,606</u>	<u>5,106,523</u>	<u>154,695,129</u>
<b>Program Expenses</b>			
Instruction	94,398,799	-	94,398,799
Support Services			
Instructional Student Support	12,051,006	-	12,051,006
Administrative and Financial	13,696,179	-	13,696,179
Operation and Maintenance	9,855,529	-	9,855,529
Pupil Transportation	6,942,483	-	6,942,483
Community Services	262,652	-	262,652
Student Activities	1,887,905	-	1,887,905
Interest	4,242,974	-	4,242,974
Food Service	-	5,256,310	5,256,310
Other Services	-	35,275	35,275
Total Expenses	<u>143,337,527</u>	<u>5,291,585</u>	<u>148,629,112</u>
Change in Net Position	<u>\$ 6,251,079</u>	<u>\$ (185,062)</u>	<u>\$ 6,066,017</u>

## CHAMBERSBURG AREA SCHOOL DISTRICT Management Discussion and Analysis - Unaudited

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**Balance Sheet/Fund Balances** – Total fund balance of Governmental funds equaled \$ 35,707,736 as of June 30, 2021. These balances consist of:

- ◆ Capital Reserve Fund - \$ 2,456,790 – During the 2020-2021 school year, the General Fund transferred \$ 1,500,000 to fund the Capital Reserve which will be used for small capital projects in the future.
- ◆ General Fund - Total fund balance equals \$ 31,606,110 with all funds either Non-spendable, Restricted, Committed or Assigned.
- ◆ Capital Projects Fund – Total fund balance equals \$ 1,555,460.
- ◆ Other Governmental Funds (Special Revenue Fund) – Total balance \$ 89,376.

As of June 30, 2021, other funds existing:

- ◆ Enterprise Fund (Food Service) total net position of \$ (3,435,736), which is negative due to the continued requirement to report employee pension liability, \$ 3,778,582 for the year ending.
- ◆ Enterprise Fund (CASHS School Store) total net position of \$ 24,852.
- ◆ Internal Service Fund (Medical Insurance Fund) total net position decreased to \$ 1,500,320.
- ◆ Custodial Fund (Student Activities) total net position \$ 287,863.
- ◆ Private Purpose Trust (Scholarship Fund) total net position of \$ 29,061.

### **Budgetary Variances**

- ◆ Total General Fund Operating Revenues exceed budget by \$ 13,754,017 or approximately 9.5%.
  - Budgetary estimates contributing to the revenue variances include:
    - Taxes (Local Sources) were higher than budgeted by \$ 7,826,676
      - Local taxes exceeded budgetary projections, primarily Earned Income Tax, due to the unanticipated stable employment through COVID.
    - State Sources were higher than budgeted \$ 1,502,151.
    - Federal Revenues are considerably higher than budget by \$ 3,565,647.
      - For the last several years, CASD has received Federal allocations after the deadline to present its General Fund Budget, requiring a low-end revenue estimate to avoid over-obligating funds. In addition, the School District received Federal Pandemic funds that were not anticipated in the original budget.
- ◆ Total General Fund Operating Expenditures were under budget by \$ 2,188,588.
  - Budgetary estimates differed significantly in the following areas:
    - Instructional expense was under budget by \$ 4,038,243 or 4.4%. This was largely due to vacant positions.
    - Support services expense was over budget by \$ (1,212,354) or 3%. Notable support service expenditures that were over budget: Buildings and Grounds. This was due to Federal Pandemic expenditures that were not included in the original budget.

During the 2020-2021 school year, the School District completed several capital improvement projects.

## **CHAMBERSBURG AREA SCHOOL DISTRICT Management Discussion and Analysis - Unaudited**

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### ***Primary Capital Improvement Projects***

**Building Projects:** The CAMS South window project and a roof project were completed in 2020-2021. In addition, HVAC controls projects for Hamilton Heights Elementary and CASHS were completed as well as a generator project at the District Administration Office and the CAMS North roof project.

### ***Debt Administration***

As of June 30, 2021, the Chambersburg Area School District had total outstanding debt of \$ 138,555,918. In April 2021, the School District issued Series 2021 general obligation notes which completed a refunding of general obligations bonds for Series 2012 and 2016. In June 2021, the School District issued Series 2021 general obligation bonds which completed a refunding of general obligation bonds for Series 2016A.

### ***CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS***

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There are several current conditions that may potentially impact the future finances of the Chambersburg Area School District.

As with all Pennsylvania school districts, the Chambersburg Area School District will see continuing significant increases to the Employer Contribution Rate for the Pennsylvania State Employee Retirement System (PSERS). Future contribution rates are projected at 34.95%, 35.62%, 36.12%, 36.60% and 37.23% in subsequent fiscal years unless the Commonwealth of Pennsylvania approves legislation altering the current retirement system and the projected contribution rates.

The School District continues to experience assessment appeals resulting in reduced tax revenue. Currently, the School District has several taxpayers under appeal: Washco, Chambersburg MZL (Norland Avenue Shopping Plaza), Shree Sai (Hampton Inn), and Zane Hotel (Springhill Suites). The appeals are contributing to slower growth of the assessment base; 1.07% compounded average annual percentage change from 2014-2015 to 2019-2020.

Ending the 2020-2021 school year with 8,989 students enrolled in our buildings and 1,117 in outside placements, cyber and home school, the School District anticipates a flat enrollment growth over the next several years.

The School District commissioned the Penn Economy League to forecast enrollment through 2031. The report is anticipated during the 2022-2023 school year.

### ***CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT***

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Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Tamera Stouffer, Chief Financial and Operations Officer at the Chambersburg Area School District, 435 Stanley Avenue, Chambersburg, PA 17201 at (717) 709-4027.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 39,134,851	\$ 1,229,726	\$ 40,364,577
Investments	3,000,000	-	3,000,000
Internal balances	428,058	(428,058)	-
Receivables			
Taxes, net	8,355,606	-	8,355,606
Intergovernmental	6,471,602	545,436	7,017,038
Other	162,205	45,046	207,251
Prepaid items	134,411	758	135,169
Inventories	129,657	331,869	461,526
Total current assets	<u>57,816,390</u>	<u>1,724,777</u>	<u>59,541,167</u>
<b>Noncurrent Assets</b>			
Prepaid bond insurance	19,301	-	19,301
Capital assets not being depreciated			
Land	6,872,414	-	6,872,414
Construction in progress	58,339	-	58,339
Capital assets net of accumulated depreciation			
Site improvements, net	2,050,505	-	2,050,505
Buildings, net	162,494,685	-	162,494,685
Equipment, furniture and fixtures, net	3,810,795	308,171	4,118,966
Total noncurrent assets	<u>175,306,039</u>	<u>308,171</u>	<u>175,614,210</u>
Total assets	<u>233,122,429</u>	<u>2,032,948</u>	<u>235,155,377</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to net pension liability	31,802,403	591,986	32,394,389
Deferred outflows related to OPEB liability	1,990,298	55,422	2,045,720
Deferred charge on bond refunding	3,254,180	-	3,254,180
Total deferred outflows of resources	<u>37,046,881</u>	<u>647,408</u>	<u>37,694,289</u>
Total assets and deferred outflow of resources	<u>\$ 270,169,310</u>	<u>\$ 2,680,356</u>	<u>\$ 272,849,666</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable/accrued medical claims	\$ 3,201,518	\$ 250,177	\$ 3,451,695
Accrued salaries and benefits/withholdings	14,611,439	2,723	14,614,162
Accrued interest	1,433,680	-	1,433,680
Unearned revenue	374,166	-	374,166
Portion due or payable within one year:			
General obligation bonds and notes payable	6,475,826	-	6,475,826
Capital leases	563,302	-	563,302
Compensated absences	89,099	16,562	105,661
Total current liabilities	<u>26,749,030</u>	<u>269,462</u>	<u>27,018,492</u>
<b>Noncurrent liabilities</b>			
Portion due or payable after one year:			
General obligation bonds and notes payable	132,080,092	-	132,080,092
Capital leases	880,869	-	880,869
Net pension liability	194,359,218	3,778,582	198,137,800
OPEB liability	13,093,338	252,467	13,345,805
Compensated absences	1,861,956	62,060	1,924,016
Total noncurrent liabilities	<u>342,275,473</u>	<u>4,093,109</u>	<u>346,368,582</u>
Total liabilities	<u>369,024,503</u>	<u>4,362,571</u>	<u>373,387,074</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to net pension liability	8,879,374	1,524,981	10,404,355
Deferred inflows related to OPEB liability	1,317,607	140,265	1,457,872
Total deferred inflows of resources	<u>10,196,981</u>	<u>1,665,246</u>	<u>11,862,227</u>
<b>NET POSITION</b>			
Net investment in capital assets	40,093,500	308,171	40,401,671
Restricted	4,888,339	-	4,888,339
Unrestricted	(154,034,013)	(3,655,632)	(157,689,645)
Total net position	<u>(109,052,174)</u>	<u>(3,347,461)</u>	<u>(112,399,635)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 270,169,310</u>	<u>\$ 2,680,356</u>	<u>\$ 272,849,666</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 98,819,255	\$ 2,779,211	\$ 21,926,671	\$ -	\$ (74,113,373)	\$ -	\$ (74,113,373)
Instructional student support	11,493,715	-	1,784,600	-	(9,709,115)	-	(9,709,115)
Administrative and financial support services	9,898,230	-	1,375,128	-	(8,523,102)	-	(8,523,102)
Operation and maintenance of plant services	13,709,406	219,200	1,572,527	-	(11,917,679)	-	(11,917,679)
Pupil transportation	6,514,498	-	3,696,378	-	(2,818,120)	-	(2,818,120)
Student activities	1,881,905	911	158,582	-	(1,722,412)	-	(1,722,412)
Community services	316,826	-	161,510	-	(155,316)	-	(155,316)
Interest related to long-term debt	4,276,281	-	-	941,393	(3,334,888)	-	(3,334,888)
Total governmental activities	<u>146,910,116</u>	<u>2,999,322</u>	<u>30,675,396</u>	<u>941,393</u>	<u>(112,294,005)</u>	<u>-</u>	<u>(112,294,005)</u>
Business-type activities:							
Food services	3,177,239	112,622	3,152,481	-	-	87,864	87,864
Other services	<u>4,832</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,457)</u>	<u>(4,457)</u>
Total primary government	<u>\$ 150,092,187</u>	<u>\$ 3,112,319</u>	<u>\$ 33,827,877</u>	<u>\$ 941,393</u>	<u>(112,294,005)</u>	<u>83,407</u>	<u>(112,210,598)</u>
<b>General revenues and transfers:</b>							
Property taxes levied for general purposes, public utility realty tax, earned income tax					98,585,180	-	98,585,180
Grants, subsidies and contributions not restricted					23,929,340	-	23,929,340
Investment earnings					91,554	2,312	93,866
Gain (loss) on sale of capital assets					139,867	-	139,867
Miscellaneous income					490,577	-	490,577
Total general revenues and transfers					<u>123,236,518</u>	<u>2,312</u>	<u>123,238,830</u>
Change in net position					10,942,513	85,719	11,028,232
Net position - beginning, as restated					<u>(119,994,687)</u>	<u>(3,433,180)</u>	<u>(123,427,867)</u>
Net position - ending					<u>\$ (109,052,174)</u>	<u>\$ (3,347,461)</u>	<u>\$ (112,399,635)</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 31,742,519	\$ 1,771,067	\$ 2,456,790	\$ 98,856	\$ 36,069,232
Investments	3,000,000	-	-	-	3,000,000
Taxes receivable, net	8,355,606	-	-	-	8,355,606
Due from other funds	428,058	-	-	-	428,058
Receivable from other governments	6,471,602	-	-	-	6,471,602
Other receivables	130,115	-	-	520	130,635
Prepaid expenditures	134,411	-	-	-	134,411
Inventories	129,657	-	-	-	129,657
Total assets	<u>\$ 50,391,968</u>	<u>\$ 1,771,067</u>	<u>\$ 2,456,790</u>	<u>\$ 99,376</u>	<u>\$ 54,719,201</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,325,618	\$ 215,607	\$ -	\$ -	\$ 1,541,225
Unearned revenue	364,166	-	-	10,000	374,166
Accrued salaries and benefits/withholdings	14,611,439	-	-	-	14,611,439
Total liabilities	<u>16,301,223</u>	<u>215,607</u>	<u>-</u>	<u>10,000</u>	<u>16,526,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable tax revenue	2,484,635	-	-	-	2,484,635
Total deferred inflows of resources	<u>2,484,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,484,635</u>
<b>FUND BALANCES</b>					
Nonspendable	264,068	-	-	-	264,068
Restricted	2,428,760	1,555,460	2,456,790	-	6,441,010
Committed	3,915,177	-	-	89,376	4,004,553
Assigned	24,998,105	-	-	-	24,998,105
Unassigned	-	-	-	-	-
Total fund balances	<u>31,606,110</u>	<u>1,555,460</u>	<u>2,456,790</u>	<u>89,376</u>	<u>35,707,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,391,968</u>	<u>\$ 1,771,067</u>	<u>\$ 2,456,790</u>	<u>\$ 99,376</u>	<u>\$ 54,719,201</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2021**

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**Total fund balances - governmental funds** \$ 35,707,736

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	260,098,076	
Accumulated depreciation	<u>(84,811,338)</u>	
		175,286,738

An internal service fund is used by management to pay for medical insurance costs. The portion of net position of the internal service fund related to the governmental funds are included in the governmental activities in the Statement of Net Position.

1,436,896

Certain receivables are not available to pay current period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements, but are recognized as revenue in the Statement of Activities.

2,484,635

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

19,301

Long-term liabilities are not due and payable in the current period and are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(138,555,918)
Deferred charge on bond refunding	3,254,180
Capital lease payable	(1,444,171)
Accrued interest on bonds	(1,433,680)
Compensated absences	(1,951,055)
OPEB liability	(13,093,338)
Deferred outflows related to OPEB liability	1,990,298
Deferred inflows related to OPEB liability	(1,317,607)
Net pension liability	(194,359,218)
Deferred outflows related to net pension liability	31,802,403
Deferred inflows related to net pension liability	<u>(8,879,374)</u>

(323,987,480)

**Net position of governmental activities in the Statement of Net Position**

**\$ (109,052,174)**



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended June 30, 2021**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local revenues					
Taxes	\$ 98,735,916	\$ -	\$ -	\$ -	\$ 98,735,916
Investment earnings	77,512	2,789	1,329	135	81,765
Revenue from intermediate sources	1,785,622	-	-	-	1,785,622
Other	1,379,260	-	-	25,495	1,404,755
State sources	48,701,860	-	-	-	48,701,860
Federal sources	7,143,791	-	-	-	7,143,791
Total revenues	<u>157,823,961</u>	<u>2,789</u>	<u>1,329</u>	<u>25,630</u>	<u>157,853,709</u>
<b>EXPENDITURES</b>					
Instruction	90,373,443	-	-	-	90,373,443
Support services	42,295,093	-	-	19	42,295,112
Operation of noninstructional services	2,123,506	-	-	-	2,123,506
Facilities acquisition, construction and improvements	-	3,892,293	-	-	3,892,293
Debt service					
Principal	6,579,511	-	-	-	6,579,511
Interest	4,722,184	-	-	-	4,722,184
Total expenditures	<u>146,093,737</u>	<u>3,892,293</u>	<u>-</u>	<u>19</u>	<u>149,986,049</u>
Excess (deficiency) of revenues over expenditures	<u>11,730,224</u>	<u>(3,889,504)</u>	<u>1,329</u>	<u>25,611</u>	<u>7,867,660</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term financing	18,923,000	-	-	-	18,923,000
Payment to refund bonds	(18,912,078)	-	-	-	(18,912,078)
Proceeds from capital lease	1,681,816	-	-	-	1,681,816
Bond premium	196,629	-	-	-	196,629
Proceeds from sale of capital assets	7,240	-	-	-	7,240
Transfers in(out)	(1,500,000)	-	1,500,000	-	-
Total other financing sources and uses	<u>396,607</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,896,607</u>
Net change in fund balances	<u>12,126,831</u>	<u>(3,889,504)</u>	<u>1,501,329</u>	<u>25,611</u>	<u>9,764,267</u>
Fund balances - beginning	<u>19,479,279</u>	<u>5,444,964</u>	<u>955,461</u>	<u>63,765</u>	<u>25,943,469</u>
Fund balances - ending	<u>\$ 31,606,110</u>	<u>\$ 1,555,460</u>	<u>\$ 2,456,790</u>	<u>\$ 89,376</u>	<u>\$ 35,707,736</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2021**

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**Net change in fund balances - total governmental funds** \$ 9,764,267

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$ 6,260,880) differed from depreciation expense (\$ 6,199,033) in the current period. 61,847

In the statement of activities, only the loss on the disposition of capital assets is reported, whereas in the governmental funds, the sale proceeds increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets disposed of. 132,627

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net loss applicable to the governmental activities is: (2,738,864)

In the statement of activities, claims and judgments were recorded as expense in the prior year. However, these expenses required the use of current financial resources and are reported as expenditures in the governmental funds. 241,067

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain taxes and subsidies will not be collected for several months after the School District's year end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount this year. (149,278)

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

Repayment of general obligation bonds and notes - principal	24,610,000
Issuance of general obligation bonds and notes	(18,923,000)
Issuance premium/discount, and interest expense, net of related amortization of bond related costs	397,844
Issuance of capital lease	(1,681,816)
Capital lease payments	729,511

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and paid of:

Accrued interest	169,306
Compensated absences	128,520
Bond issuance costs and bond loss	(165,798)
OPEB liability and related deferred outflows and inflows	(124,193)
Net pension liability and related deferred outflows and inflows	<u>(1,509,527)</u>

**Change in net position of governmental activities** \$ 10,942,513

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,077,141	\$ 17,271	\$ 1,094,412	\$ 3,200,933
Intergovernmental receivables	545,436	-	545,436	-
Other receivables	43,653	-	43,653	32,964
Prepaid expenses	758	-	758	-
Inventory	324,288	7,581	331,869	-
Total current assets	<u>1,991,276</u>	<u>24,852</u>	<u>2,016,128</u>	<u>3,233,897</u>
<b>Noncurrent Assets</b>				
Furniture and equipment	2,568,156	-	2,568,156	-
Accumulated depreciation	(2,259,985)	-	(2,259,985)	-
Total noncurrent assets	<u>308,171</u>	<u>-</u>	<u>308,171</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to net pension liability	591,986	-	591,986	-
Deferred outflows related to OPEB liability	55,422	-	55,422	-
Total deferred outflows of resources	<u>647,408</u>	<u>-</u>	<u>647,408</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,946,855</u>	<u>\$ 24,852</u>	<u>\$ 2,971,707</u>	<u>\$ 3,233,897</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable/accrued medical claims	\$ 176,893	\$ -	\$ 176,893	\$ 1,733,577
Accrued wages payable	2,723	-	2,723	-
Due to other funds	428,058	-	428,058	-
Compensated absences	16,562	-	16,562	-
Total current liabilities	<u>624,236</u>	<u>-</u>	<u>624,236</u>	<u>1,733,577</u>
<b>Noncurrent Liabilities</b>				
Compensated absences	62,060	-	62,060	-
OPEB liability	252,467	-	252,467	-
Net pension liability	3,778,582	-	3,778,582	-
Total noncurrent liabilities	<u>4,093,109</u>	<u>-</u>	<u>4,093,109</u>	<u>-</u>
Total liabilities	<u>4,717,345</u>	<u>-</u>	<u>4,717,345</u>	<u>1,733,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net pension liability	1,524,981	-	1,524,981	-
Deferred inflows related to OPEB liability	140,265	-	140,265	-
Total deferred inflows of resources	<u>1,665,246</u>	<u>-</u>	<u>1,665,246</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	308,171	-	308,171	-
Unrestricted	(3,743,907)	24,852	(3,719,055)	1,500,320
Total net position	<u>(3,435,736)</u>	<u>24,852</u>	<u>(3,410,884)</u>	<u>1,500,320</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,946,855</u>	<u>\$ 24,852</u>	<u>\$ 2,971,707</u>	<u>\$ 3,233,897</u>
Net position above			\$ (3,410,884)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the medical insurance (internal service) fund are included with business-type activities.				63,423
Net position of business-type activities			\$ (3,347,461)	

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds**  
**Year Ended June 30, 2021**

	ENTERPRISE			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
<b>OPERATING REVENUES</b>				
Charges for services/insurance premiums	\$ 112,622	\$ 375	\$ 112,997	\$ 14,197,860
<b>OPERATING EXPENSES</b>				
Food and milk purchases	1,095,362	-	1,095,362	-
Salaries	1,141,081	-	1,141,081	-
Employee benefits	622,740	-	622,740	-
Supplies and other	142,668	4,832	147,500	-
Depreciation	46,260	-	46,260	-
Repairs and maintenance	19,892	-	19,892	-
Insurance claims	-	-	-	16,082,411
Administrative fees and stop loss premiums	-	-	-	973,337
Total operating expenses	<u>3,068,003</u>	<u>4,832</u>	<u>3,072,835</u>	<u>17,055,748</u>
Operating income (loss)	<u>(2,955,381)</u>	<u>(4,457)</u>	<u>(2,959,838)</u>	<u>(2,857,888)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal subsidies	2,918,630	-	2,918,630	-
State subsidies	233,851	-	233,851	-
Interest income	1,845	35	1,880	10,221
Gain on sale of capital assets	-	-	-	-
Total nonoperating revenue (expenses)	<u>3,154,326</u>	<u>35</u>	<u>3,154,361</u>	<u>10,221</u>
Income (loss) before capital grants	<u>198,945</u>	<u>(4,422)</u>	<u>194,523</u>	<u>(2,847,667)</u>
Capital grant - federal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>198,945</u>	<u>(4,422)</u>	<u>194,523</u>	<u>(2,847,667)</u>
Total net position - beginning	<u>(3,634,681)</u>	<u>29,274</u>	<u>(3,605,407)</u>	<u>4,347,987</u>
Total net position - ending	<u>\$ (3,435,736)</u>	<u>\$ 24,852</u>	<u>\$ (3,410,884)</u>	<u>\$ 1,500,320</u>
Change in net position above			\$ 194,523	
Some amounts reported for business-type activities in the statement of net position are different because a portion of the net change of the medical insurance (internal service) fund is reported with business-type activities.			<u>(108,804)</u>	
Change in net position of business-type activities			<u>\$ 85,719</u>	

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2021**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
<b>Cash flows from operating activities</b>				
Cash received from sales/insurance premiums	\$ 69,457	\$ 375	\$ 69,832	\$ 15,457,331
Cash payments to suppliers for goods/services	(579,766)	(4,871)	(584,637)	-
Cash payments to and on behalf of employees	(2,232,602)	-	(2,232,602)	(16,187,531)
Net cash provided (used) by operating activities	<u>(2,742,911)</u>	<u>(4,496)</u>	<u>(2,747,407)</u>	<u>(730,200)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of equipment	(9,046)	-	(9,046)	-
Net cash (used) by capital and related financing activities	<u>(9,046)</u>	<u>-</u>	<u>(9,046)</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>				
Federal subsidies	2,307,412	-	2,307,412	-
State subsidies	233,449	-	233,449	-
Net cash provided (used) by noncapital financing activities	<u>2,540,861</u>	<u>-</u>	<u>2,540,861</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Sale (purchase) of investments	-	-	-	1,081,261
Earnings on investments	1,845	35	1,880	10,221
Net cash provided (used) by investing activities	<u>1,845</u>	<u>35</u>	<u>1,880</u>	<u>1,091,482</u>
Net increase (decrease) in cash and cash equivalents	(209,251)	(4,461)	(213,712)	361,282
Cash and cash equivalents - beginning	1,286,392	21,732	1,308,124	2,839,651
Cash and cash equivalents - ending	<u>\$ 1,077,141</u>	<u>\$ 17,271</u>	<u>\$ 1,094,412</u>	<u>\$ 3,200,933</u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>				
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (2,955,381)	\$ (4,457)	\$ (2,959,838)	\$ (2,857,888)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	191,514	-	191,514	-
Depreciation	46,260	-	46,260	-
(Increase) decrease in:				
Inventory	4,150	(39)	4,111	-
Accounts receivable	(43,165)	-	(43,165)	1,259,471
Due from other funds	99,703	-	99,703	-
Prepaid expense	(500)	-	(500)	-
Increase (decrease) in:				
Compensated absences	(21,704)	-	(21,704)	-
Net pension liability and related items	(542,352)	-	(542,352)	-
OPEB liability and related items	(7,151)	-	(7,151)	-
Due to other funds	428,058	-	428,058	-
Accrued wages payable	2,723	-	2,723	-
Accounts payable	54,934	-	54,934	868,217
Total adjustments	<u>212,470</u>	<u>(39)</u>	<u>212,431</u>	<u>2,127,688</u>
Net cash provided (used) by operating activities	<u>\$ (2,742,911)</u>	<u>\$ (4,496)</u>	<u>\$ (2,747,407)</u>	<u>\$ (730,200)</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

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	<b>Custodial Fund</b>	<b>Private Purpose Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 287,863	\$ 1,305
Investments	-	27,756
Total assets	<u>\$ 287,863</u>	<u>\$ 29,061</u>
<b>NET POSITION</b>		
Restricted for student activities	287,863	-
Held in trust for scholarships	-	29,061
Total net position	<u>\$ 287,863</u>	<u>\$ 29,061</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2021**

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	<b>Custodial Fund</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Fundraisers	\$ 38,569	\$ -
Sales	6,167	-
Donations	4,357	-
Dues	6,971	-
Admission fees	960	-
Advertising	945	-
Interest income	671	180
Total additions	<u>58,640</u>	<u>180</u>
<b>DEDUCTIONS</b>		
Supplies	32,424	-
Purchased property and services	9,379	-
Other operating expenditures	33,188	-
Scholarship and awards	-	275
Total deductions	<u>74,991</u>	<u>275</u>
Change in net position	(16,351)	(95)
Net position - beginning, as restated	<u>304,214</u>	<u>29,156</u>
Net position - ending	<u>\$ 287,863</u>	<u>\$ 29,061</u>

# CHAMBERSBURG AREA SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### *Nature of Operations*

Chambersburg Area School District (School District) operates a public school system which is geographically comprised of the Borough of Chambersburg and Townships of Greene, Guilford, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

The School District consists of Chambersburg Area Senior High School; Chambersburg Career Magnet School; Chambersburg Area Middle School North; Chambersburg Area Middle School South; and the Andrew Buchanan, Benjamin Chambers, Falling Spring, Fayetteville, Grandview, Guilford Hills, Hamilton Heights, Lurgan, Marion, New Franklin, Scotland, South Hamilton, and Thaddeus Stevens Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *Reporting Entity*

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Chambersburg Area School District.

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criterion, there are no organizations that are considered component units of the School District. The School District is not a component unit of any other entities.

#### *Joint Ventures*

The following joint ventures are not component units of Chambersburg Area School District and are not included in this report.

**Franklin County Career and Technology Center** - is a separate legal entity organized by six local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership and the operating agreement. Each school district has an ongoing financial responsibility to fund the Center's operations.

**Franklin Learning Center** - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership by each school district. Each school district has an ongoing financial responsibility to fund the Center's operations.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Reporting Entity (Continued)***

**Lincoln Intermediate Unit #12** - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property taxes and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 Pa. C. S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

c. Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**1. Governmental Funds (Continued)**

The School District reports the following non-major governmental funds:

a. **Special Revenue Fund**

This fund is used to account for proceeds of naming rights contracts and sponsorships used to finance the development, operation, and administration used to operate extra/co-curricular programs as required by law or administrative regulation.

**2. Proprietary Funds**

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

*Food Service Fund – Enterprise Fund – Major Fund*

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

*CASHS Enterprise Fund – Enterprise Fund - Non-Major Fund*

This fund is used to account for the operations of the coffee cart and school store.

*Medical Insurance Fund – Internal Service Fund*

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of medical insurance premiums.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The School District's only private-purpose trust fund consists of bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Custodial funds are used to account for fiduciary activities not required to be reported in private purpose trust funds. With the adoption of a new accounting standard described in Note 17, Student Activities that were previously presented as Agency Funds were evaluated. Based on the evaluation of the School District's Student Activities Funds under GASB 84, they are now presented as Custodial Funds.

# CHAMBERSBURG AREA SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***Basis of Presentation***

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

The government-wide statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported 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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increase or decrease net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred and the related revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, including charges for meals, insurance coverage, and the costs of food, salaries and benefits, depreciation, insurance premiums, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

***Inventory***

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<b>Governmental Activities Estimated Lives</b>	<b>Business-Type Activities Estimated Lives</b>
Site improvements	20 years	N/A
Buildings	50 years	N/A
Equipment, furniture, and fixtures	5 - 20 years	5 - 20 years

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The pension and OPEB amounts deferred will be amortized as described in Note 11 and Note 14, respectively.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consist of various amounts related to pension liabilities on the statement of net position, various amounts related to OPEB liabilities on the statement of net position, and unavailable tax revenue on the balance sheet – governmental funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Interfund Activity/Internal Balances***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

***Budgets and Budgetary Accounting***

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Directors, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Project Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with an original maturity of three months or less. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

The School District invests in funds with the Pennsylvania Local Government Investments Trust (PLGIT). PLGIT operates and is authorized under the Intergovernmental Cooperation Act of 1972. Investments in these funds have daily liquidity and are valued at cost which equals market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Insurance Corporation, or which are collateralized as provided by law of Act 72 of 1971.

***Statement of Cash Flows***

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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 and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Retirement Plans***

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB Standards, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Compensated Absences***

Liability for compensated absences is accounted for in accordance with the standards of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provisions of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

***Other Postemployment Benefits Other Than Pensions***

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid by the retirees. Therefore, the School District is providing an implicit rate subsidy to its retirees. In addition, the current superintendent, associate superintendent, and Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are financed on a pay-as-you-go basis.



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Other Postemployment Benefits Other Than Pensions (Continued)***

*PSERS*

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

***Net Position – Government-wide Financial Statements/Proprietary Funds***

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets:** This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

**Restricted:** This component consists of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2021, restricted net position in governmental activities consists of the following:

Restricted for special education settlements	\$ 286,730
Restricted for unspent donations and grants	2,142,030
Restricted for future capital projects	<u>2,459,579</u>
	<u>\$ 4,888,339</u>

**Unrestricted:** This component consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

# CHAMBERSBURG AREA SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***Fund Balance – Governmental Fund Financial Statements***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board has authorized the business manager or finance committee to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

**Unassigned:** This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

# CHAMBERSBURG AREA SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***Minimum Fund Balance Policy***

The School District strives to maintain an unassigned general fund balance of not less than four percent (4%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of portions including committed, assigned, and unassigned, may exceed eight percent (8%) of budgeted expenditures.

If the unassigned portion of the fund balance falls below the threshold of four percent (4%), the Board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until four percent (4%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

#### ***Policy Regarding Order of Spending***

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the business manager in the case of assigned fund balance.

#### ***Risks and Uncertainties***

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. The financial impact and duration cannot be reasonably estimated at this time.

### NOTE 2 CASH AND INVESTMENTS

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Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or Unites States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2021, the School District has a bank balance of \$ 10,214,205. Of this balance, \$ 282,067 is covered by FDIC insurance and the remaining balance of \$ 9,932,138 is uninsured and collateralized by collateral held by the pledging bank's trust department, but not in the School District's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

***Investments***

As of June 30, 2021, the School District had the following investments:

	Fair Value	Investment Maturities (in Years)			S&P Global Ratings
		Less than One Year	One to Five Years	More than Five Years	
External investment pool	\$ 34,635,975	\$ 34,635,975	\$ -	\$ -	AAAm

The investments in the external investment pool are considered cash equivalents for financial reporting purposes, while the negotiable certificates of deposit are considered investments for financial reporting purposes.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Interest Rate Risk - Investments***

The School District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District's investments that are subject to interest rate risk are included in the table previously listed.

Investments in Pennsylvania Local Government Investment Trust (PLGIT) are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

***Credit Risk - Investments***

Included in cash and cash equivalents in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) - Class, PLGIT - Prime, and PLGIT - Term. These funds operate similarly to mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PLGIT deposits were invested by PLGIT directly in portfolios of securities which are held by a third-party custodian. The School District's investments that have a credit quality rating are included in the table above.

***Policies Followed at PLGIT***

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District's investments in PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PLGIT.

***Investments - Fair Value Measurements***

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

***Brokered Certificates of Deposit***

The fair value of brokered certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. These are considered to be Level 2 inputs.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 3 TAXES**

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The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Borough of Chambersburg and the Townships of Guilford, Greene, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - December 31

After December 31, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

**NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS**

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Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2021:

Earned income	\$ 5,313,287
Real estate	2,217,307
Local service	<u>825,012</u>
	<u>8,355,606</u>
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(5,870,971)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 2,484,635</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS**  
**(CONTINUED)**

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***Tax Abatements***

**Keystone Opportunity Zone Program**

The Keystone Opportunity Zone (KOZ) program allows eligible businesses to reduce their total tax liability through credits, waivers and broad-based tax abatements. Total real estate taxes are abated through simple reduction of their tax liability to zero with no changes to assessed values.

To be included in the KOZ program, property owners can apply through the online application process on the Pennsylvania Department of Community and Economic Development's website. The program develops a community's abandoned, unused, underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community revitalization. Qualified businesses must (1) be located or partially located within a KOZ, (2) engaged in the active conduct of a trade or business, and (3) own or lease property in a zone from which the business actively conducts a trade, profession, or business in order to be eligible for this tax abatement program. All KOZ applicants must file an annual application to continue to be eligible for this tax abatement program. Any business which relocates outside of the zone within the first five years of locating in a zone may be required to refund all tax benefits received.

For the fiscal year ended June 30, 2021, total School District property taxes of \$ 124,354 were abated under this program.

**Local Economic Revitalization Tax Assistance Act**

The Chambersburg Area School District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business' property tax bill, based on assessed value, for the purpose of attracting or retaining businesses within their jurisdiction.

For the fiscal year ended June 30, 2021 total School District property taxes of \$ 46,598 were abated under this program.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

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Interfund receivables/payables consist of the following at June 30, 2021:

<b>Funds</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 428,058	\$ -
Food Service	-	428,058
	\$ 428,058	\$ 428,058

The Food Service owed the General Fund for various expenses paid by the General Fund on behalf of the Food Service Fund.

Interfund transfers were as follows for the year ending June 30, 2021:

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ -	\$ 1,500,000
Capital Reserve	1,500,000	-
	\$ 1,500,000	\$ 1,500,000

The Board approved a transfer from the General Fund to the Capital Reserve Fund from the sale of the Stevens Annex building and bond refunding.

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

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Intergovernmental receivables financial statements consist of the following as of June 30, 2021:

Local:	Non-resident tuition	\$ 145,913
	Lincoln Intermediate Unit #12	228,750
	Charter school tuition reimbursement	104,798
State:	Social Security	804,898
	Retirement	3,835,210
	Migratory Children	1,333
Federal:	Grants	1,350,700
	Total intergovernmental receivables	\$ 6,471,602



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2021:

	Beginning Balance, as restated	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Cost:				
Assets not being depreciated:				
Land	\$ 6,872,414	\$ -	\$ -	\$ 6,872,414
Construction in process	2,356,301	4,125,371	(6,423,333)	58,339
Assets being depreciated:				
Site improvements	7,460,112	14,181	(52,325)	7,421,968
Buildings	221,957,130	6,273,320	(217,072)	228,013,378
Equipment, furniture, and fixtures	15,978,483	2,271,341	(517,256)	17,732,568
Total cost	<u>254,624,440</u>	<u>12,684,213</u>	<u>(7,209,986)</u>	<u>260,098,667</u>
Less accumulated depreciation:				
Site improvements	(5,242,438)	(171,429)	42,405	(5,371,462)
Buildings	(60,941,189)	(4,947,554)	370,049	(65,518,694)
Equipment, furniture, and fixtures	(13,348,548)	(1,080,051)	506,826	(13,921,773)
Total accumulated depreciation	<u>(79,532,175)</u>	<u>(6,199,034)</u>	<u>919,280</u>	<u>(84,811,929)</u>
Capital assets, net	<u>\$ 175,092,265</u>	<u>\$ 6,485,179</u>	<u>\$ (6,290,706)</u>	<u>\$ 175,286,738</u>
<b>Business-Type Activities</b>				
Cost:				
Equipment, furniture and fixtures	\$ 2,559,110	\$ 9,046	\$ -	\$ 2,568,156
Less accumulated depreciation	(2,213,725)	(46,260)	-	(2,259,985)
Capital assets, net	<u>\$ 345,385</u>	<u>\$ (37,214)</u>	<u>\$ -</u>	<u>\$ 308,171</u>

Depreciation expense for the year ended June 30, 2021 was charged to governmental functions as follows:

Instruction	\$ 5,388,726
Instructional student support	155,033
Administrative and financial support services	313,472
Operation and maintenance of plant services	250,245
Pupil transportation	91,558
	<u>\$ 6,199,034</u>

The construction in progress consists of the following:

Chambersburg Area Middle School North Windows	\$ 37,125
Various projects	21,214
Total	<u>\$ 58,339</u>

As of June 30, 2021, the School District had the following construction commitments:

	Total Contracts	Total Costs Incurred	Total Costs To Be Incurred
Chambersburg Area Middle School North Windows	<u>\$ 41,250</u>	<u>\$ 37,125</u>	<u>\$ 4,125</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS**

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2021:

	<b>General Fund</b>
Accrued salaries	\$ 6,637,648
Retirement	7,130,590
Social security	467,952
Other withholdings	375,249
	<u>\$ 14,611,439</u>

**NOTE 9 LONG-TERM LIABILITIES**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
<b>Governmental Activities:</b>						
Bonds:						
(A) Series of 2012	\$ 5,230,000	\$ -	\$ (5,230,000)	\$ -	\$ -	\$ -
(B) Series of 2013	320,000	-	(5,000)	315,000	5,000	310,000
(C) Series of 2014	1,270,000	-	(1,270,000)	-	-	-
(D) Series of 2014 AA	325,000	-	(5,000)	320,000	5,000	315,000
(E) Series of 2015 A	31,740,000	-	(2,055,000)	29,685,000	2,130,000	27,555,000
(F) Series of 2015 AA	10,850,000	-	-	10,850,000	-	10,850,000
(G) Series of 2016	5,505,000	-	(5,505,000)	-	-	-
(H) Series of 2016 A	9,735,000	-	(9,735,000)	-	-	-
(I) Series of 2017	8,650,000	-	(530,000)	8,120,000	545,000	7,575,000
(J) Series of 2018	22,340,000	-	(5,000)	22,335,000	5,000	22,330,000
(K) Series of 2019	16,170,000	-	(5,000)	16,165,000	5,000	16,160,000
(L) Series of 2019 A	9,995,000	-	(5,000)	9,990,000	5,000	9,985,000
(M) Series of 2020	9,995,000	-	(5,000)	9,990,000	5,000	9,985,000
(N) Series of 2020 A	7,210,000	-	(255,000)	6,955,000	245,000	6,710,000
(O) Series of 2021	-	9,815,000	-	9,815,000	40,000	9,775,000
Direct borrowing:						
(P) Series of 2021 Unamortized bond premium/(discount)	-	9,108,000	-	9,108,000	3,020,000	6,088,000
	5,305,762	122,056	(519,900)	4,907,918	465,826	4,442,092
Subtotal - bonds	<u>144,640,762</u>	<u>19,045,056</u>	<u>(25,129,900)</u>	<u>138,555,918</u>	<u>6,475,826</u>	<u>132,080,092</u>
Compensated absences:						
Vacation leave	374,811	661,848	(677,524)	359,135	16,401	342,734
Personal leave	174,000	137,640	(128,410)	183,230	8,368	174,862
Sick leave	1,530,764	649,511	(771,585)	1,408,690	64,330	1,344,360
Subtotal - compensated absences	<u>2,079,575</u>	<u>1,448,999</u>	<u>(1,577,519)</u>	<u>1,951,055</u>	<u>89,099</u>	<u>1,861,956</u>
Capital leases	<u>491,866</u>	<u>1,681,816</u>	<u>(729,511)</u>	<u>1,444,171</u>	<u>563,302</u>	<u>880,869</u>
<b>Total long-term liabilities</b>	<b>\$ 147,212,203</b>	<b>\$ 22,175,871</b>	<b>\$ (27,436,930)</b>	<b>\$ 141,951,144</b>	<b>\$ 7,128,227</b>	<b>\$ 134,822,917</b>
<b>Business-Type Activities:</b>						
Compensated absences:						
Vacation leave	\$ 14,483	\$ 12,308	\$ (18,056)	\$ 8,735	\$ 8,735	\$ -
Sick leave	85,843	33,185	(49,141)	69,887	7,827	62,060
<b>Total long-term liabilities</b>	<b>\$ 100,326</b>	<b>\$ 45,493</b>	<b>\$ (67,197)</b>	<b>\$ 78,622</b>	<b>\$ 16,562</b>	<b>\$ 62,060</b>

**Bonds and Notes**

- (A) On December 14, 2012, the School District issued \$ 9,140,000 of general obligation bonds – Series of 2012. The proceeds were used to refund the 2005 Series General Obligation bonds. The bonds were due in varying amounts on March 1, 2014 to 2024. The bonds were currently refunded with the issuance of the Series of 2021 Note.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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***Bonds and Notes (Continued)***

- (B) On June 3, 2013, the School District issued \$ 9,925,000 of general obligation bonds – Series of 2013. The proceeds were used to refund the 2008 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2034. The bonds bear interest at rates ranging from 1.25% to 3.50%.
- (C) On January 13, 2014, the School District issued \$ 7,290,000 of general obligation bonds – Series of 2014. The proceeds were used to refund the Series of 2005 B General Obligation bonds. The bonds were due in varying amounts on March 1, 2015 to 2021. The bonds were paid in full during the current fiscal year.
- (D) On December 11, 2014, the School District issued \$ 9,995,000 of general obligation bonds – Series of 2014 AA. The proceeds were used to currently refund a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. A portion of the bonds were refunded with the issuance of the Series of 2020 Bonds. The bonds are due in varying amounts on February 1, 2016 to 2037. The bonds bear interest at rates ranging from 3.00% to 3.50%.
- (E) On May 13, 2015, the School District issued \$ 41,125,000 of general obligation bonds – Series of 2015 A. The proceeds were used to currently refund the Series of 2005 A general obligation bonds, the Series of 2007 general obligation bonds, a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2016 to 2033. The bonds bear interest at rates ranging from 2.00% to 5.00%.
- (F) On May 13, 2015, the School District issued \$ 10,850,000 of general obligation bonds – Series of 2015 AA. The proceeds were used for the acquisition, design, construction, furnishing, and equipping of a new elementary school (Marion), various capital projects for the School District’s existing facilities, and to pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2030 to 2037. The bonds bear interest at rates ranging from 3.50% to 4.00%.
- (G) On January 7, 2016, the School District issued \$ 9,620,000 of general obligation bonds – Series of 2016. The proceeds were used to currently refund the Series of 2010 AA general obligation bonds and pay the related costs of issuing the bonds. The bonds were due in varying amounts on March 1, 2016 to 2023. The bonds were currently refunded with the issuance of the Series of 2021 note.
- (H) On July 28, 2016, the School District issued \$ 9,750,000 of general obligation bonds – Series of 2016A. The proceeds were used to partially advance refund the Series of 2011 general obligation bonds and pay the related costs of issuing the bonds. The bonds were due in varying amounts on February 1, 2018 to 2037. The bonds were currently refunded with the issuance of the Series of 2021 bonds.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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***Bonds and Notes (Continued)***

- (I) On April 27, 2017, the School District issued \$ 9,935,000 of general obligation bonds – Series of 2017. The proceeds will be used for the acquisition, design and construction, furnishing and equipping of various capital projects for the School District’s existing facilities and pay the costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2017 to 2037. The bonds bear interest at rates ranging from 0.95% to 3.50%.
- (J) On October 25, 2018, the School District issued \$ 22,345,000 of general obligation bonds, Series of 2018. The proceeds were used to refund the School District’s general obligation bonds Series of 2009 and Series of 2011 and also pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2020 to 2037. The bonds bear interest rates ranging from 3.00% to 4.00%.
- (K) On July 11, 2019, the School District issued \$ 16,175,000 of general obligation bonds, Series of 2019. The proceeds were used to currently refund the School District’s general obligation bonds Series of 2013 A and 2014 A and pay the related costs of issuing the bonds. The bonds are due in varying amounts on September 1, 2019 to 2029. The bonds bear interest rates ranging from 2.00% to 4.00%.
- (L) On December 3, 2019, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2019 A. The proceeds were used to currently refund the School District’s general obligation bond Series of 2013 and pay the related costs of issuing the bonds. The bonds are due in varying amounts on January 15, 2020 to 2034. The bonds bear interest rates ranging from 2.00% to 3.00%.
- (M) On February 27, 2020, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2020. The proceeds were used to refund a portion of the School District’s general obligation bonds Series AA of 2014 and also pay the related costs of issuing the bonds. The bonds are due in varying amounts on January 15, 2021 to 2037. The bonds bear interest rates ranging from 2.00% to 3.00%.
- (N) On February 25, 2020, the School District issued \$ 7,210,000 of general obligation bonds, Series of 2020 A. The proceeds were used to for the acquisition, design, construction, furnishing and equipping of various capital projects for the School District’s existing facilities and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2021 to 2040. The bonds bear interest rates ranging from 4.00% to 5.00%.
- (O) On June 15, 2021, the School District issued \$ 9,815,000 of general obligation bonds, Series of 2021. The proceeds were used to currently refund the School District’s general obligation bond Series of 2016 A and pay the related costs of issuing the bonds. The bonds are due in varying amounts on February 1, 2022 to 2037. The bonds bear interest at 2.00%.

As a result of the partial refunding, the School District will have the following benefits:

(1) Cash flow gain	\$ 889,694
(2) Economic gain	788,381

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

***Bonds and Notes (Continued)***

(P) On April 1, 2021, the School District issued \$ 9,108,000 of general obligation note, Series of 2021. The proceeds were used to currently refund the School District's general obligation bonds Series of 2012 and 2016 and pay the related costs of issuing the note. The note is due in varying amounts on September 1, 2021 to 2023. The note bears interest at a rate of 0.695%.

As a result of the partial refunding, the School District will have the following benefits:

(1) Cash flow gain	\$ 141,284
(2) Economic gain	151,557

The School District's general obligation bonds contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly or to the paying agent for payment to the bond holders. In addition, all bonds and notes are secured by general taxing and revenue of the School District.

The annual debt requirements for future general obligation bonds and direct borrowings, as of June 30, 2021, are as follows:

	<b>Bonds</b>					
	<b>Series of 2013</b>		<b>Series of 2014 AA</b>		<b>Series of 2015 A</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 5,000	\$ 9,375	\$ 5,000	\$ 9,563	\$ 2,130,000	\$ 1,186,650
2023	5,000	9,263	5,000	9,420	2,220,000	1,080,150
2024	5,000	9,150	5,000	9,277	2,640,000	969,150
2025	5,000	9,000	5,000	9,135	5,910,000	837,150
2026	5,000	8,850	5,000	8,993	6,210,000	541,650
2027 - 2031	290,000	33,900	110,000	42,750	8,130,000	1,124,250
2032 - 2036	-	-	185,000	8,250	2,445,000	113,102
2037 - 2040	-	-	-	-	-	-
	<u>\$ 315,000</u>	<u>\$ 79,538</u>	<u>\$ 320,000</u>	<u>\$ 97,388</u>	<u>\$ 29,685,000</u>	<u>\$ 5,852,102</u>

	<b>Bonds</b>					
	<b>Series of 2015 AA</b>		<b>Series of 2017</b>		<b>Series of 2018</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ -	\$ 417,406	\$ 545,000	\$ 242,894	\$ 5,000	\$ 867,394
2023	-	417,406	560,000	226,544	5,000	867,244
2024	-	417,406	570,000	215,344	5,000	867,094
2025	-	417,406	585,000	202,519	5,000	866,944
2026	-	417,406	600,000	188,625	5,000	866,788
2027 - 2031	1,635,000	2,057,456	2,300,000	718,863	6,035,000	4,206,951
2032 - 2036	7,930,000	1,419,066	2,425,000	352,888	13,270,000	2,165,214
2037 - 2040	1,285,000	51,400	535,000	18,725	3,005,000	120,200
	<u>\$ 10,850,000</u>	<u>\$ 5,614,952</u>	<u>\$ 8,120,000</u>	<u>\$ 2,166,402</u>	<u>\$ 22,335,000</u>	<u>\$ 10,827,829</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

***Bonds and Notes (Continued)***

	<b>Bonds</b>							
	<b>Series of 2019</b>		<b>Series of 2019 A</b>		<b>Series of 2020</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2022	\$ 5,000	\$ 645,700	\$ 5,000	\$ 229,775	\$ 5,000	\$ 213,819		
2023	5,000	645,600	5,000	229,625	5,000	213,669		
2024	5,000	645,500	5,000	229,475	5,000	213,519		
2025	30,000	645,400	5,000	229,325	5,000	213,369		
2026	165,000	644,800	5,000	229,225	5,000	213,219		
2027 - 2031	15,955,000	1,492,000	3,770,000	1,099,951	25,000	1,064,695		
2032 - 2036	-	-	6,195,000	294,119	7,690,000	859,301		
2037 - 2040	-	-	-	-	2,250,000	50,625		
	<u>\$ 16,165,000</u>	<u>\$ 4,719,000</u>	<u>\$ 9,990,000</u>	<u>\$ 2,541,495</u>	<u>\$ 9,990,000</u>	<u>\$ 3,042,216</u>		
	<b>Bonds</b>				<b>Direct Borrowing</b>			
	<b>Series of 2020 A</b>		<b>Series of 2021</b>		<b>Series of 2021</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 245,000	\$ 288,700	\$ 40,000	\$ 123,233	\$ 3,020,000	\$ 47,531	\$ 6,010,000	\$ 4,282,040
2023	255,000	276,450	15,000	195,500	3,195,000	31,209	6,275,000	4,202,080
2024	270,000	263,700	20,000	195,200	2,893,000	10,053	6,423,000	4,044,868
2025	280,000	250,200	20,000	194,800	-	-	6,850,000	3,875,248
2026	295,000	236,200	20,000	194,400	-	-	7,315,000	3,550,156
2027 - 2031	1,665,000	994,200	1,090,000	950,000	-	-	41,005,000	13,785,016
2032 - 2036	2,020,000	633,600	7,075,000	588,000	-	-	49,235,000	6,433,540
2037 - 2040	1,925,000	196,200	1,535,000	30,700	-	-	10,535,000	467,850
	<u>\$ 6,955,000</u>	<u>\$ 3,139,250</u>	<u>\$ 9,815,000</u>	<u>\$ 2,471,833</u>	<u>\$ 9,108,000</u>	<u>\$ 88,793</u>	<u>\$ 133,648,000</u>	<u>\$ 40,640,798</u>

***Capital Leases***

The School District is financing the purchase of computers and tablets through capital leases with vendors. At June 30, 2021, the leased assets have a gross capitalized value of \$ 2,643,585 and accumulated amortization of \$ 1,225,749, leaving a net book value of \$ 1,417,836 that is included in capital assets. Amortization expense of \$ 699,216 is included in depreciation expense. The aggregate amount of future payments required on capital leases at June 30, 2021 is as follows:

<b>Year Ending June 30</b>	
2022	\$ 616,102
2023	484,552
2024	442,402
	<u>1,543,056</u>
Amount representing interest	(98,885)
	<u>\$ 1,444,171</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 10 GOVERNMENTAL FUNDS – FUND BALANCE**

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid expenditures	\$ 134,411	\$ -	\$ -	\$ -	\$ 134,411
Inventories	129,657	-	-	-	129,657
Total Nonspendable	<u>264,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,068</u>
Restricted for:					
Special education settlements	286,730	-	-	-	286,730
Unspent donations and grants	2,142,030	-	-	-	2,142,030
Future capital projects	-	1,555,460	2,456,790	-	4,012,250
Total Restricted	<u>2,428,760</u>	<u>1,555,460</u>	<u>2,456,790</u>	<u>-</u>	<u>6,441,010</u>
Committed for:					
Future property tax relief	3,915,177	-	-	-	3,915,177
Student athletic programs	-	-	-	89,376	89,376
Total Committed	<u>3,915,177</u>	<u>-</u>	<u>-</u>	<u>89,376</u>	<u>4,004,553</u>
Assigned for:					
Property tax assessment appeals	2,158,756	-	-	-	2,158,756
Special education contingency funds	795,000	-	-	-	795,000
Future capital reserve transfer	3,704,843	-	-	-	3,704,843
Budgetary reserve	5,000,000	-	-	-	5,000,000
Charter schools	4,228,233	-	-	-	4,228,233
Vehicle replacement	117,012	-	-	-	117,012
C&I and technology	3,500,000	-	-	-	3,500,000
Security enhancements	225,000	-	-	-	225,000
Transportation enhancements	500,000	-	-	-	500,000
Food service outstanding bad debt	100,000	-	-	-	100,000
Summer projects	401,000	-	-	-	401,000
Future bus purchase	458,500	-	-	-	458,500
Athletic facility enhancements	1,526,697	-	-	-	1,526,697
Health care transfer	1,500,000	-	-	-	1,500,000
Anticipated settlement	68,000	-	-	-	68,000
Xerox savings	215,064	-	-	-	215,064
Transportation shortfall	500,000	-	-	-	500,000
Total Assigned	<u>24,998,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,998,105</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 31,606,110</u>	<u>\$ 1,555,460</u>	<u>\$ 2,456,790</u>	<u>\$ 89,376</u>	<u>\$ 35,707,736</u>

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

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***Plan Descriptions and Benefits Provided***

**School District Plan**

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both the retiree and spouse. The member is eligible until the employee reaches Medicare age. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage.

Retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

In addition, the current superintendent, associate superintendent, and Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are detailed as follows:

***Current Superintendent and Associate Superintendent***

If the current Superintendent or Associate Superintendent has 10 years of service with the School District, they will be eligible for medical and prescription drug coverage until they are eligible for Medicare. This benefit is fully funded by the School District.

***Act 93 Employees (Administrators)***

For members as of December 31, 2009 that have at least 15 years of service with the School District, but less than 20 years, the School District will pay for 50% of the members' insurance premiums for medical and prescription drug coverage. If a member has at least 20 years, but less than 25 years of service with the School District, the School District will pay for 75% of the member's insurance premiums for medical and prescription drug coverage. If a member has 25 years of service or more, the School District will provide full medical and prescription drug coverage. This coverage is provided until the member is eligible for Medicare. For new members as of January 1, 2010 and after, employees are eligible with 30 years of service and age 60, one year of service and age 62, or 35 years of service regardless of age. These employees may purchase coverage until Medicare age by paying the premium that is determined for COBRA.

The administrators, superintendent, and associate superintendent have the option of waiving the above benefit and in lieu of receiving postemployment benefits, receive an annual amount paid into a 403b account maintained by the employee or a health savings account. Currently, 56 employees have elected to receive this benefit in lieu of the other postemployment benefits described above.

No assets are accumulated in a trust that meets the criteria of GASB standards.



**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Plan Descriptions and Benefits Provided (Continued)***

**PSERS**

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2020, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

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

***Plan Membership***

Membership in the School District's plan consisted of the following at July 1, 2020, the date of the latest actuarial valuation:

Active participants	1,102
Vested former participants	0
Retired participants	<u>30</u>
Total	<u>1,132</u>

***Contributions***

**PSERS**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 524,790 for the year ended June 30, 2021.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

**School District Plan**

The School District's total OPEB liability was measured as of July 1, 2020, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2020 to July 1, 2021 based on an actuarial valuation as of July 1, 2020, which was based on census information as of February 2021. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2021, the School District reported a total OPEB liability of \$ 4,653,321.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$ 373,036.

**PSERS**

At June 30, 2021, the School District reported a liability of \$ 8,692,484 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was 0.4023 percent, which was an decrease of 0.0078 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$ 395,970

The table below summarizes the combined OPEB liability and OPEB expense:

	<b>Total OPEB/ Net OPEB Liability</b>	<b>OPEB Expense</b>
School District Plan	\$ 4,653,321	\$ 373,036
PSERS	8,692,484	395,970
Total	<u>\$ 13,345,805</u>	<u>\$ 769,006</u>

***Changes in the Total OPEB Liability***

**School District Plan**

	<b>Total OPEB Liability</b>
<b>Beginning Balance</b>	\$ 3,985,598
<b>Changes for the year:</b>	
Service cost	249,676
Interest	138,822
Difference between expected and actual experience	(87,943)
Changes in assumptions	558,546
Benefit payments	<u>(191,378)</u>
Net changes	<u>667,723</u>
<b>Ending Balance</b>	<u>\$ 4,653,321</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Changes in Total OPEB Liability (Continued)***

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 242,631	\$ 80,000	\$ -	\$ 80,000	\$ 242,631
Changes in assumptions	715,233	628,314	354,000	191,000	1,069,233	819,314
Net difference between projected and actual investment earnings	-	-	15,000	-	15,000	-
Changes in proportions - plan	-	-	120,000	298,000	120,000	298,000
Changes in proportions - governmental activities/business-type activities	-	-	97,652	97,652	97,652	97,652
Difference between employer contributions and proportionate share of total contributions	-	-	11,870	275	11,870	275
Contributions subsequent to the measurement date	176,725	-	475,240	-	651,965	-
	<u>\$ 891,958</u>	<u>\$ 870,945</u>	<u>\$ 1,153,762</u>	<u>\$ 586,927</u>	<u>\$ 2,045,720</u>	<u>\$ 1,457,872</u>

The amount of \$ 651,965 is reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2021 related to the School District and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	School District		
	Plan	PSERS	Total
2022	\$ (15,462)	\$ (18,005)	\$ (33,467)
2023	(15,462)	(21,005)	(36,467)
2024	(15,462)	(22,005)	(37,467)
2025	(15,462)	91,995	76,533
2026	(15,462)	56,849	41,387
Thereafter	(78,402)	3,766	(74,636)
Total	<u>\$ (155,712)</u>	<u>\$ 91,595</u>	<u>\$ (64,117)</u>

***Actuarial Methods and Assumptions***

**School District Plan**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**PSERS**

The total OPEB liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions (Continued)***

	<b>School District Plan</b>	<b>PSERS</b>
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	1.86% - S&P 20 year municipal bond rate as of July 1, 2020.	2.66% - S&P 20 year municipal bond rate as of June 30, 2020.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	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	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	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.
Percentage of Eligible Employees Electing Coverage in Plan	100% of employees who qualify for enhanced benefits and 60% of employees who qualify for Act 110/43 benefits are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 6,102 for males and \$ 8,813 for females; 50-54, \$ 8,082 for males and \$ 9,961 for females; 55-59, \$ 9,844 for males and \$ 10,422 for females; and 60-64, \$ 12,845 for males and \$ 11,973 for females.	N/A

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Actuarial Methods and Assumptions (Continued)***

**PSERS**

**Investment Return**

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

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

<b>OPEB – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	50.3%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	<u>3.2%</u>	(0.1%)
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 1.86% for the School District’s Plan and 2.66% for PSERS. The School District Plan is not funded, therefore, the S&P 20 year municipal bond rate as of June 30, 2020 is the applicable discount rate. Under the PSERS plan’s funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan.

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

The following presents the total and net OPEB liabilities of the School District, as well as what the School District’s liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate (Continued)***

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
School District Plan - Total OPEB liability	\$ 5,031,776	\$ 4,653,321	\$ 4,292,614

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS - School District's proportionate share of the net OPEB liability	\$ 9,911,000	\$ 8,692,484	\$ 7,684,000

***Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

**School District Plan**

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
School District Plan - Total OPEB Liability	\$ 4,040,181	\$ 4,653,321	\$ 5,395,460

**PSERS**

	1% Decrease (Between 4% to 7%)	Healthcare Cost Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 8,691,000	\$ 8,692,484	\$ 8,693,000

***OPEB Plan Fiduciary Net Position***

**PSERS**

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

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Payables to the OPEB Plan***

**School District Plan**

As of June 30, 2021, the School District had no amounts payable to the School District OPEB Plan.

**PSERS**

As of June 30, 2021, the School District had \$ 174,694 included in accrued salaries and benefits/withholdings liability, of which \$ 121,477 is for the contractually required contribution for the second quarter of 2021 and \$ 53,217 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

**NOTE 12 OPERATING LEASES**

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The School District has entered into noncancelable operating leases for printers, copiers and centralized print servers. Rent expense for 2020-2021 was \$ 402,895. The School District has the following future minimum payments on long-term leases:

2021-2022	\$ <u>317,560</u>
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**NOTE 13 AFFILIATES**

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As explained in Note 1, the School District is affiliated with Lincoln Intermediate Unit #12, Franklin County Career and Technology Center, and Franklin Learning Center. Payments to fund the operating costs (excluding debt payments below) for the year ended June 30, 2021 were as follows:

Lincoln Intermediate Unit #12	\$ 5,303,515
Franklin County Career and Technology Center	1,969,054
Franklin Learning Center	<u>639,809</u>
	<u>\$ 7,912,378</u>

During the year ended June 30, 2021, the Franklin County Career and Technology Center issued a note in the amount of \$ 11,211,000 to refinance a previous bond that was issued to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district's share of debt payments is based on the district's ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Chambersburg Area School District's share of debt payments for 2020/2021 was \$ 431,099, which are excluded from the operating costs above. Based on the latest market valuation available, Chambersburg Area School District's share is 42.44%, which represents \$ 4,757,948 of the outstanding debt of the Tech Center as of June 30, 2021.

**NOTE 14 PENSION PLAN**

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***General Information About the Pension Plan***

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A members' right to a defined benefit is vested in 10 years.

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



**NOTE 14 PENSION PLAN (CONTINUED)**

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***General Information About the Pension Plan (Continued)***

**Benefits Provided (Continued)**

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

**Contributions**

*Member Contributions*

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

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

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

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

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan, with a rate of 7.50%.

*Employer Contributions*

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.36% 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 recognized as revenue by the defined benefit pension plan from the School District were \$ 19,126,452 for the year ended June 30, 2021. In addition, the School District's contributions to the defined contribution plan were \$ 47,392 for the year ended June 30, 2021.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 14 PENSION PLAN (CONTINUED)**

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***General Information About the Pension Plan (Continued)***

**Contributions (Continued)**

*State Funding*

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2021, the School District recognized revenue of \$ 11,036,739 as reimbursement for its current year pension payments.

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

At June 30, 2021, the School District reported a liability of \$ 198,137,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was 0.4024 percent, which was a decrease of 0.0077 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense as follows:

Governmental Activities	\$ 20,493,662
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At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 518,000	\$ 4,749,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	8,707,000	-
Changes in proportions - plan	1,793,000	4,303,000
Changes in proportions - governmental activities/business-type activities	1,352,355	1,352,355
Difference between employer contributions and proportionate share of total contributions	497,547	-
Contributions subsequent to the measurement date	19,526,487	-
	<b>\$ 32,394,389</b>	<b>\$ 10,404,355</b>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 14 PENSION PLAN (CONTINUED)**

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

The \$ 19,526,487 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (2,302,545)
2023	404,014
2024	1,778,078
2025	<u>2,584,000</u>
Total	<u>\$ 2,463,547</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of 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 and seniority increases
- Mortality rates were based on 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. For disabled annuitants 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, 2020 valuation were based on the 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 expenses 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.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 14 PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public entity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100.0%</u>	

The above was the PSERS’s Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of 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 School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
School District's proportionate share of the net pension liability	<u>\$ 245,138,000</u>	<u>\$ 198,137,800</u>	<u>\$ 158,322,000</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 14 PENSION PLAN (CONTINUED)**

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

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

As of June 30, 2021, the School District had \$ 6,956,554 included in accrued salaries and benefits/withholdings liability of which \$ 4,837,362 is for the contractually required contribution for the second quarter of 2021 and \$ 2,119,193 that is related to the accrued payroll liability for wages incurred as of June 30, 2021.

**NOTE 15 CONTINGENCIES**

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The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District. At June 30, 2021, the School District is involved in multiple real estate tax assessment appeals involving the valuation or claimed exemption of properties within the School District. The School District has assigned fund balance for one specific appeal, but cannot predict the total impact at this time.

The School District typically is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 16 RISK MANAGEMENT**

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The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, and unemployment compensation. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

***Medical Insurance Fund***

As of July 1, 2011, the School District implemented its own self-funded health care plan administered by Capital Blue Cross. This plan is a "cost plus" plan in which the School District pays Capital Blue Cross for actual claims and administering the plan. The School District has an internal service fund to account for the revenues and expense of the program. Transfers are made from the general fund and food service fund to the internal service fund based on actuarially determined rates. Other sources of revenue are proceeds from stop-loss insurance coverage, COBRA payments, and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop-loss coverage for claims greater than \$ 100,000 individually.

The School District offers its employees a direct reimbursement for eye care and dental expenses. The School District has an agreement with a third-party administrator who determines the benefit amount to be paid. The maximum allowance is \$ 1,000 for each individual covered for dental coverage. Coverage for eye care is based on allowances for different services (i.e. - exam, frames, lenses, etc.). Payment for these services is once every two years for adults and once a year for dependents up to age 19. There is no carryover for unused funds and the allowances run on a calendar year.

Changes in the self-insured claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30 were as follows:

<b>Year Ended</b>	<b>Liability</b>	<b>Current Year</b>	<b>Liability</b>
<b>June 30</b>	<b>Beginning</b>	<b>Expense</b> <b>(including</b> <b>Changes in</b> <b>Estimate)</b>	<b>Ending</b>
		<b>Payments</b>	
2021	\$ 865,360	\$ 17,055,748	\$ 1,733,577
2020	1,013,969	12,514,776	865,360

The ending liability represents unpaid claims and the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2021. All expenditures for the School District's risk management are recorded in the internal service fund, general fund or food service fund.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 17 RESTATEMENT**

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During the year ended June 30, 2021, the School District adopted GASB Statement No. 84, Fiduciary Activities, which required the School District to change the presentation of the fiduciary funds in the financial statements and required the following restatement of its fund balance/net position. The restatement for capital assets is due an asset being included in capital assets that was disposed of in a prior year.

	<b>Governmental Activities</b>	<b>Student Activities Fund</b>
Net position as of June 30, 2020, as originally stated	\$ (118,570,062)	\$ -
Restatement for disposal of capital asset	(1,424,625)	-
Restatement for implementation of GASB 84	-	304,214
Net position, as restated - June 30, 2020	<u>\$ (119,994,687)</u>	<u>\$ 304,214</u>

	<b>Capital Assets - Buildings, net</b>
Originally stated as of June 30, 2020	\$ 162,594,678
Restatement for disposal of capital asset	(1,424,625)
Restated as of June 30, 2020	<u>\$ 161,170,053</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2021**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET
<b>REVENUES</b>				
Local Sources				
Taxes	\$ 90,909,240	\$ 90,909,240	\$ 98,735,916	\$ 7,826,676
Investment earnings	130,000	130,000	77,512	(52,488)
Federal revenue from intermediate sources	1,630,000	1,630,000	1,785,622	155,622
Other	622,851	622,851	1,379,260	756,409
State sources	47,199,709	47,199,709	48,701,860	1,502,151
Federal sources	<u>3,578,144</u>	<u>3,578,144</u>	<u>7,143,791</u>	<u>3,565,647</u>
Total revenues	<u>144,069,944</u>	<u>144,069,944</u>	<u>157,823,961</u>	<u>13,754,017</u>
<b>EXPENDITURES</b>				
Instruction	92,074,514	94,411,686	90,373,443	4,038,243
Support services	40,740,154	41,082,739	42,295,093	(1,212,354)
Operation of noninstructional services	2,224,385	2,185,695	2,123,506	62,189
Debt service				
Principal	6,165,000	5,880,021	6,579,511	(699,490)
Interest	<u>4,437,205</u>	<u>4,722,184</u>	<u>4,722,184</u>	<u>-</u>
Total expenditures	<u>145,641,258</u>	<u>148,282,325</u>	<u>146,093,737</u>	<u>2,188,588</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term financing	-	-	18,923,000	18,923,000
Payment to refund bonds	-	-	(18,912,078)	(18,912,078)
Proceeds from capital lease	-	-	1,681,816	1,681,816
Bond premium	-	-	196,629	196,629
Proceeds from sale of capital assets	-	-	7,240	7,240
Interfund transfers	-	-	(1,500,000)	(1,500,000)
Budgetary reserve	<u>(5,000,000)</u>	<u>(2,358,933)</u>	<u>-</u>	<u>2,358,933</u>
Total other financing sources and (uses)	<u>(5,000,000)</u>	<u>(2,358,933)</u>	<u>396,607</u>	<u>2,755,540</u>
Net change in fund balances	<u>\$ (6,571,314)</u>	<u>\$ (6,571,314)</u>	<u>\$ 12,126,831</u>	<u>\$ 18,698,145</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>School District's Proportion of the Net Pension Liability (Asset)</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>School District's Covered Payroll measurement period</b>	<b>School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.4024%	\$ 198,137,800	\$ 56,472,408	350.86%	54.32%
2020	0.4101%	191,855,475	56,555,660	339.23%	55.66%
2019	0.4031%	193,508,000	54,281,936	356.49%	54.00%
2018	0.4019%	198,491,999	53,502,339	371.00%	51.84%
2017	0.4189%	207,593,547	54,257,321	382.61%	50.14%
2016	0.4160%	173,954,281	51,673,821	336.64%	54.36%
2015	0.3975%	157,333,350	50,729,081	310.14%	57.24%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

**Changes in Actuarial Assumptions**

The following actuarial assumptions were changed during the 2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Health Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's Contributions – Public School Employees' Retirement**  
**System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>School District's Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2021	\$ 19,126,452	\$ 19,126,452	-	\$ 58,013,120	32.97%
2020	18,786,094	18,786,094	-	56,472,408	33.27%
2019	18,379,550	18,379,550	-	56,555,660	32.50%
2018	17,149,602	17,149,602	-	54,281,936	31.59%
2017	15,411,152	15,411,152	-	53,502,339	28.80%
2016	13,346,121	13,346,121	-	54,257,321	24.60%
2015	10,335,827	10,335,827	-	51,673,821	20.00%
2014	7,980,962	7,980,962	-	50,729,081	15.73%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -**  
**School District Plan**

	2021	2020	2019	2018
<b>Total OPEB liability</b>				
Service cost	\$ 249,676	\$ 249,581	\$ 317,071	\$ 296,170
Interest	138,822	121,309	147,516	103,960
Differences between expected and actual experience	(87,943)	-	(204,870)	-
Changes in assumptions	558,546	(128,402)	(659,597)	283,954
Benefit payments	<u>(191,378)</u>	<u>(170,389)</u>	<u>(180,076)</u>	<u>(151,811)</u>
Net change in total OPEB liability	667,723	72,099	(579,956)	532,273
Total OPEB liability - beginning	<u>3,985,598</u>	<u>3,913,499</u>	<u>4,493,455</u>	<u>3,961,182</u>
Total OPEB liability - ending	<u>\$ 4,653,321</u>	<u>\$ 3,985,598</u>	<u>\$ 3,913,499</u>	<u>\$ 4,493,455</u>
Covered employee payroll	\$ 58,071,045	N/A	\$ 50,255,467	\$ 47,608,687
Total OPEB liability as a percentage of covered employee payroll	8.01%	N/A	7.79%	9.44%

**NOTES**

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period is one year prior to the fiscal year end.

N/A – Information is unavailable.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of the Net OPEB Liability - Public**  
**School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>School District's Proportion of the Net OPEB Liability (Asset)</b>	<b>School District's Share of the Net OPEB Liability (Asset)</b>	<b>School District's Covered Payroll - measurement period</b>	<b>School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2021	0.4023%	\$ 8,692,484	\$ 56,472,408	15.39%	5.69%
2020	0.4101%	8,722,179	56,555,660	15.42%	5.56%
2019	0.4031%	8,404,000	54,281,936	15.48%	5.56%
2018	0.4190%	8,188,359	53,502,339	15.30%	5.47%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's OPEB Contributions – Public School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2021	\$ 524,790	524,790	-	\$ 58,013,120	0.91%
2020	472,251	472,251	-	56,472,408	0.85%
2019	467,946	467,946	-	56,833,838	0.83%
2018	448,462	448,462	-	54,587,870	0.83%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**OTHER SUPPLEMENTARY INFORMATION**

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

<b>Grantor Program Title</b>	<b>Source Code</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Grant Period Beginning/ Ending Date</b>	<b>Program or Award Amount</b>	<b>Total Received for the Year</b>	<b>Receivable (Payable) at July 1, 2020</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Payable) at June 30, 2021</b>	<b>Total Passed-Through to Subrecipients</b>
<b>U.S. Department of Education</b>											
Impact Aid	D	84.041	N/A	N/A	N/A	\$ 385,073	\$ -	\$ 476,021	\$ 476,021	\$ 90,948	\$ -
<b>U.S. Department of Health and Human Services</b>											
COVID-19 Public Assistance Program (FEMA)	D	97.036	N/A	N/A	82,279	81,237	60,806	21,473	21,473	1,042	-
Total direct funds						466,310	60,806	497,494	497,494	91,990	-
<b>Passed through Pennsylvania Department of Education</b>											
ESEA Title I	I	84.010	013-20-0076	August 10, 2019 - September 30, 2020	2,280,487	1,064,197	245,081	819,116	819,116	-	-
ESEA Title I	I	84.010	013-21-0076	July 30, 2020 - September 30, 2022	3,024,783	1,451,400	-	1,672,564	1,672,564	221,164	-
Title I						2,515,597	245,081	2,491,680	2,491,680	221,164	-
ESEA Title II Part A	I	84.367	020-20-0076	July 23, 2019 - September 30, 2020	349,389	117,080	59,831	57,249	57,249	-	-
ESEA Title II Part A	I	84.367	020-21-0076	July 30, 2020 - September 30, 2022	409,164	250,520	-	278,821	278,821	28,301	-
Title II						367,600	59,831	336,070	336,070	28,301	-
ESEA Title III	I	84.365	010-20-0076	July 23, 2019 - September 30, 2020	139,216	74,249	17,435	56,814	56,814	-	-
ESEA Title III	I	84.365	010-21-0076	July 30, 2020 - September 30, 2021	272,648	181,765	-	242,999	242,999	61,234	-
Title III						256,014	17,435	299,813	299,813	61,234	-
ESEA Title IV	I	84.424	144-20-0076	July 23, 2019 - September 30, 2020	176,710	129,587	(31,014)	160,601	160,601	-	-
ESEA Title IV	I	84.424	144-21-0076	July 30, 2020 - September 30, 2021	175,796	46,879	-	100,378	100,378	53,499	-
Title IV						176,466	(31,014)	260,979	260,979	53,499	-
<b>Education Stabilization Fund</b>											
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200076	March 13, 2020 - June 30, 2021	1,903,893	1,503,073	-	1,880,802	1,880,802	377,729	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210076	March 13, 2020 - September 30, 2023	11,176,600	-	-	343,363	343,363	343,363	-
aTSI Governor's Emergency Education Relief Fund (GEER)	I	84.425C	254-200076	March 13, 2020 - September 30, 2021	162,878	42,863	-	33,015	33,015	(9,848)	-
COVID-19 - SECIM	I	84.425C	252-200076	March 13, 2020 - September 30, 2021	79,784	20,996	-	10,041	10,041	(10,955)	-
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	I	84.425C	253-200076	March 13, 2020 - September 30, 2021	350,000	110,542	-	128,926	128,926	18,384	-
<b>Passed through the Commonwealth of Pennsylvania</b>											
COVID-19 School Health and Safety Grant	I	84.425D	S425D200028	March 13, 2020 - September 30, 2020	282,785	14,395	-	142,418	142,418	128,023	-
Total Education Stabilization Fund						1,691,869	-	2,538,565	2,538,565	846,696	-
<b>Coronavirus Relief Fund</b>											
COVID-19 Pre-K and HSSAP	I	21.019	161-190127	March 1, 2020 - November 30, 2020	46,332	46,332	-	46,332	46,332	-	-
<b>Passed through Commonwealth of PA</b>											
COVID-19 Disaster Recovery	I	21.019	2020-CS-01-33676	March 1, 2020 - October 30, 2020	486,328	486,328	82,929	403,399	403,399	-	-
Total Commonwealth of PA						486,328	82,929	403,399	403,399	-	-
Total Coronavirus Relief Fund						532,660	82,929	449,731	449,731	-	-



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2021**

<b>Grantor Program Title</b>	<b>Source Code</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Grant Period Beginning/Ending Date</b>	<b>Program or Award Amount</b>	<b>Total Received for the Year</b>	<b>Receivable (Payable) at July 1, 2020</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Payable) at June 30, 2021</b>	<b>Total Passed-Through to Subrecipients</b>
<b>Passed through Lincoln Intermediate Unit</b>											
I.D.E.A.	I	84.027	N/A	July 1, 2020 - June 30, 2021	1,785,622	\$ 1,785,622	\$ -	\$ 1,785,622	\$ 1,785,622	\$ -	\$ -
Total Lincoln Intermediate Unit						<u>1,785,622</u>	<u>-</u>	<u>1,785,622</u>	<u>1,785,622</u>	<u>-</u>	<u>-</u>
<b>Special Education Grants to States</b>											
<b>Passed through Lancaster-Lebanon Intermediate Unit</b>											
PaTTAN	I	84.027	062-20-0-033	July 1, 2019 - September 30, 2020	25,000	24,473	21,700	2,773	2,773	-	-
PaTTAN	I	84.027	062-21-0-033	July 1, 2020 - September 30, 2021	10,000	-	-	9,956	9,956	9,956	-
Total Lancaster-Lebanon Intermediate Unit						<u>24,473</u>	<u>21,700</u>	<u>12,729</u>	<u>12,729</u>	<u>9,956</u>	<u>-</u>
Total Special Education Cluster						<u>1,810,095</u>	<u>21,700</u>	<u>1,798,351</u>	<u>1,798,351</u>	<u>9,956</u>	<u>-</u>
<b>Total U.S. Department of Education</b>						<u>7,816,611</u>	<u>456,768</u>	<u>8,672,683</u>	<u>8,672,683</u>	<u>1,312,840</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>											
<b>Child Nutrition Cluster</b>											
<b>Passed through Pennsylvania Department of Education</b>											
Breakfast Program	I	10.553	N/A	July 1, 2020 - June 30, 2021	N/A	6,251	-	6,251	6,251	-	-
Summer Food	I	10.559	N/A	July 1, 2020 - June 30, 2021	N/A	2,291,294	123,752	2,711,454	2,711,454	543,912	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2020 - June 30, 2021	N/A	12,768	-	13,890	13,890	1,122	-
<b>Passed through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program (commodities)	I (B)	10.555	N/A	July 1, 2020 - June 30, 2021	N/A	<u>184,875</u>	<u>-</u>	<u>184,875</u>	<u>184,875</u>	<u>-</u>	<u>-</u>
Total National School Lunch Program						<u>197,643</u>	<u>-</u>	<u>198,765</u>	<u>198,765</u>	<u>1,122</u>	<u>-</u>
Total Child Nutrition Cluster						<u>2,495,188</u>	<u>123,752</u>	<u>2,916,470</u>	<u>2,916,470</u>	<u>545,034</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>						<u>2,495,188</u>	<u>123,752</u>	<u>2,916,470</u>	<u>2,916,470</u>	<u>545,034</u>	<u>-</u>
<b>U.S. Department of Public Welfare</b>											
<b>Passed through Pennsylvania Department of Welfare</b>											
Medical Assistance	I	93.778	N/A	July 1, 2019 - June 30, 2020	N/A	16,026	16,026	-	-	-	-
Medical Assistance	I	93.778	N/A	July 1, 2020 - June 30, 2021	N/A	<u>52,880</u>	<u>-</u>	<u>69,939</u>	<u>69,939</u>	<u>17,059</u>	<u>-</u>
Medical Assistance						<u>68,906</u>	<u>16,026</u>	<u>69,939</u>	<u>69,939</u>	<u>17,059</u>	<u>-</u>
<b>Total U.S. Department of Public Welfare</b>						<u>68,906</u>	<u>16,026</u>	<u>69,939</u>	<u>69,939</u>	<u>17,059</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>						<u>\$ 10,380,705</u>	<u>\$ 596,546</u>	<u>\$ 11,659,092</u>	<u>\$ 11,659,092</u>	<u>\$ 1,874,933</u>	<u>\$ -</u>

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

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**NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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- (D) Direct Funding
- (I) Indirect Funding
- (B) Based on USDA valuation

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

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***Basis of Accounting***

The schedule of expenditures of federal awards is presented using the accrual basis of accounting, which conform to generally accepted governmental accounting principles. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as accounts payable or a receivable, respectively.

***Indirect Cost Rate***

The School District has elected to not use the 10% de minimis indirect cost rate for its federal programs.



**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 Directors  
Chambersburg Area School District  
Chambersburg, 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 Chambersburg Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Chambersburg Area School District’s basic financial statements, and have issued our report thereon dated February 4, 2022.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

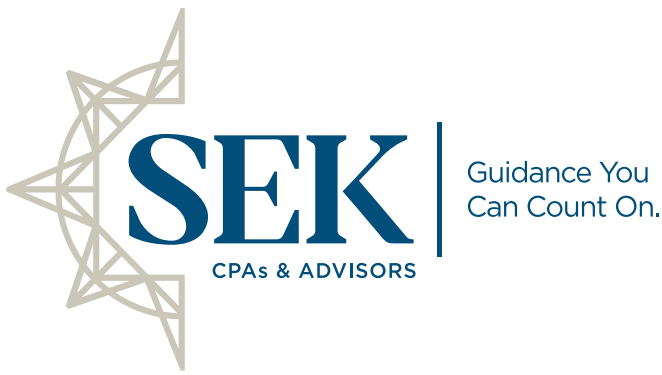
As part of obtaining reasonable assurance about whether Chambersburg Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

## **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.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania  
February 4, 2022



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

Board of Directors  
Chambersburg Area School District  
Chambersburg, Pennsylvania

### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited Chambersburg Area 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 Chambersburg Area School District's major federal programs for the year ended June 30, 2021. Chambersburg Area 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 Chambersburg Area 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 Chambersburg Area 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 Chambersburg Area School District's compliance.

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

In our opinion, Chambersburg Area 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, 2021.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Chambersburg Area 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 Chambersburg Area 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 Chambersburg Area 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.

Smith Elliott Kearns\* Company, LLC

Chambersburg, Pennsylvania  
February 4, 2022

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

**Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditor's report issued on compliance for the major programs:

**Unmodified**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?  Yes  No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.425	Education Stabilization Fund
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2021**

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**Section II - Financial Statement Findings**

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

**Section III - Federal Award Findings and Questioned Costs**

A. Significant Deficiencies or Material Weaknesses in Internal Control over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform guidance by 2 CFR Section 200.516.





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435 Stanley Avenue Chambersburg, PA 17201  
(717) 261-9281 Fax (717) 261-3321

**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2021**

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**Findings related to financial statements:**

None

**Findings related to federal awards:**

None