

Audited  
Financial  
Statements

June 30,  
2019



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Guidance You  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Carlisle Area School District  
Carlisle, 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 Carlisle Area School District, as of and for the year ended June 30, 2019, 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 Carlisle Area School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and pension and OPEB schedules on pages 61 through 65 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 the Carlisle 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 Part 200 (CFR), *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 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 December 20, 2019, on our consideration of Carlisle 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 Carlisle Area School District's internal control over financial reporting and compliance.

*Smith & Elliott Reams Company, LLC*

Carlisle, Pennsylvania  
December 20, 2019

## **CARLISLE AREA SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

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The management of the Carlisle Area School District (CASD or School District) is pleased to present the following discussion and analysis of our financial activities for the fiscal year ended June 30, 2019. The purpose of this discussion and analysis is to provide a narrative summary of the financial position and activities of the CASD in order to enhance the reader's understanding of the CASD's basic financial statements. It should be read in conjunction with the accompanying financial statements and notes following this section. This discussion and analysis provides comparative information as required by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by GASB in Statement No. 34. Certain condensed comparative analyses of financial statements have been presented in this financial analysis.

#### ***FINANCIAL HIGHLIGHTS***

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- The CASD had a net increase in fund balance from general fund operations of \$3,892,748 from revenues of \$ 86,615,541 during 2018-19.
- CASD decreased its governmental fund balance by \$ 1,112,248 from \$ 34,395,032 on June 30, 2018 to \$ 33,282,784 as of June 30, 2019.
- Government and business activities had a positive change in net position during 2018-19 of \$ 5,222,188 from (\$ 22,178,507) on June 30, 2018 to (\$ 16,956,319) as of June 30, 2019.

#### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general CASD services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For the CASD this is our Food Service Fund, Other Enterprise Funds, and Medical Insurance Fund. Fiduciary fund statements provide information about financial relationships where the CASD acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

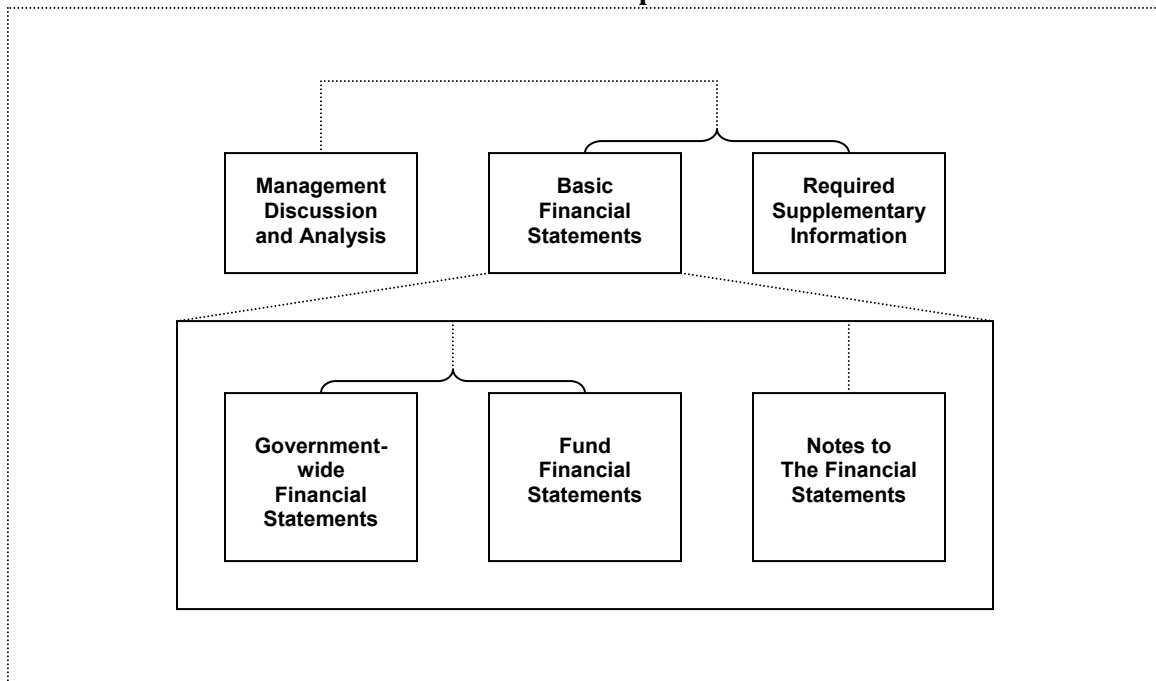
# CARLISLE AREA SCHOOL DISTRICT Management's Discussion and Analysis (Unaudited)

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

**Table A-1** shows how the required parts of this annual report are arranged and related to one another:

**Table A-1**  
**Required Components of**  
**Carlisle Area School District's**  
**Financial Report**



*Summary* ←————→ *Detail*

**CARLISLE AREA SCHOOL DISTRICT  
Management's Discussion and Analysis (Unaudited)**

**Table A-2** summarizes the major features of the CASD’s financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

**Table A-2  
Major Features of Carlisle Area School District's  
Government-Wide and Fund Financial Statements**

	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	* Entire School District (except fiduciary funds)	*The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	*Activities the School District operates similar to private business-Food Services	*Instances in which the School District is the trustee or agent to someone else's resources - Trust Funds
<b>Required Financial Statements</b>	*Statement of net position *Statement of activities	*Balance Sheet *Statement of revenues, expenditures, and changes in fund balance	*Statement of net position *Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*Statement of fiduciary net position *Statement of changes in fiduciary net position
<b>Accounting basis and measurements focus</b>	*Accrual accounting and economic resources focus	*Modified accrual accounting and current financial resources focus	*Accrual accounting and economic resources focus	*Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	*All assets and liabilities, both financial and capital, and short-term and long-term	*Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no long-term capital assets and liabilities included	*All assets and liabilities, both financial and capital, and short-term and long-term	*All assets and liabilities, both short-term and long-term
<b>Type of inflow-outflow information</b>	*All revenues and expenses during year, regardless of when cash is received or paid	*Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	*All revenues and expenses during the year regardless of when cash is received or paid	*All revenue and expenses during the year regardless of when cash is received or paid



# CARLISLE AREA SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

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### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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#### **Government-Wide Statements**

The government-wide statements report information about the CASD as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the CASD's net position and how they have changed. Net position, the difference between the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, are one way to measure the School District's financial health or position.

Increases or decreases in the CASD's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the CASD, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the academic performance of its students.

The government-wide financial statements of the CASD are divided into two categories:

- ***Governmental activities*** - All of the CASD's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- ***Business type activities*** - The CASD operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

#### **Fund Financial Statements**

The CASD's fund financial statements provide more detailed information about the CASD's funds focusing on the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements to be reported as major funds.

The CASD has three kinds of funds:

**Governmental Funds** - Most of the CASD's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CASD's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the CASD's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

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**Proprietary Funds** - These funds are used to account for the CASD activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the CASD charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is one of the CASD's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows. The CASD uses an internal service fund to report activities that provide services and supplies for its other programs and activities. The CASD currently has one internal service fund, its employee medical benefits trust fund.

**Fiduciary Funds** - The CASD is the trustee, or fiduciary, for assets that belong to others - the scholarship funds and student activities funds. All of the CASD's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the CASD's government-wide financial statement because the School District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT**

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The CASD's total governmental and business activities - net position as of June 30, 2019, was (\$ 16,956,319). This is an increase of \$ 5,222,188 over the (\$ 22,178,507) at June 30, 2018.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Assets and Deferred Outflows of Resources</b>						
Current and other assets	\$ 48,001,766	\$ 49,290,418	\$ 1,218,300	\$ 870,867	\$ 49,220,066	\$ 50,161,285
Capital assets	101,337,400	101,472,992	547,867	588,960	101,885,267	102,061,952
Deferred Outflows of Resources	15,751,778	19,552,804	16,451	27,766	15,708,229	19,580,570
Total Assets and Deferred Outflows of Resources	<u>\$ 165,090,944</u>	<u>\$ 170,316,214</u>	<u>\$ 1,782,618</u>	<u>\$ 1,487,593</u>	<u>\$ 166,813,562</u>	<u>\$ 171,803,807</u>
<b>Liabilities</b>						
Current liabilities	\$ 15,309,633	\$ 15,269,768	\$ 70,294	\$ 122,394	\$ 15,379,927	\$ 15,392,162
Noncurrent liabilities	160,914,823	171,954,870	110,793	150,588	161,025,616	172,105,458
Total Liabilities	176,224,456	187,224,638	181,087	272,982	176,405,543	187,497,620
<b>Deferred Inflows of Resources</b>	7,376,111	6,452,789	48,227	31,905	7,424,338	6,484,694
<b>Net Position</b>						
Net investment in capital assets	49,135,687	43,498,595	534,181	588,960	49,669,868	44,087,555
Restricted - future capital expenses	12,126,928	13,286,795	-	-	12,126,928	13,286,795
Restricted - expendable	-	-	-	-	-	-
Unrestricted	(79,772,238)	(80,146,603)	1,019,123	593,746	(78,753,115)	(79,552,857)
Total Net Position	<u>(18,509,623)</u>	<u>(23,361,213)</u>	<u>1,553,304</u>	<u>1,182,706</u>	<u>(16,956,319)</u>	<u>(22,178,507)</u>
Total Liabilities and Net Position	<u>\$ 165,090,944</u>	<u>\$ 170,316,214</u>	<u>\$ 1,782,618</u>	<u>\$ 1,487,593</u>	<u>\$ 166,873,562</u>	<u>\$ 171,803,807</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

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Most of the CASD's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined of designated and undesignated amounts. The restricted balances are amounts set-aside to fund future purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the CASD's activities that are supported by other general revenues. The two largest general revenues are local taxes assessed to community taxpayers and the basic education subsidy provided by the Commonwealth of Pennsylvania.

**Statement of Activities**  
**Change of Net Position**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Totals</b>
<b>Program Revenues</b>			
Charges for services	\$ 610,357	\$ 1,249,153	\$ 1,859,510
Operating grants and contributions	13,879,218	1,662,470	15,541,688
Capital grants and contributions	983,108	-	983,108
<b>General Revenues</b>			
Taxes	55,887,403	-	55,887,403
Grants, subsidies, and contributions	14,808,507	-	14,808,507
Investment earnings	459,941	12,498	472,439
Miscellaneous income and sale of assets	(191,738)	4,761	(186,977)
Transfers	(907)	907	-
Total Revenues	<u>86,435,889</u>	<u>2,929,789</u>	<u>89,365,678</u>
District Expenses	<u>81,584,299</u>	<u>2,559,191</u>	<u>84,143,490</u>
Change in Net Position	<u>\$ 4,851,590</u>	<u>\$ 370,598</u>	<u>\$ 5,222,188</u>

Direct expenses represent the actual cost of providing services and programs while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The net cost of services must be recovered through general revenue, primarily taxes and state subsidies. Amounts not recovered will reduce funds available for future years.

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

**Governmental and Business Activities**

	Governmental Activities		Business-Type Activities		Totals	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 610,357	\$ 640,082	\$ 1,249,153	\$ 1,225,762	\$ 1,859,510	\$ 1,865,844
Operating grants and contributions	13,879,218	13,472,538	1,662,470	1,528,666	15,541,688	15,001,204
Capital grants and contributions	983,108	967,147	-	-	983,108	967,147
General Revenues						
Taxes	55,887,403	53,738,726	-	-	55,887,403	53,738,726
Grants, subsidies, and contributions	14,808,507	14,378,866	-	-	14,808,507	14,378,866
Investment earnings	459,941	281,310	12,498	2,368	472,439	283,678
Miscellaneous income and sale of assets	(191,738)	75,256	4,761	(2,961)	(186,977)	72,295
Transfers	(907)	(10,019)	907	10,019	-	-
Total Revenue	<u>86,435,889</u>	<u>83,543,906</u>	<u>2,929,789</u>	<u>2,763,854</u>	<u>89,365,678</u>	<u>86,307,760</u>
<b>Expenses</b>						
Instruction	49,836,311	50,519,445	-	-	49,836,311	50,519,445
Instructional student support	7,693,269	7,971,421	-	-	7,693,269	7,971,421
Administrative and financial support	10,179,439	11,108,393	-	-	10,179,439	11,108,393
Operation of maintenance of plant services	6,728,341	7,608,141	-	-	6,728,341	7,608,141
Pupil transportation	3,959,124	3,868,669	-	-	3,959,124	3,868,669
Student activities	1,513,061	1,485,935	-	-	1,513,061	1,485,935
Community services	14,270	14,085	-	-	14,270	14,085
Interest on long-term debt	1,660,484	1,785,368	-	-	1,660,484	1,785,368
Business-type activities	-	-	2,559,191	2,513,201	2,559,191	2,513,201
Total Expense	<u>81,584,299</u>	<u>84,361,457</u>	<u>2,559,191</u>	<u>2,513,201</u>	<u>84,143,490</u>	<u>86,874,658</u>
Changes in Net Position	<u>\$ 4,851,590</u>	<u>\$ (817,551)</u>	<u>\$ 370,598</u>	<u>\$ 250,653</u>	<u>\$ 5,222,188</u>	<u>\$ (566,898)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

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**Fund Balances**

The CASD classifies fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent, in accordance with GASB 54. CASD decreased its governmental fund balance by \$ 1,112,248 from \$ 34,395,032 on June 30, 2018, to \$ 33,282,784 as of June 30, 2019.

The Board of Directors uses the CASD’s fund balances to cover the costs of current and future capital projects, including those related to technology, and to protect educational programs and operating expenses against future scheduled increases in the state retirement system employer contribution rates, along with future volatility in funding sources and the economy of the region.

**Governmental Fund Balance**

<u>Governmental Fund Balance</u>	
General Fund - nonspendable fund balance	\$ 51,904
General Fund - committed fund balance	1,797,990
General Fund - assigned fund balance	377,275
General Fund - unassigned fund balance	14,074,172
Capital Projects Fund - restricted fund balance	-
Capital Projects Fund - committed fund balance	4,854,515
Capital Reserve Fund - restricted fund balance	<u>12,126,928</u>
Total Governmental Fund Balance	<u>\$ 33,282,784</u>
Total nonspendable fund balance	\$ 51,904
Total restricted fund balance	12,126,928
Total committed fund balance	6,652,505
Total assigned fund balance	377,275
Total unassigned fund balance	<u>14,074,172</u>
Total Governmental Fund Balance	<u>\$ 33,282,784</u>

**General Fund Budget**

On June 27, 2006, the Pennsylvania Legislature passed Act 1 of Special Session of 2006, entitled the “Taxpayer Relief Act”. Act 1 requires school districts to limit tax increases in the property tax millage rate to no more than the level set by an inflation index, unless the school district obtains approval from the Pennsylvania Department of Education for certain exceptions, or approval for a higher increase is received from voters in a ballot referendum. For the 2018-19 fiscal year, CASD’s adjusted Act 1 Index was set at 3.1% and the Board of Directors voted to increase the property tax millage rate the same amount.

It is important to note that school district boards of school directors are the only elected boards with taxing authority in Pennsylvania where the authority is limited by law. All other elected boards, including city/borough councils, township supervisors, county commissioners, and the general assembly have no such limitation. With declining or minimal increases in education funding from the state and federal governments, the Carlisle Area School District will be challenged in the future to balance the general fund budget.

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

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The Board of Directors and CASD administration will continue to work in the future to put together an annual operating budget that focuses on the educational development of students and properly maintains the facilities of the School District for the long-term.

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Total Revenues	\$ 83,615,320	\$ 86,615,541	\$ 3,000,221
Total Expenditures	<u>86,830,530</u>	<u>81,320,671</u>	<u>5,509,859</u>
Revenues Over/(Under) Expenditures	(3,215,210)	5,294,870	8,510,080
Other Financing Sources (Uses)	<u>1,981,245</u>	<u>(1,402,122)</u>	<u>(3,383,367)</u>
Net Change in Fund Balance	<u>\$ (1,233,965)</u>	<u>\$ 3,892,748</u>	<u>\$ 5,126,713</u>

**Capital Assets**

As of June 30, 2019, the School District in conducting its governmental activities had \$ 101,337,400 invested in capital assets; including land; buildings; site improvements; equipment, furniture, and fixtures; and construction in process. This amount represents a net decrease (including additions, deletions and depreciation) of \$ 135,592 from the previous fiscal year.

**Capital Assets (Net of Depreciation)**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Change</b>
<b>Governmental Activities</b>			
Land	\$ 1,951,733	\$ 1,951,733	\$ -
Buildings	87,101,378	86,914,326	187,052
Site improvements	5,219,951	5,535,516	(315,565)
Equipment, furniture, and fixtures	5,173,616	6,139,051	(965,435)
Construction in process	<u>1,890,722</u>	<u>932,366</u>	<u>958,356</u>
Total Governmental Activities	<u>\$ 101,337,400</u>	<u>\$ 101,472,992</u>	<u>\$ (135,592)</u>
<b>Business-Type Activities</b>			
Furniture and equipment	<u>\$ 547,867</u>	<u>\$ 588,960</u>	<u>\$ (41,093)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**

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**Long-Term Liabilities/Outstanding Bonds and Notes Payable**

As of June 30, 2018, the CASD had total outstanding bonds and notes payable of \$ 59,779,847. During the 2018-19 fiscal year, the CASD made payments of \$ 5,909,759, resulting in a balance, as of June 30, 2019, of \$ 53,870,088. The CASD's debt is assigned a Moody's rating of Aa2, which reflects the high quality of the CASD's debt.

**Outstanding Bonds and Notes Payable**

	June 30, 2019	June 30, 2018	Change
<b>General Obligation Bonds</b>			
Series of 2012A	\$ -	\$ 475,000	\$ (475,000)
Series of 2012B	2,270,000	2,330,000	(60,000)
Series of 2014	3,015,000	4,495,000	(1,480,000)
Series of 2014A	-	655,000	(655,000)
Series of 2014B	650,000	2,590,000	(1,940,000)
Series of 2015A	6,495,000	6,590,000	(95,000)
Series of 2015B	2,705,000	2,765,000	(60,000)
Series of 2016	2,230,000	2,485,000	(255,000)
Series of 2017	25,650,000	25,810,000	(160,000)
Series of 2018	6,975,000	6,980,000	(5,000)
Unamortized bond (discounts) premium	3,880,088	4,604,847	(724,759)
Total General Obligation Bonds	<u>\$ 53,870,088</u>	<u>\$ 59,779,847</u>	<u>\$ (5,909,759)</u>

Other long-term liabilities of the CASD include accrued sick leave vacation and retirement stipend for employees and other post-employment benefits (OPEB) for retired employees and net pension liability. CASD retirees may purchase medical, prescription drug, dental, and vision coverages until they reach age 65.

***FACTORS BEARING ON THE CASD'S FUTURE***

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The CASD continues to maintain a strong financial position based upon a stable tax base and adequate reserves to provide coverage for changes in economic conditions and state and federal government funding. During the 2012-13 and 2013-14 fiscal years, the School District undertook a \$ 39 million project to renovate and expand its two middle schools, which were originally opened in the late 1970's. This resulted in a substantial increase in the long-term debt of the School District in the 2011-12 fiscal year.

The future funding levels for CASD operations continues to be uncertain. As noted previously, Pennsylvania law limits the ability of the Board of Directors to increase the property tax millage rate for any given fiscal year. Property taxes represent the major source of revenue for the School District. The level of state funding provided for K-12 education continues to be an item vigorously debated in the State General Assembly on an annual basis.

## **CARLISLE AREA SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

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The funding of the cost of employee retirement through the Pennsylvania School Employees Retirement System (PSERS) remains a substantial financial concern. The employer contribution rate based on wages paid has increased substantially in the last few years as follows: 8.65% in 2011-12, 12.36% in 2012-13, 16.93% in 2013-14, 21.40% in 2014-15, 25.84% in 2015-2016, 30.03% in 2016-17, 32.57% in 2017-18, 33.43% in 2018-19, and 34.29% in 2019-20. The contribution rate for the 2020-21 fiscal year has been certified by the PSERS Board of Trustees at 34.51%. Currently, the rates for future fiscal years are projected at 35.19% for 2021-22, 35.84% for 2022-23, and 36.3% for 2023-24. The contribution rate is projected to continue to be in excess of 36% for at least 3 additional years beyond 2023-24. Even at the elevated rate of 34.29% in 2019-20, the unfunded liability for the retirement system is projected to increase. The CASD has no control over the retirement plan provided to its employees or the rate required for it to be funded.

The student enrollment of the CASD has seen moderate growth in recent years and based on demographic data is projected to continue to grow modestly and then stabilize. At this point, the School District is expecting to be able to accommodate future enrollment increases at existing school sites with the addition of classroom capacity as necessary.

The safety and security of students, staff, parents, and the public has been and will remain a high priority for the CASD. It is expected that the School District will continue to make investments in safety and security going forward.

The current collective bargaining agreement with the Carlisle Area Education Association, which represents the teachers and other professional employees of the CASD, will expire on August 15, 2020. The CASD administration and the CAEA leadership have a good working relationship and the expectation is that a good relationship will continue into the future.

### ***CONTACTING THE CASD'S FINANCIAL MANAGEMENT***

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This financial report is designed to provide the reader with a general overview of the Carlisle Area School District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report, please contact the Business Manager of the Carlisle Area School District located at 623 West Penn Street, Carlisle, PA 17013 at (717) 240-6800 Ext. 16055.



**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 35,117,169	\$ 1,183,387	\$ 36,300,556
Investments	1,000,123	-	1,000,123
Receivables:			
Taxes, net	3,186,807	-	3,186,807
Intergovernmental	2,472,471	-	2,472,471
Other	845,151	3,769	848,920
Internal balances	(1,515)	1,515	-
Inventories	-	29,629	29,629
Prepaid items	5,381,560	-	5,381,560
Total current assets	<u>48,001,766</u>	<u>1,218,300</u>	<u>49,220,066</u>
<b>Noncurrent Assets</b>			
Capital assets not being depreciated			
Land	1,951,733	153,900	2,105,633
Construction in progress	1,890,722	-	1,890,722
Capital assets net of accumulated depreciation			
Site improvements	5,219,951	22,362	5,242,313
Buildings and improvements	87,101,378	220,225	87,321,603
Equipment, furniture and fixtures	5,173,616	151,380	5,324,996
Total noncurrent assets	<u>101,337,400</u>	<u>547,867</u>	<u>101,885,267</u>
<b>Total assets</b>	<u>149,339,166</u>	<u>1,766,167</u>	<u>151,105,333</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension liability	13,432,609	15,890	13,448,499
Deferred outflows related to OPEB liability	526,741	561	527,302
Deferred charge on bond refunding	1,792,428	-	1,792,428
Total deferred outflows of resources	<u>15,751,778</u>	<u>16,451</u>	<u>15,768,229</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 165,090,944</u></b>	<b><u>\$ 1,782,618</u></b>	<b><u>\$ 166,873,562</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 2,576,527	\$ 70,155	\$ 2,646,682
Accrued salaries, benefits and withholdings	5,945,537	-	5,945,537
Accrued interest	589,493	-	589,493
Portion due or payable within one year:			
General obligation bonds and notes payable	6,027,660	-	6,027,660
Compensated absences and retirement stipend	170,416	139	170,555
Total current liabilities	<u>15,309,633</u>	<u>70,294</u>	<u>15,379,927</u>
<b>Noncurrent liabilities</b>			
Portion due or payable after one year:			
General obligation bonds and notes payable	47,842,428	-	47,842,428
Compensated absences and retirement stipend	1,287,297	1,247	1,288,544
Net pension liability	104,884,119	102,881	104,987,000
OPEB liability	6,900,979	6,665	6,907,644
Total noncurrent liabilities	<u>160,914,823</u>	<u>110,793</u>	<u>161,025,616</u>
<b>Total liabilities</b>	<u>176,224,456</u>	<u>181,087</u>	<u>176,405,543</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	6,144,727	45,933	6,190,660
Deferred inflows related to OPEB liability	1,231,384	2,294	1,233,678
Total deferred inflows of resources	<u>7,376,111</u>	<u>48,227</u>	<u>7,424,338</u>
<b>NET POSITION</b>			
Net investment in capital assets	49,135,687	534,181	49,669,868
Restricted - future capital expenses	12,126,928	-	12,126,928
Unrestricted	(79,772,238)	1,019,123	(78,753,115)
<b>Total net position</b>	<u>(18,509,623)</u>	<u>1,553,304</u>	<u>(16,956,319)</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 165,090,944</u></b>	<b><u>\$ 1,782,618</u></b>	<b><u>\$ 166,873,562</u></b>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2019**

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
<b>Primary Government</b>							
<b>Governmental activities</b>							
Instruction	\$ 49,836,311	\$ 410,113	\$ 10,441,790	\$ -	\$ (38,984,408)	\$ -	\$ (38,984,408)
Instructional student support	7,693,269	-	1,050,163	-	(6,643,106)	-	(6,643,106)
Administrative and financial support services	10,179,439	116,020	732,435	-	(9,330,984)	-	(9,330,984)
Operation and maintenance of plant services	6,728,341	16,279	357,624	-	(6,354,438)	-	(6,354,438)
Pupil transportation	3,959,124	-	1,134,500	-	(2,824,624)	-	(2,824,624)
Student activities	1,513,061	66,225	149,333	-	(1,297,503)	-	(1,297,503)
Community services	14,270	1,720	13,373	-	823	-	823
Interest on long-term debt	1,660,484	-	-	983,108	(677,376)	-	(677,376)
Total governmental activities	<u>81,584,299</u>	<u>610,357</u>	<u>13,879,218</u>	<u>983,108</u>	<u>(66,111,616)</u>	<u>-</u>	<u>(66,111,616)</u>
<b>Business-type activities</b>							
Food services	2,482,257	1,025,132	1,662,470	-	-	205,345	205,345
Property rentals	76,934	224,021	-	-	-	147,087	147,087
Total business-type activities	<u>2,559,191</u>	<u>1,249,153</u>	<u>1,662,470</u>	<u>-</u>	<u>-</u>	<u>352,432</u>	<u>352,432</u>
Total primary government	<u>\$ 84,143,490</u>	<u>\$ 1,859,510</u>	<u>\$ 15,541,688</u>	<u>\$ 983,108</u>	<u>\$ (66,111,616)</u>	<u>\$ 352,432</u>	<u>\$ (65,759,184)</u>
<b>General revenues and transfers</b>							
Property taxes levied for general purposes, public utility realty tax, and earned income tax					\$ 55,887,403	\$ -	\$ 55,887,403
Grants, subsidies and contributions not restricted					14,808,507	-	14,808,507
Investment earnings					459,941	12,498	472,439
Miscellaneous income					31,339	159	31,498
Gain (loss) on sale of capital assets					(223,077)	4,602	(218,475)
Transfers					(907)	907	-
Total general revenues and transfers					<u>70,963,206</u>	<u>18,166</u>	<u>70,981,372</u>
Change in net position					4,851,590	370,598	5,222,188
Net position - beginning, as restated					<u>(23,361,213)</u>	<u>1,182,706</u>	<u>(22,178,507)</u>
Net position - ending					<u>(\$ 18,509,623)</u>	<u>\$ 1,553,304</u>	<u>(\$ 16,956,319)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2019**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,357,395	\$ 4,941,836	\$ 12,817,938	\$ 35,117,169
Investments	1,000,123	-	-	1,000,123
Taxes receivable, net	3,186,807	-	-	3,186,807
Due from other funds	341,100	64	-	341,164
Receivable from other governments	2,472,471	-	-	2,472,471
Prepaid expenditures	51,904	-	-	51,904
Other receivables	824,624	-	-	824,624
Total assets	<u>\$ 25,234,424</u>	<u>\$ 4,941,900</u>	<u>\$ 12,817,938</u>	<u>\$ 42,994,262</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,608,476	\$ 87,385	\$ 447,946	\$ 2,143,807
Due to other funds	79,088	-	243,064	322,152
Accrued salaries, benefits and withholdings	5,945,537	-	-	5,945,537
Total liabilities	<u>7,633,101</u>	<u>87,385</u>	<u>691,010</u>	<u>8,411,496</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	1,299,982	-	-	1,299,982
Total deferred inflows of resources	<u>1,299,982</u>	<u>-</u>	<u>-</u>	<u>1,299,982</u>
<b>FUND BALANCES</b>				
Nonspendable fund balance				
Nonspendable for future prepaid expenditures	51,904	-	-	51,904
Restricted fund balance				
Restricted for future capital projects	-	-	12,126,928	12,126,928
Committed fund balance				
Future retirement costs	1,000,000	-	-	1,000,000
Future medical insurance costs	297,990	-	-	297,990
Future property insurance	500,000	-	-	500,000
Future capital projects	-	4,854,515	-	4,854,515
Assigned fund balance				
2019-2020 budgeted use of fund balance	377,275	-	-	377,275
Unassigned fund balance	14,074,172	-	-	14,074,172
Total fund balances	<u>16,301,341</u>	<u>4,854,515</u>	<u>12,126,928</u>	<u>33,282,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,234,424</u>	<u>\$ 4,941,900</u>	<u>\$ 12,817,938</u>	<u>\$ 42,994,262</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2019**

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**Total fund balances - governmental funds** \$ 33,282,784

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	175,771,569	
Accumulated depreciation	<u>(74,434,169)</u>	101,337,400

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 is included in the governmental activities in the Statement of Net Position.

4,896,936

Certain taxes receivable are not available soon enough to pay for current period expenditures and therefore are deferred in the fund financial statements.

1,299,982

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, 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	(53,870,088)	
Deferred charge on bond refunding	1,792,428	
Accrued interest on bonds	(589,493)	
Compensated absences/retirement stipend	(1,457,713)	
Net pension liability	(104,884,119)	
Deferred outflows related to pension liability	13,432,609	
Deferred inflows related to pension liability	(6,144,727)	
OPEB liability	(6,900,979)	
Deferred outflows related to OPEB liability	526,741	
Deferred inflows related to OPEB liability	<u>(1,231,384)</u>	
		<u>(159,326,725)</u>

**Net position of governmental activities in the Statement of Net Position** \$ (18,509,623)

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended June 30, 2019**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
<b>REVENUES</b>				
Local revenues				
Taxes	\$ 56,094,546	\$ -	\$ -	\$ 56,094,546
Investment earnings	208,466	65,472	106,302	380,240
Revenue from intermediate sources	899,613	-	-	899,613
Other	795,865	-	-	795,865
State sources	26,750,858	-	-	26,750,858
Federal sources	<u>1,866,193</u>	<u>-</u>	<u>-</u>	<u>1,866,193</u>
Total revenues	<u>86,615,541</u>	<u>65,472</u>	<u>106,302</u>	<u>86,787,315</u>
<b>EXPENDITURES</b>				
Instruction	47,315,914	-	-	47,315,914
Support services	25,415,896	-	1,671,097	27,086,993
Operation of noninstructional services	1,450,196	-	-	1,450,196
Facilities acquisition, construction and improvements	-	3,910,601	1,095,072	5,005,673
Debt service:				
Principal	5,185,000	-	-	5,185,000
Interest	<u>1,953,665</u>	<u>-</u>	<u>-</u>	<u>1,953,665</u>
Total expenditures	<u>81,320,671</u>	<u>3,910,601</u>	<u>2,766,169</u>	<u>87,997,441</u>
Excess (deficiency) of revenues over expenditures	<u>5,294,870</u>	<u>(3,845,129)</u>	<u>(2,659,867)</u>	<u>(1,210,126)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	98,785	-	-	98,785
Interfund transfers	<u>(1,500,907)</u>	<u>-</u>	<u>1,500,000</u>	<u>(907)</u>
Total other financing sources and uses	<u>(1,402,122)</u>	<u>-</u>	<u>1,500,000</u>	<u>97,878</u>
Net change in fund balances	<u>3,892,748</u>	<u>(3,845,129)</u>	<u>(1,159,867)</u>	<u>(1,112,248)</u>
Fund balances - beginning, as restated	<u>12,408,593</u>	<u>8,699,644</u>	<u>13,286,795</u>	<u>34,395,032</u>
Fund balances - ending	<u>\$ 16,301,341</u>	<u>\$ 4,854,515</u>	<u>\$ 12,126,928</u>	<u>\$ 33,282,784</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of the Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2019**

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**Net change in fund balances - total governmental funds** \$ (1,112,248)

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

Governmental funds report capital 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 differed from depreciation expense in the current period.

Gain/loss on disposition of assets	(321,862)	
Depreciation expense	(4,898,269)	
Capital outlays	<u>5,084,539</u>	(135,592)

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but this primarily supports the governmental activities, and thus the change in net position applicable to the governmental activities.

67,878

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 revenues will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount this year.

(221,270)

The issuance of general obligation notes provides current financial resources to governmental funds, but has no effect on net position. Likewise, the payment to refund bonds uses current financial resources, but also has no effect on net position. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effects of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of general obligations - principal	5,185,000
Amortization of bond premium, discounts, prepaid bond insurance, and deferred charge on bond refundings	221,199

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 the amount paid of:

Accrued interest	71,982
OPEB liability	(2,495)
Net pension liability	655,422
Compensated absences/retirement stipend	<u>121,714</u>

**Change in net position of governmental activities** \$ 4,851,590

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final	(Budgetary/ GAAP Basis)	with Final Budget
<b>REVENUES</b>				
Local sources				
Taxes	\$ 53,608,957	\$ 53,608,957	\$ 56,094,546	\$ 2,485,589
Investment earnings	30,000	30,000	208,466	178,466
Revenue from intermediate sources	927,000	927,000	899,613	(27,387)
Other	672,500	672,500	795,865	123,365
State sources	26,303,828	26,569,863	26,750,858	180,995
Federal sources	1,807,000	1,807,000	1,866,193	59,193
Total revenues	<u>83,349,285</u>	<u>83,615,320</u>	<u>86,615,541</u>	<u>3,000,221</u>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	34,179,527	34,179,527	31,874,803	2,304,724
Special programs	11,240,104	11,240,104	10,084,296	1,155,808
Vocational education	2,031,462	2,031,462	1,564,269	467,193
Other instructional	3,050,237	3,050,237	3,487,268	(437,031)
Nonpublic school programs	1,651	1,651	41,099	(39,448)
Adult and higher education programs	280,962	280,962	264,179	16,783
Support services				
Pupil personnel services	4,200,559	4,200,559	3,869,826	330,733
Instructional staff services	2,606,778	2,606,778	2,193,534	413,244
Administrative services	4,711,377	4,711,377	5,198,748	(487,371)
Pupil health	1,232,554	1,232,554	1,104,579	127,975
Business	1,135,302	1,135,302	830,011	305,291
Operation and maintenance of plant services	6,642,867	6,642,867	6,343,975	298,892
Student transportation services	4,183,827	4,183,827	3,723,848	459,979
Central support services	2,602,227	2,602,227	2,099,415	502,812
Other support services	58,866	58,866	51,960	6,906
Operation of noninstructional services				
Student activities	1,533,272	1,533,272	1,425,354	107,918
Community services	264	264	13,389	(13,125)
Other noninstructional services	26	26	11,453	(11,427)
Debt service				
Principal	5,185,000	5,185,000	5,185,000	-
Interest	1,953,668	1,953,668	1,953,665	3
Total expenditures	<u>86,830,530</u>	<u>86,830,530</u>	<u>81,320,671</u>	<u>5,509,859</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	98,785	98,785
Interfund transfers	3,481,245	1,981,245	(1,500,907)	(3,482,152)
Total other financing sources and (uses)	<u>3,481,245</u>	<u>1,981,245</u>	<u>(1,402,122)</u>	<u>(3,383,367)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,233,965)</u>	<u>\$ 3,892,748</u>	<u>\$ 5,126,713</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2019**

	Enterprise			Internal Service
	Food Service Fund	Other Enterprise Funds	Total	Medical Insurance Fund
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 496,373	\$ 687,014	\$ 1,183,387	\$ -
Intergovernmental receivables	-	-	-	-
Due from other funds	15,571	450	16,021	-
Other receivables	3,769	-	3,769	-
Prepaid expenses	-	-	-	5,329,656
Inventory	29,628	-	29,628	-
Total current assets	<u>545,341</u>	<u>687,464</u>	<u>1,232,805</u>	<u>5,329,656</u>
<b>Noncurrent Assets</b>				
Land	-	153,900	153,900	-
Site improvements	-	40,030	40,030	-
Buildings	-	856,267	856,267	-
Furniture and equipment	2,613,620	-	2,613,620	-
Accumulated depreciation	(2,462,240)	(653,710)	(3,115,950)	-
Total noncurrent assets	<u>151,380</u>	<u>396,487</u>	<u>547,867</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	15,890	-	15,890	-
Deferred outflows related to OPEB liability	561	-	561	-
Total deferred outflows of resources	<u>16,451</u>	<u>-</u>	<u>16,451</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 713,172</u>	<u>\$ 1,083,951</u>	<u>\$ 1,797,123</u>	<u>\$ 5,329,656</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable/accrued medical claims	\$ 70,155	\$ -	\$ 70,155	\$ 432,720
Due to other funds	14,505	-	14,505	-
Compensated absences	139	-	139	-
Total current liabilities	<u>84,799</u>	<u>-</u>	<u>84,799</u>	<u>432,720</u>
<b>Noncurrent Liabilities</b>				
Compensated absences	1,247	-	1,247	-
OPEB liability	6,665	-	6,665	-
Net pension liability	102,881	-	102,881	-
Total noncurrent liabilities	<u>110,793</u>	<u>-</u>	<u>110,793</u>	<u>-</u>
Total liabilities	<u>195,592</u>	<u>-</u>	<u>195,592</u>	<u>432,720</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	45,933	-	45,933	-
Deferred inflows related to OPEB liability	2,294	-	2,294	-
Total deferred inflows of resources	<u>48,227</u>	<u>-</u>	<u>48,227</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	137,694	396,487	534,181	-
Unrestricted	331,659	687,464	1,019,123	4,896,936
Total net position	<u>469,353</u>	<u>1,083,951</u>	<u>1,553,304</u>	<u>4,896,936</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 713,172</u>	<u>\$ 1,083,951</u>	<u>\$ 1,797,123</u>	<u>\$ 5,329,656</u>



**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds**  
**Year Ended June 30, 2019**

	<b>Enterprise</b>			<b>Internal Service</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Medical Insurance Fund</b>
<b>OPERATING REVENUE</b>				
Sales and charges for services/insurance premiums	\$ 1,025,291	\$ 236,519	\$ 1,261,810	\$ 9,251,435
Total operating revenues	<u>1,025,291</u>	<u>236,519</u>	<u>1,261,810</u>	<u>9,251,435</u>
<b>OPERATING EXPENSES</b>				
Purchased services	2,158,284	605	2,158,889	-
Food and milk purchases	182,055	-	182,055	-
Salaries	32,213	-	32,213	-
Employee benefits	1,018	-	1,018	6,949,138
Other employee benefits	-	-	-	1,759,911
Administrative fees and overhead costs	-	-	-	554,209
Supplies	14,891	442	15,333	-
Depreciation	42,457	37,169	79,626	-
Repairs and maintenance	50,196	2,951	53,147	-
Other operating expenses	1,143	2,405	3,548	-
Real estate taxes	-	33,362	33,362	-
Total operating expenses	<u>2,482,257</u>	<u>76,934</u>	<u>2,559,191</u>	<u>9,263,258</u>
Operating income (loss)	<u>(1,456,966)</u>	<u>159,585</u>	<u>(1,297,381)</u>	<u>(11,823)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal subsidies	1,573,657	-	1,573,657	-
State subsidies	88,813	-	88,813	-
Interest income	-	-	-	79,701
Gain on sale of assets	4,602	-	4,602	-
Total nonoperating revenue (expenses)	<u>1,667,072</u>	<u>-</u>	<u>1,667,072</u>	<u>79,701</u>
Income (loss) before transfers	<u>210,106</u>	<u>159,585</u>	<u>369,691</u>	<u>67,878</u>
<b>TRANSFERS</b>				
Interfund transfers	<u>907</u>	<u>-</u>	<u>907</u>	<u>-</u>
Change in net position	211,013	159,585	370,598	67,878
Total net position - beginning	<u>258,340</u>	<u>924,366</u>	<u>1,182,706</u>	<u>4,829,058</u>
Total net position - ending	<u>\$ 469,353</u>	<u>\$ 1,083,951</u>	<u>\$ 1,553,304</u>	<u>\$ 4,896,936</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2019**

	<b>Enterprise</b>			<b>Internal Service</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Medical Insurance Fund</b>
<b>Cash flows from operating activities</b>				
Cash received from sales/rentals/insurance premiums	\$ 1,012,522	\$ 236,519	\$ 1,249,041	\$ 9,251,435
Cash payments for goods and services	(2,280,382)	(121,317)	(2,401,699)	-
Cash payments to and on behalf of employees	(37,131)	-	(37,131)	(9,331,136)
Net cash provided (used) by operating activities	<u>(1,304,991)</u>	<u>115,202</u>	<u>(1,189,789)</u>	<u>(79,701)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of equipment	(13,686)	(24,847)	(38,533)	-
Proceeds from sale of assets	4,602	-	4,602	-
Net cash provided (used) by capital and related financing activities	<u>(9,084)</u>	<u>(24,847)</u>	<u>(38,533)</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers (to)/from other funds	907	(450)	457	-
Federal subsidies	1,547,470	-	1,547,470	-
State subsidies	97,709	-	97,709	-
Net cash provided (used) by noncapital financing activities	<u>1,646,086</u>	<u>(450)</u>	<u>1,645,636</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Earnings on investments	-	-	-	79,701
Net increase in cash and cash equivalents	332,011	89,905	417,314	-
Cash and cash equivalents - beginning	164,362	597,109	761,471	-
Cash and cash equivalents - ending	<u>\$ 496,373</u>	<u>\$ 687,014</u>	<u>\$ 1,183,387</u>	<u>\$ -</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)	\$ (1,456,966)	\$ 159,585	\$ (1,297,381)	\$ (11,823)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	175,794	-	175,794	-
Depreciation	42,457	37,169	79,626	-
(Increase) decrease in:				
Inventory	2,626	-	2,626	-
Accounts receivable	2,802	-	2,802	-
Due from other funds	(15,571)	-	(15,571)	-
Prepaid expenses	-	-	-	(136,233)
Increase (decrease) in:				
OPEB liability and related deferred outflows and inflows	(1,098)	-	(1,098)	-
Net pension liability and related deferred outflows and inflows	(12,255)	-	(12,255)	-
Compensated absences	1,328	-	1,328	-
Due to other funds	8,125	(81,552)	(73,427)	-
Accounts payable	(52,233)	-	(52,233)	68,355
Total adjustments	<u>151,975</u>	<u>(44,383)</u>	<u>107,592</u>	<u>(67,878)</u>
Net cash provided (used) by operating activities	<u>\$ (1,304,991)</u>	<u>\$ 115,202</u>	<u>\$ (1,189,789)</u>	<u>\$ (79,701)</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

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	<b>Agency Fund</b>	<b>Private Purpose Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 113,884	\$ 45
Investments	-	15,000
Accounts receivable	9,024	45
Total assets	<u>\$ 122,908</u>	<u>\$ 15,090</u>
<b>LIABILITIES</b>		
Due to student groups	\$ 102,380	\$ -
Due to general fund	20,528	
Accounts payable	-	-
Total liabilities	<u>122,908</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust	-	15,090
Total net position	<u>\$ -</u>	<u>\$ 15,090</u>

**CARLISLE AREA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2019**

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	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Interest income	\$ 45
Total additions	<u>45</u>
<b>DEDUCTIONS</b>	
Scholarships and awards/grants	<u>-</u>
Total deductions	<u>-</u>
Change in net position	45
Net position - beginning	<u>15,045</u>
Net position - ending	<u>\$ 15,090</u>

# CARLISLE 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 and Reporting Entity*

Carlisle Area School District (School District) operates a public school system which is comprised of Carlisle Borough, Mt. Holly Springs Borough, North Dickinson Township, and North Middleton Township in Cumberland County, Pennsylvania.

The School District consists of seven elementary schools, two middle schools, and one high school.

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*

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 primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities. Based on the above criteria, the School District has no component units.

The School District is affiliated with Harrisburg Area Community College (HACC), along with numerous other member school districts in a joint venture arrangement. The member school districts participate in providing oversight responsibility to this entity through the following:

- Appointing of Board members who are also Board members of the participating schools
- Approval and funding of operating budget
- Long-term agreement to provide funding for capital expenditures

The School District has an ongoing financial responsibility to fund its proportionate share of the operating budgets of this entity but has no equity interest in it. Separate financial statements are prepared for and available from HACC.

See additional information regarding payments to the above affiliated organization at Note 12.

The School District is also affiliated with the South Central Region School Employees Benefit Welfare Trust (the Trust), a public entity risk pool which provides employees medical insurance. The member school districts appoint the Trustees of the Trust and the School District is one of ten participating members in the Trust at June 30, 2019. The Trust is not deemed a component unit of the School District under governmental accounting principles. See Note 14 for further information.

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

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***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:

**General Fund** - The general fund is used to account for all the financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, 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 legally budgeted fund, and any unrestricted fund balances are considered as resources available for use.

**Capital Reserve Fund** - The capital reserve fund (Section 2932 is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as Section 2932 School Laws of Pennsylvania) accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, and (2) surplus monies in the General Fund of the School District at the end of any fiscal year. These funds must be used for capital improvements.

**Capital Projects Fund** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**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 the 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 such goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

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

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***Fund Accounting (Continued)***

The School District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

**Property Rental Fund – Enterprise Fund – Non-Major Fund**

This fund was established to account for all revenues and expenses pertaining to the rental of facilities owned and operated by the School District. It is the intent of the governing body to charge for the rental of the facilities to cover the expenses associated with their upkeep.

**Medical Insurance Fund - Internal Service Fund**

This fund was established to create a reserve for future medical claims. The fund accounts for the transactions of the School District associated with self-insuring the School District's medical costs.

**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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity fund is classified as an agency fund.

***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.

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

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***Basis of Presentation (Continued)***

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. Nonmajor 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.

***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 increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.



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

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***Basis of Accounting (Continued)***

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 revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as liabilities 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 food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

***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 Education, which authorize the School District to make expenditures.
4. Appropriations lapse at the end of the fiscal period.
5. 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 Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

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

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

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

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with original maturities of three months or less.

Investments include certificates of deposit with original maturities greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet and statement of net position.

***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 expenditure 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.

***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 fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

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 \$ 5,000. 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 unless it is incurred in a proprietary fund.

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</b>	<b>Business-Type Activities</b>
Site improvements	8 - 25 years	N/A
Buildings and improvements	5 - 50 years	N/A
Equipment, furniture and fixtures	5 - 20 years	5 - 20 years

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

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***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.

In addition to liabilities, the statement of financial position and 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's deferred inflows of resources at June 30, 2019 consist of various amounts related to pension and OPEB liabilities on the statement of net position and unavailable tax revenue on the governmental fund balance sheet.

***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.

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

**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 GASB Standards, which establish 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 pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including 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 provisions of the GASB, which requires entities to accrue for employees' rights to receive compensation for sick leave, as such benefits are earned, and payment becomes probable.

School District policy is to pay to qualifying retirees a portion of unused sick days, subject to certain limitations. Amounts determined will be deposited into a 403(b) plan on behalf of the retired employee; no cash option is available.

The estimate of the liabilities for compensated absences has been calculated using the termination payment method in accordance with the provisions of the GASB. Under that method, the School District has identified the amount 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.

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

Payments for sick pay are expensed as paid in the governmental fund financial statements.

***Retirement Stipend***

In addition to the above, employees in the bargaining agreement who retire from the School District with at least fifteen (15) years of service will receive a \$ 5,500 payment upon retirement. This is reported with the compensated absences liability for individuals that are eligible based on years of service.

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

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***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 postemployment benefits by permitting retired employees the ability to participate in the employee health plan through a single employer defined benefit other post-employment health plan (OPEB) at the same premium rate, albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

***PSERS***

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, 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/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 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 of related debt also should be included in this component of net position.

**Restricted Net Position:** This component 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. Restricted net position as of June 30, 2019 is for future capital expenses.

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

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

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**Unrestricted Net Position:** This component of net position is the 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.

***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 District's 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 Director of Finance has the authority to make assignments of fund balance. The assignment of fund balance cannot result in a negative unassigned fund balance.

# CARLISLE AREA SCHOOL DISTRICT

## Notes to Financial Statements

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

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**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.

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

When fund balance resources are available for a specific purpose in multiple classifications, the School District does not have a spending order policy; therefore, the default spending order is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned and unassigned.

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

The School District strives to maintain an unassigned fund balance of the general fund of not less than three percent (3%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

#### ***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.

### 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 restricted under the Investment Company Act of 1940.

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

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

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- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least “A” or its equivalent.
- 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 bankers’ acceptances do not exceed 180 days maturity.
- 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, 2019, the School District has a bank balance of \$ 30,503,416 (including long-term certificates of deposit in the amount of \$ 1,015,123, which are classified as investments for the basic financial statements). Of this balance, \$ 1,000,000 is covered by FDIC insurance and the remaining balance of \$ 29,503,416 was exposed to custodial credit risk because the collateral securities held by the bank’s agents are 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.

**NOTE 3 TAXES**

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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 January 15, the bills are considered delinquent and turned over to the Cumberland County Tax Claim Bureau for collection.



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

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**NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES/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, 2019:

Earned income	\$ 2,355,050
Real estate	738,783
Real estate transfer tax	65,156
Other taxes	<u>27,818</u>
Taxes receivable, net	3,186,807
Taxes collected within sixty days, recorded as revenues in governmental funds	 <u>(1,886,825)</u>

Taxes estimated to be collected after sixty days and thus "unavailable", recorded as deferred inflows of resources in governmental funds.	  <u>\$ 1,299,982</u>
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***Tax Abatements***

**Local Economic Revitalization Tax Assistance Act**

The Carlisle Are School District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act of December 1, 1977. 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 jurisdictions.

<b>Year of Abatement</b>	<b>Exempted Real Estate Assessment</b>	<b>Percentage of Exemption</b>	<b>Millage</b>	<b>Exempted Real Estate Taxes</b>
2002	\$ <u>1,681,020</u>	80%	0.014476	\$ <u>24,334</u>
Totals	\$ <u><u>1,681,020</u></u>			\$ <u><u>24,334</u></u>

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

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

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Net interfund receivables/payables consist of the following at June 30, 2019:

<b>Funds</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 341,100	\$ 79,088
Food Service	15,571	14,505
Capital Projects	64	-
Capital Reserve	-	243,064
Agency Fund	-	20,528
Property Rentals (Other Enterprise)	450	-
	\$ 357,185	\$ 357,185

The Capital Reserve Fund and Property Rentals Fund owe the General Fund for capital and operational expenditures that were paid on behalf of these funds. The Food Service Fund owes the General Fund for student account balances as of June 30, 2019. The General Fund owes the Food Service Property Rentals Fund and the Agency Fund owes the General Fund for expenditures that were paid on behalf of this fund, respectively.

Net interfund transfers consist of the following for the year ended June 30, 2019:

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ -	\$ 1,500,907
Capital Reserve	1,500,000	-
Food Service	907	-
	\$ 1,500,907	\$ 1,500,907

Transfers are substantially for purposes of subsidizing operating functions and funding capital projects and asset acquisitions. For the year ended June 30, 2019, amounts were transferred from the General Fund to the Capital Reserve Fund to fund various future improvements and acquisitions. There was also a transfer to the Food Service Fund as a result of employee benefits funded by the General Fund.

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

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Intergovernmental receivables at June 30, 2019 consist of the following:

		<b>Governmental Funds</b>
State:	Social Security	\$ 442,293
	Retirement	1,729,629
	Grants/subsidies	183,650
Federal:	Grants/subsidies	116,899
		\$ 2,472,471

**CARLISLE 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, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Cost				
Assets not being depreciated				
Land	\$ 1,951,733	\$ -	\$ -	\$ 1,951,733
Construction in progress	932,366	4,809,811	(3,851,455)	1,890,722
Assets being depreciated				
Site improvements	9,100,380	125,972	-	9,226,352
Buildings and improvements	138,681,699	3,707,073	(958,663)	141,430,109
Equipment, furniture, and fixtures	21,004,454	293,138	(24,939)	21,272,653
Total cost	<u>171,670,632</u>	<u>8,935,994</u>	<u>(4,835,057)</u>	<u>175,771,569</u>
Less accumulated depreciation				
Site improvements	(3,564,864)	(441,537)	-	(4,006,401)
Buildings and improvements	(51,767,373)	(3,198,159)	636,801	(54,328,731)
Equipment, furniture, and fixtures	(14,865,403)	(1,258,573)	24,939	(16,099,037)
Total accumulated depreciation	<u>(70,197,640)</u>	<u>(4,898,269)</u>	<u>661,740</u>	<u>(74,434,169)</u>
<b>Capital assets, net</b>	<u>\$ 101,472,992</u>	<u>\$ 4,037,725</u>	<u>\$ (4,173,317)</u>	<u>\$ 101,337,400</u>
<b>Business-Type Activities</b>				
Cost				
Assets not being depreciated				
Land	\$ 153,900	\$ -	\$ -	\$ 153,900
Assets being depreciated				
Site improvements	15,183	24,847	-	40,030
Buildings and improvements	856,267	-	-	856,267
Equipment, furniture, and fixtures	2,599,934	13,686	-	2,613,620
Total cost	<u>3,625,284</u>	<u>38,533</u>	<u>-</u>	<u>3,663,817</u>
Less accumulated depreciation				
Site improvements	(15,183)	(2,485)	-	(17,668)
Buildings and improvements	(601,358)	(34,684)	-	(636,042)
Equipment, furniture, and fixtures	(2,419,783)	(42,457)	-	(2,462,240)
Total accumulated depreciation	<u>(3,036,324)</u>	<u>(79,626)</u>	<u>-</u>	<u>(3,115,950)</u>
<b>Capital assets, net</b>	<u>\$ 588,960</u>	<u>\$ (41,093)</u>	<u>\$ -</u>	<u>\$ 547,867</u>

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

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**NOTE 7 CAPITAL ASSETS (CONTINUED)**

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Depreciation expense was charged as follows in the Statement of Activities:

**Governmental Activities**

Instruction	\$ 3,060,087
Instructional student support	472,307
Administrative and financial support services	614,609
Operation and maintenance of plant services	412,698
Pupil transportation	244,778
Student activities	92,908
Community services	882
	<u>\$ 4,898,269</u>

**Business-Type Activities**

Food service	\$ 42,457
Property rental	37,169
	<u>\$ 79,626</u>

The construction in progress consists of the following at June 30, 2019:

Administrative Renovation	\$ 1,056,909
McGowan Restroom Renovation	311,323
District-wide Small Maintenance Projects	112,929
Various Projects	409,561
Total	<u>\$ 1,890,722</u>

As of June 30, 2019, the School District had the following construction commitments:

	<b>Total Estimated Costs</b>	<b>Total Costs Incurred</b>	<b>Total Costs To Be Incurred</b>
Administrative Renovation	\$ 1,072,153	\$ 1,056,909	\$ 15,244
McGowan Restroom Renovation	611,811	311,323	300,488
ERV System Replacement	400,000	38,801	361,199
HVAC Trane Replacement	300,000	5,720	294,280
LED Replacement and Upgrades	210,973	82,503	128,470
District-wide Small Maintenance Projects	150,000	112,929	37,071
Various Projects	927,134	282,537	644,597
	<u>\$ 3,672,071</u>	<u>\$ 1,890,722</u>	<u>\$ 1,781,349</u>

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

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

Accrued salaries, benefits, and withholdings consist of the following as of June 30, 2019:

<b>General Fund</b>	
Accrued salaries	\$ 2,462,578
Retirement	3,303,495
Social security	<u>179,464</u>
	<u><u>\$ 5,945,537</u></u>

**NOTE 9 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities</b>						
Bonds						
(A) Series of 2012A Bonds	\$ 475,000	\$ -	\$ (475,000)	\$ -	\$ -	\$ -
(B) Series of 2012B Bonds	2,330,000	-	(60,000)	2,270,000	740,000	1,530,000
(C) Series of 2014 Bonds	4,495,000	-	(1,480,000)	3,015,000	1,535,000	1,480,000
(D) Series of 2014A Bonds	655,000	-	(655,000)	-	-	-
(E) Series of 2014B Bonds	2,590,000	-	(1,940,000)	650,000	650,000	-
(F) Series of 2015A Bonds	6,590,000	-	(95,000)	6,495,000	1,465,000	5,030,000
(G) Series of 2015B Bonds	2,765,000	-	(60,000)	2,705,000	25,000	2,680,000
(H) Series of 2016 Bonds	2,485,000	-	(255,000)	2,230,000	260,000	1,970,000
(I) Series of 2017 Bonds	25,810,000	-	(160,000)	25,650,000	165,000	25,485,000
Direct Borrowing						
(J) Series of 2018 Note Unamortized bond premium/(discount)	6,980,000	-	(5,000)	6,975,000	525,000	6,450,000
	<u>4,604,847</u>	<u>-</u>	<u>(724,759)</u>	<u>3,880,088</u>	<u>662,660</u>	<u>3,217,428</u>
Subtotal - bonds/payable	<u>59,779,847</u>	<u>-</u>	<u>(5,909,759)</u>	<u>53,870,088</u>	<u>6,027,660</u>	<u>47,842,428</u>
Compensated absences/ retirement stipend						
Sick leave	848,380	841,106	(984,757)	704,729	99,191	605,538
Vacation	115,061	324,267	(318,844)	120,484	12,048	108,436
Retirement stipend	<u>616,000</u>	<u>60,500</u>	<u>(44,000)</u>	<u>632,500</u>	<u>59,177</u>	<u>573,323</u>
Subtotal - compensated absences/retirement stipend	<u>1,579,441</u>	<u>1,225,873</u>	<u>(1,347,601)</u>	<u>1,457,713</u>	<u>170,416</u>	<u>1,287,297</u>
<b>Total long-term liabilities</b>	<b>\$ 61,359,288</b>	<b>1,225,873</b>	<b>(7,257,360)</b>	<b>55,327,801</b>	<b>6,198,076</b>	<b>49,129,725</b>
<b>Business-Type Activities</b>						
Compensated absences:						
Sick leave	\$ 58	\$ 1,248	\$ (267)	\$ 1,039	\$ 104	\$ 935
Vacation	<u>-</u>	<u>832</u>	<u>(485)</u>	<u>347</u>	<u>35</u>	<u>312</u>
<b>Total long-term liabilities</b>	<b>\$ 58</b>	<b>\$ 2,080</b>	<b>\$ (752)</b>	<b>\$ 1,386</b>	<b>\$ 139</b>	<b>\$ 1,247</b>

**Bonds and Notes**

(A) On April 1, 2012, the School District issued general obligation bonds Series of 2012A in the amount of \$ 9,715,000. The proceeds were used to refinance the Series of 2009 bonds. A portion of the bonds were refunded with the issuance of the Series of 2018 Note. The bonds were due on March 1, 2019.

(B) On June 1, 2012, the School District issued general obligation bonds Series of 2012B in the amount of \$ 2,805,000. The proceeds were used to refinance the Series of 2007 bonds. The bonds are due in varying amounts on March 1 and September 1, 2012 to 2022. The bonds bear interest at rates ranging from 1.50% to 2.00%.

**CARLISLE 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)***

- (C) On July 22, 2014, the School District issued \$ 9,620,000 of General Obligation Bonds, Series 2014. The purpose of the issuance was to refund the School District's 2009B Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2021. The bonds bear interest at rates ranging from 0.25% to 3.00%.
- (D) On August 8, 2014, the School District issued \$ 2,550,000 of General Obligation Bonds, Series 2014A. The purpose of the issuance was to refund the School District's 2009A Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project and pay the costs of the issuance of the bonds. The bonds were due in varying amounts semi-annually on March 1 and September 1 with principal maturing September 1, 2018.
- (E) On December 3, 2014, the School District issued \$ 8,095,000 of General Obligation Bonds, Series 2014B. The purpose of the issuance was to refund a portion of the School District's General Obligation Bonds, Series of 2005, to fund capital projects of the School District, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2020. The bonds bear interest at rates ranging from 0.30% to 4.00%.
- (F) On January 5, 2015, the School District issued \$ 6,965,000 of General Obligation Bonds, Series 2015A. The purpose of the issuance was to refund the School District's 2005 Bonds, to fund a portion of the costs and expenses of the Crestview Elementary Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2022. The bonds bear interest at rates ranging from 2.00% to 3.00%.
- (G) On January 5, 2015, the School District issued \$ 2,945,000 of General Obligation Bonds, Series 2015B. The purpose of the issuance was to fund a portion of the costs and expenses of the Crestview Elementary Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2028. The bonds bear interest at rates ranging from 1.60% to 3.25%.
- (H) On July 7, 2016, the School District issued \$ 3,000,000 of General Obligation Bonds, Series of 2016. The purpose of the issuance was to fund a portion of the costs and expenses of the Hamilton Elementary School Project, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1 with principal maturing March 1, 2027. The bonds bear interest at rates ranging from 0.75% to 2.10%.
- (I) On February 16, 2017, the School District issued \$ 25,915,000 of General Obligation Bonds, Series of 2017. The purpose of the issuance was used to advance refund the Series of 2011 bonds, fund various capital projects, and pay the costs of the issuance of the bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1, with principal maturing September 1, 2026. The bonds bear interest at rates ranging from 2.00% to 5.00%. The defeased balance of the Series of 2011 General Obligation Bonds at June 30, 2019 was \$ 25,530,000.

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

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

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

(J) On January 4, 2018, the School District issued \$ 6,985,000 of General Obligation Note, Series of 2018. The purpose of this issuance was to refund a portion of Series A of 2012 bonds. The bonds are due in varying amounts semi-annually on March 1 and September 1, with principal maturing on March 1, 2023. The note bears interest at a fixed rate of 1.90%.

The School District general obligation bonds and note 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 and note holders.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2019 are as follows:

	Bonds					
	Series of 2012B		Series of 2014		Series of 2014B	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 740,000	\$ 38,000	\$ 1,535,000	\$ 61,040	\$ 650,000	\$ 26,000
2021	825,000	22,350	1,480,000	30,340	-	-
2022	705,000	7,050	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025 - 2028	-	-	-	-	-	-
	<u>\$ 2,270,000</u>	<u>\$ 67,400</u>	<u>\$ 3,015,000</u>	<u>\$ 91,380</u>	<u>\$ 650,000</u>	<u>\$ 26,000</u>

	Bonds					
	Series of 2015A		Series of 2015B		Series of 2016	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,465,000	\$ 153,085	\$ 25,000	\$ 83,337	\$ 260,000	\$ 44,900
2021	2,185,000	109,135	30,000	82,587	265,000	39,700
2022	2,845,000	65,435	90,000	81,687	270,000	34,400
2023	-	-	10,000	78,987	275,000	29,000
2024	-	-	25,000	78,687	280,000	23,500
2025 - 2028	-	-	2,525,000	279,111	880,000	36,400
	<u>\$ 6,495,000</u>	<u>\$ 327,655</u>	<u>\$ 2,705,000</u>	<u>\$ 684,396</u>	<u>\$ 2,230,000</u>	<u>\$ 207,900</u>

	Bonds		Direct Borrowing		Totals	
	Series of 2017		Series of 2018			
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 165,000	\$ 1,244,900	\$ 525,000	\$ 132,525	\$ 5,365,000	\$ 1,783,787
2021	170,000	1,240,700	540,000	122,550	5,495,000	1,647,362
2022	170,000	1,235,600	1,525,000	112,290	5,605,000	1,536,462
2023	935,000	1,219,025	4,385,000	83,315	5,605,000	1,410,327
2024	5,845,000	1,058,875	-	-	6,150,000	1,161,062
2025 - 2028	18,365,000	1,355,375	-	-	21,770,000	1,670,886
	<u>\$ 25,650,000</u>	<u>\$ 7,354,475</u>	<u>\$ 6,975,000</u>	<u>\$ 450,680</u>	<u>\$ 49,990,000</u>	<u>\$ 9,209,886</u>

**NOTE 10 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, prescription drug, dental and vision coverage for both retiree and family. The member is eligible until the employee reaches Medicare age. For all employees, to continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's premium for the coverage.

The retirees opting to participate are asked to pay a premium amount that is less than the School District's annual 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.

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

**PSERS**

In addition to other postemployment benefits 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, 2022 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 employers 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, 2018, there were no assumed future benefit increases 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).



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

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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Plan Membership***

**School District Plan**

Membership in the School District's plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Active participants	584
Vested former participants	0
Retired participants	<u>140</u>
Total	<u>724</u>

***Contributions***

**PSERS**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 250,347 for the year ended June 30, 2019.

***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 June 30, 2018, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2016 to July 1, 2017 based on actuarial valuation as of July 1, 2017, which was based on census information as of January 2018. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2019, the School District reported a total OPEB liability of \$ 2,347,652.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$ 156,467.

**PSERS**

At June 30, 2019, the School District reported a liability of \$ 4,559,992 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District's proportionate of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportionate was 0.2187 percent, which was a decrease of 0.0042 percent from its proportionate measured as of June 30, 2018.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$ 189,559.

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

**PSERS (Continued)**

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

	<b>Total OPEB/ Net OPEB</b>	
	<b>Liability</b>	<b>OPEB Expense</b>
School District Plan	\$ 2,347,652	\$ 156,467
PSERS	4,559,992	189,559
Total	<u>\$ 6,907,644</u>	<u>\$ 346,026</u>

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

**School District Plan**

	<b>Total OPEB Liability</b>
<b>Beginning Balance</b>	\$ 2,180,350
<b>Changes for the year:</b>	
Service cost	179,975
Interest	72,422
Difference between expected and actual experience	-
Changes in assumptions	786
Benefit payments	<u>(85,881)</u>
Net changes	<u>167,302</u>
<b>Ending Balance</b>	<u>\$ 2,347,652</u>

At June 30, 2019, 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	\$ -	\$ 924,919	\$ 28,000	\$ -	\$ 28,000	\$ 924,919
Changes in assumptions	61,700	-	72,000	173,000	133,700	173,000
Net difference between projected and actual investment earnings	-	-	8,000	-	8,000	-
Changes in proportions - plan	-	-	-	134,000	-	134,000
Change in proportion - fund	-	-	1,158	1,158	1,158	1,158
Difference between employer contributions and proportionate share of total contributions	-	-	12,749	601	12,749	601
Benefit payments/contributions subsequent to the measurement date	93,348	-	250,347	-	343,695	-
	<u>\$ 155,048</u>	<u>\$ 924,919</u>	<u>\$ 372,254</u>	<u>\$ 308,759</u>	<u>\$ 527,302</u>	<u>\$ 1,233,678</u>

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

**School District Plan (Continued)**

The amount of \$ 343,695 is reported as deferred outflows of resources related to OPEB resulting from School District benefit payments/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, 2019 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b>Year ended June 30</b>	<b>School District Plan</b>	<b>PSERS</b>	<b>Total</b>
2019	\$ (95,929)	\$ (29,551)	\$ (125,480)
2020	(95,929)	(37,551)	(133,480)
2021	(95,929)	(37,551)	(133,480)
2022	(95,929)	(38,551)	(134,480)
2023	(95,929)	(39,551)	(135,480)
Thereafter	(383,574)	(4,097)	(387,671)
Total	<u>\$ (863,219)</u>	<u>\$ (186,852)</u>	<u>\$ (1,050,071)</u>

***Actuarial Methods and Assumptions***

**School District Plan**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, 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, 2018, was determined by rolling forward the System's Total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

	<b>School District Plan</b>	<b>PSERS</b>
Actuarial Cost Method	Entry age normal	Entry age normal - level % of pay.
Investment Rate of Return	2.98%	2.98% - S&P 20 year municipal bond rate.
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.

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Actuarial Methods and Assumptions (Continued)*

**PSERS (Continued)**

(Continued)	School District Plan	PSERS
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	50% of employees are assumed to elect coverage at retirement.	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	6.00% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	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, \$ 4,703 for males and \$ 6,792 for females; 50-54, \$ 6,228 for males and \$ 7,676 for females; 55-59, \$ 7,586 for males and \$ 8,032 for females; and 60-64, \$ 9,900 for males and \$ 9,227 for females.	N/A

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

**PSERS**

*Investment Rate*

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

<b>OPEB – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.40%
	<u>100.0%</u>	

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

***Discount Rate***

The discount rate used to measure the total OPEB liability was 2.98% for both the School District’s Plan and PSERS. The School District Plan is not funded, therefore, the S&P 20 year municipal bond rate of 2.98% as of June 30, 2018 is 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. A discount rate of 2.98% which represents the S&P 20 year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

***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.

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
School District Plan - Total OPEB liability	\$ 2,534,694	\$ 2,347,652	\$ 2,172,651
PSERS - School District's proportionate share of the net OPEB liability	5,186,000	4,559,992	4,040,000

***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	<u>\$ 2,047,187</u>	<u>\$ 2,347,652</u>	<u>\$ 2,711,493</u>

**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	<u>\$ 4,559,000</u>	<u>\$ 4,559,992</u>	<u>\$ 4,561,000</u>

***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).

***Payables to the OPEB Plan***

**School District Plan**

As of June 30, 2019, the School District had no amounts payable to the School District OPEB Plan.

**PSERS**

As of June 30, 2019, the School District had \$ 82,019 included in accrued salaries and benefits liability, of which \$ 62,063 is for the contractually required contribution for the second quarter of 2019 and \$ 19,956 is related to the accrued payroll liability for wages incurred as of June 30, 2019.

**NOTE 11 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.pa.gov](http://www.psers.pa.gov).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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.

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.

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.

**NOTE 11 PENSION PLAN (CONTINUED)**

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

**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%.

*Employer Contributions:*

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District recognized as revenue by the pension plan were \$ 9,823,849 for the year ended June 30, 2019.

*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, 2019, the School District recognized revenue of \$ 5,314,615 as reimbursement for its current year pension payments.



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

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**NOTE 11 PENSION PLAN (CONTINUED)**

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

At June 30, 2019, the School District reported a liability of \$ 104,987,000 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The 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, 2018, the School District's proportion was 0.2187 percent, which was a decrease of 0.0042 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$ 9,156,172.

At June 30, 2019, 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	\$ 845,000	\$ 1,625,000
Changes in assumptions	1,956,000	-
Net difference between projected and actual investment earnings	515,000	-
Changes in proportionate share - plan	72,000	4,523,000
Changes in proportionate share - fund	42,660	42,660
Difference between employer contributions and proportionate share of total contributions	193,990	-
Contributions subsequent to the measurement date	<u>9,823,849</u>	<u>-</u>
	<u>\$ 13,448,499</u>	<u>\$ 6,190,660</u>

The \$ 9,823,849 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 382,865
2021	(603,339)
2022	(1,944,536)
2023	<u>(401,000)</u>
Total	<u>\$ (2,566,010)</u>

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

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**NOTE 11 PENSION PLAN (CONTINUED)**

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**Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2018 was determined by rolling forward the System’s total pension liability as of the June 30, 2017 to June 30, 2018 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, 2017 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.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public entity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative instruments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100%</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, 2018.

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

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**NOTE 11 PENSION PLAN (CONTINUED)**

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**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.

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</b>	<b>1% Increase</b>
	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
District’s proportionate share of the net pension liability	<u>\$ 130,139,000</u>	<u>\$ 104,987,000</u>	<u>\$ 83,720,000</u>

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

**Payables to the Pension Plan**

As of June 30, 2019, the School District had \$ 3,221,476 included in accrued salaries and benefits liability, of which \$ 2,437,669 is for the contractually required contribution for the second quarter of 2019 and \$ 783,807 is related to the accrued payroll liability for wages incurred as of June 30, 2019.

**NOTE 12 AFFILIATES**

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As explained in Note 1, the Carlisle Area School District is affiliated with the Harrisburg Area Community College (HACC). Total expenses incurred for HACC during the year ended June 30, 2019 were \$ 261,292.

## **CARLISLE AREA SCHOOL DISTRICT**

### **Notes to Financial Statements**

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#### **NOTE 13 COMMITMENTS AND 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.

The School District is involved with various potential lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. 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, 2019 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.

See Note 7 for a description of construction commitments at June 30, 2019.

#### **NOTE 14 RISK MANAGEMENT - INSURANCE**

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The School District's risk management activities are recorded in the general, food service, and internal service funds and are related to administering employee life, health, and disability, property and liability, worker's compensation, and unemployment insurance programs. The School District's risk management activities do not constitute a transfer of risk from the School District. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Significant losses are covered by commercial insurance for all major programs except workers' compensation and health insurance.

On July 1, 1995, the School District established the South Central Region School Employees Benefit and Welfare Trust (the Trust), a public entity risk pool, to provide its employees medical and dental insurance. The member school districts of the Trust elect trustees to manage it, but the risk is not shared among all members. At June 30, 2019, there were ten member school districts in the Trust. The School District uses a "claim-based" funding plan for medical insurance. Under this plan, the School District pays the Trust based on actual claims paid, or in essence, self-insures. The School District utilizes an internal service fund to account for the revenues and expenses of the program.

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

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**NOTE 14 RISK MANAGEMENT - INSURANCE (CONTINUED)**

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Payments are made from the general fund and food service fund to the internal service fund based on an estimate of expected claims established by the insurance carrier at the beginning of the year. Premiums charged in excess of claims paid and administrative costs are deposited in a rate-stabilization fund for the School District. Since the School District is responsible for its own risk, additional assessments would be charged to make up any deficiencies in this fund related to the School District; thus, this functions like a retrospectively rated program. The balance remaining in the rate-stabilization fund held by the Trust is considered a prepaid expense within the internal service fund. Provisions are in effect by the Trust to refund any excess monies should the School District withdraw or the Trust be dissolved. The School District maintains stop loss coverage for claims greater than \$ 250,000 individually and has an unlimited lifetime benefit per person.

Changes in health insurance claims liability amounts (including stop loss premiums and administrative charges) for the years ended June 30 were as follows:

<b>Year Ended June 30</b>	<b>Liability Beginning</b>	<b>Current Year Expense (including Changes in Estimate)</b>	<b>Payments</b>	<b>Liability Ending</b>
2019	\$ 364,365	\$ 7,503,347	\$ 7,434,992	\$ 432,720
2018	277,488	8,308,868	8,221,991	364,365

The ending liability consists of incurred but not reported (IBNR) claims as of June 30, 2019. The IBNR was estimated based on actual claims incurred prior to June 30, 2019, but paid after year end.

**NOTE 15 LEASES**

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The School District has entered into a noncancelable operating lease for copiers. Rent expense for 2018-2019 was \$ 155,834. The School District has the following future minimum payments:

2019-2020	\$ 148,026
2020-2021	74,013
	<u>\$ 222,039</u>

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

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**NOTE 16 RESTATEMENT**

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During the year ended June 30, 2019, a restatement was necessary related to accounts payable. As a result, the beginning fund balance/net position reflects the changes as of June 30, 2018 from the correction of accounts payable.

	<b>General Fund</b>	<b>Governmental Activities</b>
Fund balance/net position as of June 30, 2018, as originally stated	\$ 12,603,279	\$ (23,166,527)
Correction of accounts payable	<u>(194,686)</u>	<u>(194,686)</u>
Fund balance/net position as of June 30, 2018, as restated	<u>\$ 12,408,593</u>	<u>\$ (23,361,213)</u>
	<b>General Fund</b>	<b>Governmental Activities</b>
Change in fund balance/net position as of June 30, 2018, as originally stated	\$ (2,952,527)	\$ (622,865)
Correction of accounts payable	<u>(194,686)</u>	<u>(194,686)</u>
Change in fund balance/net position as of June 30, 2018, as restated	<u>\$ (3,147,213)</u>	<u>\$ (817,551)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.2187%	\$ 104,987,000	\$ 29,449,026	356.50%	54.00%
2018	0.2229%	110,086,755	29,693,080	370.75%	51.84%
2017	0.2660%	112,295,770	29,350,454	382.60%	50.14%
2016	0.2375%	102,873,859	30,552,732	336.71%	54.36%
2015	0.2392%	94,677,075	30,521,811	310.19%	57.24%

**NOTES**

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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.

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

**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.



**CARLISLE 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>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2019	\$ 9,742,415	\$ 9,742,415	\$ -	\$ 29,974,590	32.50%
2018	9,298,886	9,298,886	-	29,449,026	31.58%
2017	8,579,295	8,579,295	-	29,693,080	28.89%
2016	7,244,887	7,244,887	-	29,350,454	24.68%
2015	6,162,467	6,162,467	-	30,552,732	20.17%
2014	4,800,513	4,800,513	-	30,521,811	15.73%
2013	3,370,494	3,370,494	-	29,923,678	11.26%

**NOTES**

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

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of School District's Total OPEB Liability and Related Ratios -**  
**School District Plan**

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	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability - School District Plan</b>		
Service cost	\$ 179,975	\$ 235,299
Interest	72,422	81,125
Differences between expected and actual experience	-	(1,130,457)
Changes in assumptions	786	74,450
Benefit payments	<u>(85,881)</u>	<u>(224,300)</u>
Net change in total OPEB liability	167,302	(963,883)
Total OPEB liability - beginning	<u>2,180,350</u>	<u>3,144,233</u>
Total OEPB liability - ending	<u>\$ 2,347,652</u>	<u>\$ 2,180,350</u>
Covered employee payroll	Unavailable	\$ 29,132,167
Total OPEB liability as a percentage of covered employee payroll	N/A	7.48%

**NOTES**

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

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

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net OPEB Liability - PSERS**

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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 Proportionate 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>
2019	0.2187%	\$ 4,559,992	\$ 29,449,026	15.48%	5.56%
2018	0.2229%	4,541,391	29,693,080	15.29%	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 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.

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of School District's OPEB Contributions - PSERS**

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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>
2019	\$ 250,347	\$ 250,347	\$ -	\$ 29,974,590	0.84%
2018	243,636	243,636	-	29,449,026	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**

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

<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 (Unearned) at July 1, 2018</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Unearned) at June 30, 2019</b>	<b>Total Passed-Through to Subrecipients</b>
<b>U.S. Department of Education</b>											
Impact Aid	D	84.041	N/A	July 1, 2018 - June 30, 2019	597,271	597,271	-	597,271	597,271	-	-
Impact Aid	D	84.041	N/A	July 1, 2017 - June 30, 2018	429,731	128,181	128,181	-	-	-	-
Total direct funds						725,452	128,181	597,271	597,271	-	-
<b>Passed through the Pennsylvania Department of Education</b>											
ESEA Title I Improving Basic Programs	I	84.010	013-19-0063	July 1, 2018 - September 30, 2019	945,951	879,228	-	922,836	922,836	43,608	-
ESEA Title I Improving Basic Programs	I	84.010	013-18-0063	July 1, 2017 - September 30, 2018	924,636	130,565	116,682	13,883	13,883	-	-
Title I						1,009,793	116,682	936,719	936,719	43,608	-
ESEA Title II Improving Teacher Quality	I	84.367	020-19-0063	July 1, 2018 - September 30, 2019	169,708	170,181	-	169,708	169,708	(473)	-
ESEA Title II Improving Teacher Quality	I	84.367	020-18-0063	July 1, 2017 - September 30, 2018	170,186	(158)	(158)	-	-	-	-
Title II						170,023	(158)	169,708	169,708	(473)	-
ESEA Title III Language Instruction	I	84.365	010-19-0063	July 1, 2018 - September 30, 2019	42,303	24,173	-	38,871	38,871	14,698	-
ESEA Title III Language Instruction	I	84.365	010-18-0063	July 1, 2017 - September 30, 2018	31,438	2,246	2,246	-	-	-	-
Title III						26,419	2,246	38,871	38,871	14,698	-
ESEA Title IV Student Support & Academic Enrichment	I	84.424	144-19-0063	July 1, 2018 - September 30, 2019	66,665	38,094	-	58,875	58,875	20,781	-
Title IV						38,094	-	58,875	58,875	20,781	-
Secondary Allocation - Perkins	I	84.048	380-19-0106	July 1, 2018 - September 30, 2019	64,748	59,352	-	64,748	64,748	5,396	-
Total - Pennsylvania Department of Education						1,303,681	118,770	1,268,921	1,268,921	84,010	-
<b>Passed through Capital Area Intermediate Unit</b>											
I.D.E.A.	I	84.027	N/A	July 1, 2018 - June 30, 2019	892,593	892,593	-	892,593	892,593	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2017 - June 30, 2018	922,223	922,223	922,223	-	-	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2018 - June 30, 2019	7,020	7,020	-	7,020	7,020	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2017 - June 30, 2018	4,968	4,968	4,968	-	-	-	-
Total Special Education Cluster						1,826,804	927,191	899,613	899,613	-	-
Total - Capital Area Intermediate Unit						1,826,804	927,191	899,613	899,613	-	-
<b>Total U.S. Department of Education</b>						3,855,937	1,174,142	2,765,805	2,765,805	84,010	-

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2019**

<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 (Unearned) at July 1, 2018</b>	<b>Revenue Recognized</b>	<b>Expenditures Recognized</b>	<b>Receivable (Unearned) at June 30, 2019</b>	<b>Total Passed-Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>											
<b>Fresh Fruit and Vegetable</b>											
<b>Passed through Pennsylvania Department of Education</b>											
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2017 - June 30, 2018	22,395	3,280	3,280	-	-	-	-
<b>Child Nutrition Cluster</b>											
<b>Passed through Pennsylvania Department of Education</b>											
School Breakfast Program	I	10.553	N/A	July 1, 2018 - June 30, 2019	N/A	346,483	-	346,483	346,483	-	-
School Breakfast Program	I	10.553	N/A	July 1, 2017 - June 30, 2018	N/A	37,998	37,998	-	-	-	-
Total School Breakfast Program						384,481	37,998	346,483	346,483	-	-
Special Milk	I	10.556	N/A	July 1, 2017 - June 30, 2018	N/A	27	27	-	-	-	-
After School Snacks	I	10.555	N/A	July 1, 2018 - June 30, 2019	N/A	11	-	11	11	-	-
After School Snacks	I	10.555	N/A	July 1, 2017 - June 30, 2018	N/A	26	26	-	-	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2018 - June 30, 2019	N/A	1,051,369	-	1,051,369	1,051,369	-	-
National School Lunch Program (cash)	I	10.555	N/A	July 1, 2017 - June 30, 2018	N/A	108,276	108,276	-	-	-	-
<b>Passed through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program (commodities)	I(B)	10.555	N/A	July 1, 2018 - June 30, 2019	N/A	175,794	-	175,794	175,794	-	-
Total National School Lunch Program						1,335,476	108,302	1,227,174	1,227,174	-	-
Total Child Nutrition Cluster						1,719,984	146,327	1,573,657	1,573,657	-	-
<b>Total U.S. Department of Agriculture</b>						<b>1,723,264</b>	<b>149,607</b>	<b>1,573,657</b>	<b>1,573,657</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>						<b>\$ 5,579,201</b>	<b>\$ 1,323,749</b>	<b>\$ 4,339,462</b>	<b>\$ 4,339,462</b>	<b>\$ 84,010</b>	<b>\$ -</b>

**CARLISLE AREA SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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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 modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. 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 not to use the 10% de minimis indirect cost rate for its federal program.





**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  
Carlisle Area School District  
Carlisle, 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 Carlisle Area School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Carlisle Area School District’s basic financial statements, and have issued our report thereon dated December 20, 2019.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered Carlisle Area School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carlisle Area School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Carlisle 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

## **COMPLIANCE AND OTHER MATTERS**

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

## **CARLISLE AREA SCHOOL DISTRICT'S RESPONSE TO FINDINGS**

Carlisle Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carlisle Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



Carlisle, Pennsylvania  
December 20, 2019



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

Board of Directors  
Carlisle Area School District  
Carlisle, Pennsylvania

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

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

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

In our opinion, Carlisle 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, 2019.

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

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



Carlisle, Pennsylvania  
December 20, 2019

**CARLISLE AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

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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
10.553	Child Nutrition Cluster:
10.555	School Breakfast Program
	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

## **Section II - Financial Statement Findings**

### **A. Material Weaknesses in Internal Control**

**Finding Reference: 2019-001 – Procurement Cards**

*Criteria:* Internal control processes should include procedures to ensure procurement card transactions are valid, recorded in the proper period, supported by appropriate documentation, and adjusted to reflect the correct balances for presentation in accordance with generally accepted accounting principles for external financial reporting.

*Condition:* There were a number of duplicate charges to the School District's procurement card that were not identified as receivables within the School District's accounting records.

*Cause:* It was determined that one vendor had access to automatically charge the School District's procurement card for the services provided. This vendor was initiating procurement card payments from the School District through the auto-pay arrangement that in some cases resulted in duplicate payments for the same invoice. Review of procurement card statements was not performed properly to fully identify and correct this issue.

*Effect:* Without further analysis and resulting adjustments made subsequent to year-end, the financial statements would have been materially misstated, and the School District may not have received reimbursement for the duplicate payments. As of June 30, 2019, the School District overpaid a vendor \$ 261,408. An audit adjustment was made to properly record this as accounts receivable. Subsequent to June 30, 2019, the School District overpaid an additional \$ 276,278 for a total of \$ 537,686.

*Recommendation:* Procurement card statements should be thoroughly reviewed each month to ensure only legitimate charges are being recorded and paid. Detailed reviews of supporting documentation should be performed to ensure expenses are proper for the School District. These reviews should be performed and/or approved by someone who does not have access to initiate charges with procurements.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

In the 2019-20 school year, the School District recouped the funds from the vendors that were identified as duplicate charges. Starting in the 2019-20 school year, the School District is no longer on auto-pay for any vendor and procurement card statements will be thoroughly reviewed each month by the cardholder and supervisor to ensure only legitimate charges are being recorded and paid. If a discrepancy is found, the cardholder will work with the vendor to correct the charge immediately.

**Section II - Financial Statement Findings (Continued)**

**A. Material Weaknesses in Internal Control (Continued)**

**Finding Reference: 2019-002 – Accounts Payable**

*Criteria:* Internal control processes should include procedures to ensure accounts payable are properly recorded for all goods or services purchased or rendered prior to year-end.

*Condition:* It was determined that there were transportation related invoices relating to the 2017/2018 fiscal year that were recorded as expenditures on the 2018/2019 fiscal year.

*Cause:* The payment for these invoices did not occur until several months after year-end; and the expenditures were not properly identified as accounts payable as of June 30, 2018.

*Effect:* Without further analysis and a resulting restatement of fund balance as of June 30, 2018 through audit adjustments of approximately \$ 195,000, the financial statements would have been materially misstated.

*Recommendation:* Accounts payable should be reviewed to ensure all purchases and services rendered are properly recorded at year-end. This review should include payments made subsequent to year-end and a review of all goods or services rendered through the end of the year for which payment is not made timely.

*Views of Responsible Officials and Planned Corrective Actions:*

At year-end, accounts payable will be reviewed to ensure all purchases and services rendered are properly recorded at year-end to include any unpaid invoices. In addition, Business Office Management will perform budget to actual variance analysis quarterly and annually to identify any variances that are different than expected.

**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 in Internal Control**

None noted

**B. Compliance Findings**

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





Carlisle Area School District  
540 West North Street • Carlisle, Pennsylvania 17013  
717-240-6800 • [www.carliseschools.org](http://www.carliseschools.org)  
Christina M. Spielbauer • Superintendent

**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2019**

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**Findings related to financial statements:**

None.

**Findings related to federal awards:**

None.