



# **South Williamsport Area School District**

Financial Statements and  
Supplementary Information

June 30, 2019

# South Williamsport Area School District

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# South Williamsport Area School District

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## **Independent Auditors' Report**

To the Board of Directors of  
South Williamsport Area School District

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of South Williamsport Area School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **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 activity, each major fund and the aggregate remaining fund information of South Williamsport Area School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 (MD&A) on pages 3 through 10, Schedule of the District's Proportionate Share of the Net Pension Liability on page 46, Schedule of the District's Pension Contributions on page 47, Schedule of District's Proportionate Share of the Net OPEB Liability on page 48, Schedule of District's OPEB Contributions on page 49 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented on page 51 for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Williamsport, Pennsylvania  
December 19, 2019

# **South Williamsport Area School District**

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## **Management's Discussion and Analysis**

June 30, 2019

(Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the South Williamsport Area School District (the District) for the year ended June 30, 2019. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Total net position of the District decreased \$104,848 in 2019. Net position of governmental activities decreased \$81,514, a .47 percent decrease from 2018. Net position of the business-type activity decreased \$23,334, or 5.2 percent from 2018.

The District had \$19,544,700 in expenses related to governmental activities in 2019; only \$4,532,032 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$14,931,153 helped offset expenses for these programs.

In the District's business-type activity, net position decreased by \$23,334 as a result of the operations of the Food Service fund.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

The statement of net assets presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

## South Williamsport Area School District

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Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 11 and 12 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds (General Fund and Capital Projects Fund).

The basic governmental fund financial statements can be found on pages 13-16 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 17 of this report to demonstrate compliance with this budget.

# **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2019  
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## **Proprietary Fund**

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

## **Fiduciary Funds**

The District accounts for the activities of certain student clubs as Agency Funds, and funds it holds in a trustee capacity for individuals and private organizations as Private Purpose Trust Funds. These Fiduciary Fund financial statements can be found on pages 21-22 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

## **General Fund Budgetary Highlights**

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's originally approved budget for 2020 included \$19,344,318 of revenues and \$19,823,217 of expenditures, including a budgetary reserve of \$64,799. The budget was amended in 2019; while the total expenditures/budgetary reserve amounts did not change; there were various budgetary transfers were made between line items; none of which were individually significant.

The actual 2019 revenues were \$19,419,915 this amounted to \$75,597 (.39 percent) over final budget. Revenues were over budget due to grants we were awarded after the budget was passed. The most significant grant that we received that was unknown when the budget was approved was a \$60,000 grant to help fund the cost of a School Resource Officer.

Actual expenditures and other uses were \$19,787,634, or 99.8 percent of the original budget. The largest fluctuations between original budgeted expenses and the final actual amounts were the charter schools of approximately \$148,000 and contracted special education of approximately \$90,000. These increases were partially offset by savings in salaries and benefits from the elimination of an administrative position.



# South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

## Government-Wide Financial Analysis

The District's condensed government-wide financial statements are presented comparatively as follows:

### Condensed Statement of Net Position

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		
	2019	2018	2019	2018	2019	2018	Variance
Current and other assets	\$ 3,695	\$ 4,005	\$ 64	\$ 57	\$ 3,759	\$ 4,062	\$ (303)
Noncurrent assets	15,696	16,529	61	67	15,757	16,596	(839)
Total assets	19,391	20,534	125	124	19,516	20,658	(1,142)
Deferred outflow of resources	4,538	5,730	87	119	4,625	5,849	(1,224)
Total assets and deferred outflow of resources	<u>\$ 23,929</u>	<u>\$ 26,264</u>	<u>\$ 212</u>	<u>\$ 243</u>	<u>\$ 24,141</u>	<u>\$ 26,507</u>	<u>\$ (2,366)</u>
Current liabilities	\$ 4,090	\$ 4,125	\$ 18	\$ 12	\$ 4,108	\$ 4,137	\$ (29)
Long-term liabilities:							
Long-term debt	1,660	3,330	-	-	1,660	3,330	(1,670)
Other long-term liabilities	34,764	35,621	639	661	35,403	36,282	(879)
Total liabilities	40,514	43,076	657	673	41,171	43,749	(2,578)
Deferred inflow of resources	884	576	27	19	911	595	316
Total liabilities and deferred inflow of resources	<u>41,398</u>	<u>43,652</u>	<u>684</u>	<u>692</u>	<u>42,082</u>	<u>44,344</u>	<u>(2,262)</u>
Net position:							
Net investment in capital assets	11,755	10,706	61	67	11,816	10,773	1,043
Restricted for capital assets	608	768	-	-	608	768	(160)
Unrestricted	(29,832)	(28,862)	(533)	(516)	(30,365)	(29,378)	(987)
Total net position	<u>(17,469)</u>	<u>(17,388)</u>	<u>(472)</u>	<u>(449)</u>	<u>12,424</u>	<u>(17,837)</u>	<u>(104)</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 23,929</u>	<u>\$ 26,264</u>	<u>\$ 212</u>	<u>\$ 243</u>	<u>\$ 54,506</u>	<u>\$ 26,507</u>	<u>\$ (2,366)</u>

# South Williamsport Area School District

## Management's Discussion and Analysis

June 30, 2019

(Unaudited)

### Condensed Statement of Activities

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		
	2019	2018	2019	2018	2019	2018	Variance
Program revenues:							
Charges for services	\$ 52	\$ 65	\$ 240	\$ 244	\$ 292	\$ 309	\$ (17)
Operating grants and contributions	4,480	3,756	451	382	4,931	4,138	793
General revenues:							
Taxes levied for general purposes, net	8,526	8,195	-	-	8,526	8,195	331
Grants, subsidies and contributions not restricted	6,347	6,762	-	-	6,347	6,762	(415)
Other	59	27	-	-	59	27	32
Total revenues	19,464	18,805	691	626	20,155	19,431	724
Program expenses							
Instruction	13,254	13,134	-	-	13,254	13,134	120
Instructional student support	1,503	1,744	-	-	1,503	1,744	(241)
Administration and financial support services	1,800	1,868	-	-	1,800	1,868	(68)
Operation and maintenance of plant services	2,018	1,835	-	-	2,018	1,835	183
Pupil transportation	392	408	-	-	392	408	(16)
Student activities	503	547	-	-	503	547	(44)
Community services	5	8	-	-	5	8	(3)
Interest on long-term debt	70	102	-	-	70	102	(32)
Other	-	-	714	687	714	687	27
Total expenses	19,545	19,646	714	687	20,259	20,333	(74)
Change in net position	\$ (81)	\$ (841)	\$ (23)	\$ (61)	\$ (104)	\$ (902)	\$ 798

### Governmental Activities

The net position of the governmental activities decreased in 2019 by \$81,514 versus a \$841,456 decrease in 2018. Overall revenues increased due to increase real estate tax millage and additional federal and state grants. Expenditures in fiscal year 2019 overall were in-line with prior year therefore showing a smaller decrease in net position from fiscal year 2018.

### Business-Type Activity

The net position of the business-type activity decreased in 2019 by \$23,334 versus a \$61,416 decrease in 2018. During fiscal year 2019, the District received an increase in federal and state subsidies through a new breakfast program the District offered. Some of this increase in revenue was offset by increase in costs related to this program.

## South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

### Financial Analysis of the Major Funds

#### General Fund

The following represents a summary of General Fund revenue, by source, along with changes from 2019:

	<b>2019 Amount</b>	<b>2018 Amount</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Local sources	\$ 8,241,545	\$ 7,874,991	\$ 366,554	4.65 %
State sources	10,749,028	10,552,062	196,966	1.87
Federal sources	429,342	353,930	75,412	21.31
Total	<u>\$ 19,419,915</u>	<u>\$ 18,780,983</u>	<u>\$ 638,932</u>	3.40

#### Local Sources

The increase in local sources was due to the millage increase of 0.50 mills which approximates \$184,000. Earned income tax revenue increased \$81,000. Delinquent tax collection increased \$28,000. Interest income increased \$19,000 due to higher rates of return.

#### State Sources

The increase in state sources relates to a \$41,000 increase in retirement subsidy during the fiscal year, which have been affected by the increase in the employer's contribution rate to PSERS. The District received an increase in its basic subsidy by approximately \$34,000 and received three new grants during fiscal year 2019, a Pennsylvania Department of Education (PDE)/Office of State Schools grant for a School Resource Officer of \$60,000; a Pennsylvania Commission on Crime and Delinquency (PCCD) School Safety Grant of \$25,000; and a PDE PAsmart Grant of \$35,000. The PAsmart grant period encompasses two fiscal years. Revenue of \$27,000 from PAsmart grant was recognized in fiscal year 2019.

#### Federal Sources

The increase in federal sources relates to an increase in Title I funding of \$60,000 and also an increase in Title IV funding of \$11,000.

The following represents a summary of General Fund expenditures, by function, along with changes from 2019:

	<b>2019 Amount</b>	<b>2018 Amount</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Instruction	\$ 12,106,710	\$ 11,817,597	\$ 289,113	2.45 %
Support services	5,357,463	5,401,282	(43,819)	0.81
Noninstructional services	518,881	555,528	(36,647)	6.60
Debt service	1,804,580	1,806,023	(1,443)	0.08
Total	<u>\$ 19,787,634</u>	<u>\$ 19,580,430</u>	<u>\$ 207,204</u>	1.06

#### Instruction

The most significant increase in instruction was a \$266,000 increase in salaries and benefits. Under benefits, retirement rates increased from 32.57 percent to 33.43 percent and health insurance costs increased three percent. There was also an increase in alternative education expensed of approximately \$27,000.

## South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

### Support Services

Decrease in expenses for support services costs was due to the elimination of an administrator position during the school year. The decrease was offset by increases in salaries, retirement and health insurance as noted above.

### Non-Instructional Services

Decrease in expenses for non-instructional services, consisting primarily of the District's athletic operations is due to the restructuring of the Athletic Director position as a stipend position rather than a salaried position. This decrease was offset by increases in salaries and retirement as noted above.

### Debt Service

The minor decrease in debt service expenses correspond directly to scheduled principal and interest payments on District long-term debt.

### Capital Projects Fund

The Capital Projects Fund balance is \$608,140. Activities within this fund during the fiscal year ended June 30, 2019 were for various capital projects.

### Capital Assets

The District's investment in capital assets as of June 30, 2019 is summarized below.

	<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Totals</b>
Land	\$ 123,200	\$ -	\$ 123,200
Land improvements	1,779,771	-	1,779,771
Buildings and improvements	29,269,036	-	29,269,036
Furniture and equipment	1,985,538	379,514	2,365,052
Total	33,157,545	379,514	33,537,059
Less accumulated depreciation	(18,072,531)	(318,819)	(18,391,350)
Total	<u>\$ 15,085,014</u>	<u>\$ 60,695</u>	<u>\$ 15,145,709</u>

### Long Term Debt

At June 30, 2019, the District's general obligation debt was \$3,330,000. The District paid \$1,725,000 in principal payments of this debt during fiscal year 2019. The District's current debt obligation is expected to be paid in full in 2022.

## **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

### **Economic Condition and Outlook**

The District is situated along the Susquehanna River in Lycoming County. It appears that the District enrollment will remain stable for the next few years. Going forward, the Board's challenges include managing, to the extent possible, healthcare insurance premiums, retirement increases and salary increases. The District's facilities are aging which is causing an increase in repairs and maintenance. The District is experiencing an increase in the cost of servicing the needs of students in the areas of behavioral support, mental health support and academic support.

The largest challenge will be balancing the budget going forward. In the 2018/2019 fiscal year the District used \$367,719 of its fund balance and is currently projected to use approximately \$81,897 in the coming year. The District must find a way to either increase income or limit expenses in order to minimize the use of fund balance, while still providing quality education and services to the students in a safe and warm learning environment.

### **Requests for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, South Williamsport Area School District, Raymond R. Rommelt Building, 515 West Central Avenue, South Williamsport, Pennsylvania 17701-7206.

**South Williamsport Area School District**
**Statement of Net Position**

June 30, 2019

	Governmental Activities	Business-Type Activity	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,066,575	\$ 55,235	\$ 2,121,810
Investments	62,424	-	62,424
Taxes receivable, net	561,720	-	561,720
Other receivables	114,542	-	114,542
Due from other governments	889,661	4,181	893,842
Inventories	-	4,479	4,479
Total current assets	3,694,922	63,895	3,758,817
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	611,006	-	611,006
Land	123,200	-	123,200
Land improvements	1,779,771	-	1,779,771
Buildings and building improvements	29,269,036	-	29,269,036
Furniture and equipment	1,985,538	379,514	2,365,052
Accumulated depreciation	(18,072,531)	(318,819)	(18,391,350)
Total noncurrent assets	15,696,020	60,695	15,756,715
Total assets	19,390,942	124,590	19,515,532
<b>Deferred Outflows of Resources</b>			
Pension	4,220,540	86,996	4,307,536
Other postemployment benefits (OPEB)	317,213	-	317,213
Total deferred outflows of resources	4,537,753	86,996	4,624,749
Total assets and deferred outflows of resources	\$ 23,928,695	\$ 211,586	\$ 24,140,281
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
<b>Liabilities</b>			
Current liabilities:			
Current portion of bonds and note payable	\$ 1,670,000	\$ -	\$ 1,670,000
Accounts payable	437,690	9,918	447,608
Accrued salaries and benefits	1,120,026	-	1,120,026
Compensated absences	113,636	-	113,636
Unearned revenue	3,000	8,233	11,233
Accrued interest	17,853	-	17,853
Other current liabilities	727,982	-	727,982
Total current liabilities	4,090,187	18,151	4,108,338
Noncurrent liabilities:			
Long-term portion of bonds and note payable	1,660,000	-	1,660,000
Other postemployment benefits liability (OPEB)	5,255,329	-	5,255,329
Net pension liability	29,508,360	638,640	30,147,000
Total noncurrent liabilities	36,423,689	638,640	37,062,329
Total liabilities	40,513,876	656,791	41,170,667
<b>Deferred Inflows of Resources</b>			
Pension	781,095	27,035	808,130
Other postemployment benefits (OPEB)	102,348	-	102,348
Total deferred inflows of resources	883,443	27,035	910,478
<b>Net Position (Deficit)</b>			
Net investment in capital assets	11,755,014	60,695	11,815,709
Restricted for capital projects	608,140	-	608,140
Unrestricted	(29,831,778)	(532,935)	(30,364,713)
Total net position (deficit)	(17,468,624)	(472,240)	(17,940,864)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 23,928,695	\$ 211,586	\$ 24,140,281

See notes to financial statements

# South Williamsport Area School District

## Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activity	Total
<b>Governmental Activities</b>						
Instruction	\$ (13,253,266)	\$ 18,293	\$ 2,969,861	\$ (10,265,112)		\$ (10,265,112)
Operation and maintenance of plant services	(2,018,127)	-	238,749	(1,779,378)		(1,779,378)
Instructional student support	(1,502,542)	-	401,186	(1,101,356)		(1,101,356)
Administration and financial support services	(1,800,141)	-	166,032	(1,634,109)		(1,634,109)
Student activities	(502,935)	33,433	-	(469,502)		(469,502)
Pupil transportation	(392,485)	-	212,719	(179,766)		(179,766)
Community services	(4,871)	-	-	(4,871)		(4,871)
Interest on long-term debt	(70,333)	-	491,760	421,427		421,427
Total governmental activities	(19,544,700)	51,726	4,480,307	(15,012,667)		(15,012,667)
<b>Business-Type Activity</b>						
Food service	(714,054)	239,519	450,797	-	\$ (23,738)	(23,738)
Total	<u>\$ (20,258,754)</u>	<u>\$ 291,245</u>	<u>\$ 4,931,104</u>	<u>(15,012,667)</u>	<u>(23,738)</u>	<u>(15,036,405)</u>
<b>General Revenues</b>						
Grants, subsidies and contributions not restricted				6,346,612	-	6,346,612
Property taxes, levied for general purposes, net				6,348,765	-	6,348,765
Other taxes levied				2,176,922	-	2,176,922
Investment earnings				44,158	404	44,562
Insurance proceeds				8,117	-	8,117
Miscellaneous income				6,579	-	6,579
Total general revenues				<u>14,931,153</u>	<u>404</u>	<u>14,931,557</u>
Change in net position				(81,514)	(23,334)	(104,848)
<b>Net Deficit, Beginning</b>				<u>(17,387,110)</u>	<u>(448,906)</u>	<u>(17,836,016)</u>
<b>Net Deficit, Ending</b>				<u>\$ (17,468,624)</u>	<u>\$ (472,240)</u>	<u>\$ (17,940,864)</u>

See notes to financial statements

**South Williamsport Area School District**

Balance Sheet - Governmental Funds

June 30, 2019

	<b>General</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,066,575	\$ -	\$ 2,066,575
Restricted cash and cash equivalents	-	611,006	611,006
Investments	62,424	-	62,424
Taxes receivable, net	561,720	-	561,720
Other receivables	114,542	-	114,542
Due from other governments	889,661	-	889,661
Total assets	<u>\$ 3,694,922</u>	<u>\$ 611,006</u>	<u>\$ 4,305,928</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 434,824	\$ 2,866	\$ 437,690
Accrued salaries and benefits	1,120,026	-	1,120,026
Compensated absences	113,636	-	113,636
Other liabilities	727,982	-	727,982
Total liabilities	<u>2,396,468</u>	<u>2,866</u>	<u>2,399,334</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenue	<u>324,260</u>	<u>-</u>	<u>324,260</u>
<b>Fund Balances</b>			
Restricted	-	608,140	608,140
Committed	50,000	-	50,000
Unassigned	924,194	-	924,194
Total fund balances	<u>974,194</u>	<u>608,140</u>	<u>1,582,334</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,694,922</u>	<u>\$ 611,006</u>	<u>\$ 4,305,928</u>

See notes to financial statements



## South Williamsport Area School District

Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Position  
June 30, 2019

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 1,582,334</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$33,157,345 and the accumulated depreciation is \$18,072,531.		15,085,014
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are recorded as deferred inflows of resources.		321,260
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		4,220,540
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		(781,095)
Deferred outflows related to OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.		317,213
Deferred inflows related to OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.		(102,348)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, as not are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds and note payable	\$ (3,330,000)	
Accrued interest on bonds payable	(17,853)	
Other postemployment benefits	(5,255,329)	
Net pension liability	(29,508,360)	(38,111,542)
<b>Total Net Position - Governmental Activities</b>		<b>\$ (17,468,624)</b>

See notes to financial statements

**South Williamsport Area School District****Statement of Revenues, Expenditures and Changes in Fund Balances -****Governmental Funds**

Year Ended June 30, 2019

	<b>General</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>Revenues</b>			
Local sources	\$ 8,241,545	\$ 4,641	\$ 8,246,186
State sources	10,749,028	-	10,749,028
Federal sources	429,342	-	429,342
Total revenues	19,419,915	4,641	19,424,556
<b>Expenditures</b>			
Instruction	12,106,710	-	12,106,710
Support services	5,357,463	172,646	5,530,109
Noninstructional services	518,881	-	518,881
Debt service	1,804,580	-	1,804,580
Total expenditures	19,787,634	172,646	19,960,280
<b>Deficiency of Revenues Over Expenditures Before Other Financing Sources</b>	(367,719)	(168,005)	(535,724)
<b>Other Financing Sources</b>			
Insurance proceeds	-	8,117	8,117
Net changes in fund balances	(367,719)	(159,888)	(527,607)
<b>Fund Balances, Beginning</b>	1,341,913	768,028	2,109,941
<b>Fund Balances, Ending</b>	\$ 974,194	\$ 608,140	\$ 1,582,334

See notes to financial statements

**South Williamsport 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

**Total Net Change in Fund Balances - Governmental Funds** **\$ (527,607)**

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

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

Depreciation expense	(835,920)	
Capital outlays	<u>159,541</u>	(676,379)

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

30,511

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and leases consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. During the fiscal year ended June 30, 2019, the following transactions factor into this reconciliation (including refinancing activities:

Repayment of long-term debt principal	1,725,000
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Other postemployment benefits payable are considered long-term in nature, and are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within statement of activities. This amount represents the change in the other postemployment benefits payable and associated deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2019.

(118,423)

Net pension liability is considered long-term in nature, and is not reported as a liability within the Funds. Such liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of net position.

This represents the net change in pension liability and the deferred outflows and inflows related to the pension.

(523,863)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when when it is due. The additional interest accrued in the statement of activities over the amount due is shown here:

Prior year accrued interest	27,100	
Current year accrued interest	<u>(17,853)</u>	<u>9,247</u>

**Change in Net Position of Governmental Activities** **\$ (81,514)**

**South Williamsport Area School District**

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended June 30, 2019

	<b>Budgeted Amount</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Local sources	\$ 8,216,331	\$ 8,216,331	\$ 8,241,545	\$ 25,214
State sources	10,694,784	10,694,784	10,749,028	54,244
Federal sources	433,203	433,203	429,342	(3,861)
Total revenues	19,344,318	19,344,318	19,419,915	75,597
<b>Expenditures</b>				
Instruction:				
Regular programs	8,652,884	8,709,526	8,710,661	(1,135)
Special programs	2,007,258	2,086,308	2,086,642	(334)
Vocational education programs	791,572	775,030	774,877	153
Other instructional programs	543,424	538,909	534,530	4,379
Total instruction	11,995,138	12,109,773	12,106,710	3,063
Support services:				
Pupil personnel	390,328	332,299	330,998	1,301
Instructional staff	750,857	802,879	802,849	30
Administration	1,378,201	1,360,335	1,338,934	21,401
Pupil health	180,824	176,099	170,461	5,638
Business	378,971	411,067	411,060	7
Operation and maintenance of plant services	1,862,951	1,910,703	1,910,676	27
Student transportation services	422,088	389,992	392,485	(2,493)
Total support services	5,364,220	5,383,374	5,357,463	25,911
Noninstructional services:				
Student activities	577,765	508,775	502,373	6,402
Community services	14,912	16,510	16,508	2
Total noninstructional services	592,677	525,285	518,881	6,404
Debt service	1,806,383	1,804,785	1,804,580	205
Total expenditures	19,758,418	19,823,217	19,787,634	35,583
<b>Deficiency of Revenues Over Expenditures Before Other Financing Uses</b>	(414,100)	(478,899)	(367,719)	111,180
<b>Other Financing Uses</b>				
Budgetary reserve	64,799	-	-	-
Net changes in fund balances	(478,899)	(478,899)	(367,719)	111,180
<b>Fund Balance, Beginning</b>	1,516,468	1,516,468	1,341,913	(174,555)
<b>Fund Balance, Ending</b>	<u>\$ 1,037,569</u>	<u>\$ 1,037,569</u>	<u>\$ 974,194</u>	<u>\$ (63,375)</u>

See notes to financial statements

## South Williamsport Area School District

### Statement of Fund Net Position - Proprietary Fund - Food Service

June 30, 2019

#### Assets and Deferred Outflows of Resources

##### Current Assets

Cash	\$ 55,235
Due from other governments	4,181
Inventories	<u>4,479</u>
Total current assets	<u>63,895</u>

##### Noncurrent Assets

Machinery and equipment	379,514
Accumulated depreciation	<u>(318,819)</u>
Total noncurrent assets	<u>60,695</u>

Total assets	124,590
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##### Deferred Outflows of Resources - Pension

	<u>86,996</u>
Total assets and deferred outflows of resources	<u>\$ 211,586</u>

#### Liabilities, Deferred Inflows of Resources and Net Position

##### Current Liabilities

Accounts payable	\$ 9,918
Unearned revenue	<u>8,233</u>
Total current liabilities	18,151

Noncurrent liabilities, Net pension liability	<u>638,640</u>
--------------------------------------------------	----------------

Total liabilities	<u>656,791</u>
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##### Deferred Inflows of Resources - Pension

	<u>27,035</u>
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##### Net Position (Deficit)

Net investment in capital assets	60,695
Unrestricted	<u>(532,935)</u>

Total net position (deficit)	<u>(472,240)</u>
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Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 211,586</u>
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See notes to financial statements

## South Williamsport Area School District

### Statement of Revenues, Expenses and Change in Fund Net Position - Proprietary Fund -

#### Food Service

Year Ended June 30, 2019

#### Operating Revenues

Food service revenue	\$ 239,519
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#### Operating Expenses

Other purchased services	389,494
Salaries and employee benefits	316,843
Depreciation	6,596
Supplies	1,121

Total operating expenses	714,054
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Operating loss	(474,535)
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#### Nonoperating Revenues

State sources	23,032
Federal sources	427,765
Earnings on investments	404

Total nonoperating revenues	451,201
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Change in net position	(23,334)
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Net Deficit, Beginning	(448,906)
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Net Deficit, Ending	\$ (472,240)
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## South Williamsport Area School District

### Statement of Cash Flows - Proprietary Fund -

#### Food Service

Year Ended June 30, 2019

#### Cash Flows From Operating Activities

Cash received from customers	\$ 238,415
Cash paid to employees and vendors	(680,524)
Net cash used in operating activities	(442,109)

#### Cash Flows From Noncapital Financing Activities

State sources	25,452
Federal sources	467,454
Net cash provided by noncapital financing activities	492,906

#### Cash Flows From Investing Activities

Earnings of investments	404
Increase in cash	51,201

#### Cash, Beginning

4,034

#### Cash, Ending

\$ 55,235

#### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (474,535)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,596
Changes in assets and liabilities resulting in the provisions (use) of cash:	
Inventory	1,774
Deferred outflow of resources	31,741
Accounts payable	7,100
Unearned revenue	(1,104)
Net pension liability	(22,111)
Deferred inflow of resources	8,430
Net cash used in operating activities	\$ (442,109)

#### Supplemental Disclosure of Noncash Operating Activities

Donated commodities received	\$ 37,431
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**South Williamsport Area School District**

## Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2019

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	<u>\$         97,021</u>	<u>\$        121,774</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Due to student groups		<u>\$        121,774</u>
<b>Net Position</b>		
Restricted	<u>\$         97,021</u>	

*See notes to financial statements*



**South Williamsport Area School District**

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
Year Ended June 30, 2019

	<b>Private Purpose Trust Fund</b>
<b>Additions</b>	
Contributions	\$ 500
Interest and dividends	<u>1,966</u>
Total additions	2,466
<b>Deductions</b>	
Scholarships awarded	<u>3,094</u>
Changes in net position	(628)
<b>Net Position, Beginning</b>	<u>97,649</u>
<b>Net Position, Ending</b>	<u><u>\$ 97,021</u></u>

See notes to financial statements

# South Williamsport Area School District

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Notes to Financial Statements

June 30, 2019

## 1. Nature of Operations and Summary of Significant Accounting Policies

The major accounting principles and practices followed by the South Williamsport Area School District (the District) are summarized below:

### Nature of Operations

The District provides elementary and secondary education to the residents of the following municipalities: The Boroughs of Duboistown and South Williamsport, and; Armstrong Township and Susquehanna Township.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

### Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

### Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General and Capital Project Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

## **South Williamsport Area School District**

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Notes to Financial Statements  
June 30, 2019

### **Basis of Presentation - Fund Financial Statements**

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

### **Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and remaining balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

#### **General Fund**

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund. The General Fund is always reported as a major fund.

#### **Capital Projects Fund**

The Capital Projects Fund accounts for the financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Capital Projects fund is a major fund.

### **Proprietary Fund Type**

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, which accounts for the cafeteria operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and non-operating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as non-operating.

### **Fiduciary Fund Types**

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:

#### **Agency Fund**

The Agency Fund accounts for the assets held by the District in a purely custodial capacity for specific other persons, organizations or governments. Generally, there is no trust agreement that affects the degree of management involvement and the length of time that the resources are held. This fund includes the Student Activities Fund and associated clubs.

#### **Private Purpose Trust Fund**

Private Purpose Trust Funds are used to account for assets held by the District in a trustee capacity for individuals and private organizations. This fund, known as the Student Awards Fund, has a net position of \$97,021 at June 30, 2019 that is primarily restricted for school awards.

## **Measurement Focus**

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

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's net total position.

### **Fund Financial Statements**

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

## **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### **Accrual Basis**

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred (i.e., when each party gives and receives essentially equal value when the exchange takes place). Non-exchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue, entitlements and appropriations are recognized when grantor eligibility requirements are met.

### **Modified Accrual Basis**

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues, primarily intergovernmental receivables. Expenditures, other than principal and interest on bonds payable, compensated absences, other postemployment benefits (OPEB), pension liabilities and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences and claims and judgments are recorded as fund liabilities when due and unpaid.

## **South Williamsport Area School District**

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Notes to Financial Statements  
June 30, 2019

The District reports unearned revenue on its fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

### **Allocation of Indirect Expenses**

The District allocates depreciation expense by functional expense category. It does not allocate any other indirect costs.

### **Budgetary Data**

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the superintendent, together with the business office, to prepare and submit a plan of financial operation to the School Board.

### **Cash and Cash Equivalents**

Cash consists of the District's deposits with financial institutions, carried at cost.

### **Investments**

The District considers its deposits with the Pennsylvania Local Government Investment Trust (PLGIT) to be held for short-term investment purposes. These deposits are carried at fair value, as reported by PLGIT.

### **Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or market, except for donated inventories, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

### **Capital Assets**

Capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 assets but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported both in the business-type activities of the government-wide statement of net assets and in the fund financial statements.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets, if any, are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$1,500. 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 not.

All capital assets except land and construction in progress are depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land improvements	15-20 years	N/A
Buildings and improvements	20-40 years	N/A
Furniture and equipment	3-20 years	5-10 years

The District does not have any infrastructure capital assets.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

### Compensated Absences

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated. The rate paid varies by position. Vacation leave is available only to administrative and twelve-month support employees. Vacation pay is earned in the year in which the service has been performed. Employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

### Pension

The District provides eligible employees with retirement benefits through the Public School Employer's Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

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

### Other Postemployment Benefits

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

## South Williamsport Area School District

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### Notes to Financial Statements

June 30, 2019

#### Governmental Fund Balance Classifications/Policies and Procedures

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the District's "highest level of decision-making authority" which do not lapse at year-end
  - The School Board of the District is its highest level of decision-making authority and commits funds through a formal board motion
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District
  - The School Board of the District authorized the District Business Manager to assign funds to specific purposes
  - The School Board passed a board motion authorizing assignments for activities as contemplated by the Board
- *Unassigned* - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the District's policy is to use committed resources, then to assigned resources, and then to unassigned resources.

#### Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net position.

## South Williamsport Area School District

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Notes to Financial Statements  
June 30, 2019

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

### New Accounting Principles

The District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, for the year ended June 30, 2019. GASB 88 improves the information that is disclosed related to debt, including direct borrowings and directs which liabilities governments should include when disclosing information related to debt. The adoption of this standard did not have a significant impact on the District's financial statements.

## 2. Cash and Cash Equivalents

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to those statutes.

### Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2019, \$2,825,408 of the District's bank balance was exposed to custodial credit risk, since the balance was uninsured and collateralized with securities held by the financial institutions' agent, but not specifically in the District's name.

### Investments

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation 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 is pledged by the depository. Shares may be withdrawn at any time, in any amount, with no liquidity fee or redemption gates. PLGIT/PLGIT PLUS have received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. At June 30, 2019, the carrying amount and bank balances of the District's deposits with PLGIT were \$62,424.



## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2019

### 3. Property Taxes

Real estate taxes for the District are collected from the Boroughs of Duboistown and South Williamsport, and the Townships of Armstrong and Susquehanna. The tax on real estate for public school purposes for fiscal year 2019 was 15.75 mills (per \$1,000 of assessed valuation) as levied by the District's Board. Assessed valuations of property are determined by the County of Lycoming and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 - August 31	2% Discount Period
September 1 - October 31	Face Payment Period
November 1 - June 30	10% Penalty Period
June 30	Lien Date

Estimated collectible real estate taxes at June 30, 2019 amounted to \$321,260 as follows:

<u>Outstanding Balance</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
\$ 334,801	\$ 13,541	\$ 321,260

Also included in taxes receivable, net at June 30, 2019 are earned income taxes of \$204,067, and other local taxes totaling \$36,393.

### Tax Abatement Program

The District provides a property tax abatement program, "Clean and Green", to eligible taxpayers. Clean and Green is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in a tax savings for landowners. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage the protection of the Commonwealth's valuable farmland, forest and open spaces. A property must be ten acres in size, and in agricultural use/agricultural reserve. Agricultural use applications may be less than 10 acres in size if the property is capable of generating at least \$2,000 annually in fair income. The total amount of taxes abated under the Clean and Green program during the year ended June 30, 2019 amounted to approximately \$58,000.

### 4. Due from Other Governments

The amount reported at June 30, 2019 as due from other governments is summarized below:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Pennsylvania Department of Education:			
State source	\$ 813,397	\$ 234	\$ 813,631
Federal source (pass-through funding)	76,264	3,947	80,211
Total	<u>\$ 889,661</u>	<u>\$ 4,181</u>	<u>\$ 893,842</u>

Amounts due from the federal and state government are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education at June 30, 2019.

# South Williamsport Area School District

Notes to Financial Statements

June 30, 2019

## 5. Capital Assets

The changes in the District's capital assets in 2019 are summarized as follows:

	Balance July 1, 2018	Acquisitions	Disposals	Balance June 30, 2019
<b>Governmental activities</b>				
Cost:				
Assets not being depreciated,				
Land	\$ 123,200	\$ -	\$ -	\$ 123,200
Assets being depreciated:				
Land improvements	1,767,093	12,678	-	1,779,771
Buildings and improvements	29,180,527	88,509	-	29,269,036
Furniture and equipment	2,016,243	58,354	(89,059)	1,985,538
Total cost	33,087,063	159,541	(89,059)	33,157,545
Less accumulated depreciation:				
Land improvements	(1,597,498)	(77,090)	-	(1,674,588)
Buildings and improvements	(14,241,434)	(636,360)	-	(14,877,794)
Furniture and equipment	(1,486,738)	(122,470)	89,059	(1,520,149)
Total accumulated depreciation	(17,325,670)	(835,920)	89,059	(18,072,531)
Governmental activities capital assets, net	\$ 15,761,393	\$ (676,379)	\$ -	\$ 15,085,014
<b>Business-type activity</b>				
Asset being depreciated,				
Furniture and equipment	\$ 379,514	\$ -	\$ -	\$ 379,514
Less accumulated depreciation	(312,223)	(6,596)	-	(318,819)
Business-type activity capital assets, net	\$ 67,291	\$ (6,596)	\$ -	\$ 60,695

Depreciation expense amounted to \$835,920 for the District's governmental activities and was allocated to expense as follows for the year ended June 30, 2019:

Function/Program:	
Instruction	\$ 740,118
Operation and maintenance of plant services	35,249
Instructional student support	60,553
Total	\$ 835,920

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

#### 6. Long-Term Debt

During the fiscal year ended June 30, 2014, the District issued its Series A of 2014 general obligation bonds in the amount of \$4,040,000, the proceeds of which were used to currently refund the remaining 2009 general obligation bonds, as well as to pay the costs of issuance related to the bonds. The bonds are due in varying installments plus interest at a rate of 2.00 percent. The bonds were paid in full as of June 30, 2019.

During the fiscal year ended June 30, 2014, the District issued its Series AA of 2014 general obligation bonds in the amount of \$1,950,000, the proceeds of which were used to currently refund the remaining 2012 general obligation note, as well as to pay the costs of issuance related to the bonds. The bonds are due in varying installments plus interest at a varying rate of 2.00 percent to 2.15 percent, with a final maturity scheduled for March 2022. The balance outstanding at June 30, 2019 was \$1,675,000.

During the fiscal year ended June 30, 2016, the District issued its series of 2016 general obligation note in the amount of \$3,195,000, the proceeds of which were used to currently refund its remaining 2011 general obligation bonds, as well as the costs of issuance related to the note. The note is pledged by full faith, credit and taxing power of the District. The note is due in varying installments plus interest at a rate of 1.55 percent, with a final maturity scheduled for June 2020. The balance outstanding at June 30, 2019, was \$1,655,000.

	Balance at July 1, 2018	Additions	Retirements	Balance at June 30, 2019	Current Portion June 30, 2019
Series A of 2014 GOB	\$ 850,000	\$ -	\$ (850,000)	\$ -	\$ -
Series AA of 2014 GOB	1,780,000	-	(105,000)	1,675,000	15,000
Series of 2016 Note (direct borrowing)	2,425,000	-	(770,000)	1,655,000	1,655,000
Total	<u>\$ 5,055,000</u>	<u>\$ -</u>	<u>\$ (1,725,000)</u>	<u>\$ 3,330,000</u>	<u>\$ 1,670,000</u>

Total interest expense on long-term debt in 2019 was \$68,020.

At June 30, 2019, the District's debt service requirements to maturity on its long-term debt are summarized below:

	General Obligation Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
Years ending June 30:				
2020	\$ 15,000	\$ 33,943	\$ 1,655,000	\$ 13,654
2021	1,265,000	21,143	-	-
2022	395,000	4,246	-	-
Total	<u>\$ 1,675,000</u>	<u>\$ 59,332</u>	<u>\$ 1,655,000</u>	<u>\$ 13,654</u>

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2019

### 7. Compensated Absences

**Vacation** - District employees who are required to work on a twelve-month schedule are credited with vacation at rates that vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

**Sick Leave and Personal Leave** - Most District employees are credited with ten days of sick leave and three days of personal leave annually, with sick leave accruing to an unlimited maximum. However, accumulation is not compensated upon termination.

The changes in the District's compensated absences in 2019 are summarized as follows:

Balance, July 1, 2018	\$	163,883
Increase		107,189
Decrease		(157,436)
		<hr/>
Balance, June 30, 2019	\$	113,636

The District normally pays its compensated absences from the General Fund.

### 8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund and governmental activities totaling \$1,120,026 represent salaries of \$794,582, the District's share of Social Security taxes of \$57,994 for teachers' services during the 2018-2019 school term, which are paid during July and August 2019, and retirement plan expense of \$267,450 applicable to the accrued salaries at June 30, 2019.

### 9. Other Post-Employment Benefits (OPEB)

#### South Williamsport Area School District Postemployment Benefit Plan

##### **Plan Description**

The District's defined benefit OPEB plan, the South Williamsport Area School District Postemployment Benefit Plan, provides full coverage in health care benefits for teachers and their spouses who retired, prior to the 2007/2008 school year, at age 55 or later, to age 65, who had 15 or more years credited service with the District. For teachers who retire after the 2007/2008 school year, the District only provides full coverage for the retiree, to age 65. The District also provides full coverage in individual health care benefits for administrators who were hired as of July 1, 2005, and their spouses, who retire at age 55 or later, up to age 65, and who have at least 15 years of service with the District. The District only covers the cost of the administrator's health care benefits who were hired after July 1, 2005. The cost of such coverage for retirees and their spouses is primarily funded through annual appropriations from the District's General Fund. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100 percent of the composite rate cost of such coverage. The South Williamsport Area School District OPEB Plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

#### Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	128
Total	145

#### Total OPEB Liability

The District's total OPEB liability as of June 30, 2019 was \$3,946,329, which was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Interest rate	2.98%
Salary increases	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%
Discount rate	2.98%
Healthcare cost trend rates	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2018.

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

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

For mortality rates, 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.

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at July 1, 2018	\$ 3,780,368
Changes for the year:	
Service cost	191,682
Interest	121,747
Changes of benefit terms	-
Changes of assumptions or other inputs	4,616
Benefit payments	(152,084)
Net changes	165,961
Balance at June 30, 2019	\$ 3,946,329

Changes in assumptions or other inputs reflect a change in the discount rate from 3.13 percent in 2017 to 2.98 percent in 2018.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current discount rate:

	<b>1% Decrease (1.98%)</b>	<b>Discount Rate (2.98%)</b>	<b>1% Increase (3.98%)</b>
Total OPEB Liability	\$ 4,240,234	\$ 3,946,329	\$ 3,666,626

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 3,463,424	\$ 3,946,329	\$ 4,518,438

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2019

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$308,810. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date (July 1, 2018)	\$ 183,609	\$ -
Changes of assumptions or other inputs	4,196	45,348
Total	<u>\$ 187,805</u>	<u>\$ 45,348</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2020	\$ (4,619)
2021	(4,619)
2022	(4,619)
2023	(4,619)
2024	(4,619)
Thereafter	<u>(18,057)</u>
Total	<u>\$ (41,152)</u>

### PSERS Health Insurance Premium Assistance Program

#### General Information about the PSERS Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

#### Premium Assistance Eligibility Criteria

Retirees of PSERS can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

#### Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$70,408 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,309,000 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 PSERS' total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.0628 percent, which was a decrease of .0004 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$65,000.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 21,000	\$ 50,000
Net differences between projected and actual investment earnings	2,000	-
District contributions subsequent to the measurement date	70,408	-
Difference between expected and actual experience	8,000	-
Changes in proportion	28,000	7,000
	<u>\$ 129,408</u>	<u>\$ 57,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2020	\$ -
2021	-
2022	-
2023	(1,000)
2024	(1,000)
Thereafter	4,000
Total	<u>\$ 2,000</u>



### Actuarial Assumptions

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:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 2.98 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50 percent
  - Eligible retirees will elect to participate Post age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits).

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

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

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

OPEB Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9 %	0.3 %
U.S. core fixed income	92.8	1.2
Non-U.S. developed fixed	1.3	0.4
	<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 percent. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98 percent 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 PSERS Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents PSERS net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS Net OPEB Liability	\$ 1,489,000	\$ 1,309,000	\$ 1,160,000

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:

	<b>1% Decrease 1.98%</b>	<b>Discount Rate 2.98%</b>	<b>1% Increase 3.98%</b>
District's proportionate share of the net OPEB liability	\$ 1,309,000	\$ 1,309,000	\$ 1,310,000

#### OPEB Plan Fiduciary Net Position

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

#### 10. Termination Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and their dependents. Requirements are outlined by the federal government for this coverage. The premium plus a two percent administrative fee is paid in full by the eligible participant. This program is offered up to a period of 18 months (36 months for an employee with dependents) after an employee's termination date. At June 30, 2019, there were no participants covered under COBRA.

The District provides a retirement stipend for administrators retiring with at least 15 years of service and at least 25 years of service in public education and having reached 55 years of age. The maximum retirement stipend is \$10,000.

During the year ended June 30, 2019, one stipend of \$10,000 was distributed to an administrator.

#### 11. Retirement Plan

As of June 30, 2019, the District reported the following amounts in the accompanying financial statements related to their participation in the PSERS:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Deferred Outflow of Resources	\$ 4,220,540	\$ 86,996	\$ 4,307,536
Net Pension Liability	29,508,359	638,640	30,146,999
Deferred Inflow of Resources	781,095	27,035	808,130

## South Williamsport Area School District

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Notes to Financial Statements

June 30, 2019

### Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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 percent or 2.5 percent, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 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 percent or 2.5 percent, depending upon membership class, of the member's final salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

### Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5 percent (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.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

#### Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 32.60 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$2,765,406 for the year ended June 30, 2019.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the District reported a liability of \$30,146,999 for its proportionate share of the PSERS net pension liability. The PSERS 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 PSERS total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the PSERS 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 District's proportion was 0.628 percent, which was a decrease from its proportion measured as of June 30, 2017 of 0.632 percent.

For the year ended June 30, 2019, the District recognized pension expense of approximately \$2,835,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion between Governmental and Business-Type Activity	\$ 10,130	\$ 10,130
Difference between expected and actual experience	242,000	466,000
Changes in assumptions	562,000	-
Net difference between projected and actual earnings on pension plan investments	148,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	580,000	332,000
District contributions subsequent to the measurement date	2,765,406	-
Total	\$ 4,307,536	\$ 808,130

\$2,765,406 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2020	\$ 722,000
2021	342,000
2022	(216,000)
2023	(114,000)
	<hr/>
Total	\$ 734,000

### 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 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2018:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	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 investments	15.0	6.7
Cash	3.0	.4
Financing (LIBOR)	(20.0)	.9
	<hr/>	
	100.0 %	

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2019

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

#### Discount Rate

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
District's proportionate share of the net pension liability	\$ 37,370,000	\$ 30,147,000	\$ 24,040,000

#### 12. Fund Balance Classifications

The District presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Restricted for, Capital projects	\$ -	\$ 608,140	\$ 608,140
Committed for, PSERS	\$ 50,000	\$ -	\$ 50,000

#### 13. Significant Group Concentrations of Credit Risk

The District's operations are located in South Williamsport, Pennsylvania. Its service area is located within the geographic bounds of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

## South Williamsport Area School District

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Notes to Financial Statements

June 30, 2019

### 14. Commitments and Contingencies

#### Grant Programs

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

### 15. Non-Monetary Transactions

The District receives USDA Donated Commodities in the Food Service Fund. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total food commodities donated by the federal government and received by the District during 2019 were \$37,431.

### 16. Transactions With Other Local Educational Agencies (LEAs)

The District is a member of B.L.a.S.T. Intermediate Unit 17. Through the membership, the District is able to secure various special services, including special education.

### 17. Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No.61*
- Statement No. 91, *Conduit Debt Obligations*

When they become effective, application of these standards may restate portions of these financial statements.



**South Williamsport Area School District**

Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2019  
(Unaudited)

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.0628%	0.0632%	0.0614%	0.0625%	0.0617%
District's proportionate share of the net pension liability	\$ 30,146,999	\$ 31,213,000	\$ 30,428,000	\$ 27,072,000	\$ 24,421,000
District's covered-employee payroll	\$ 8,462,050	\$ 8,410,450	\$ 7,957,058	\$ 8,044,091	\$ 7,869,043
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.26%	371.12%	382.40%	336.55%	310.34%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

**South Williamsport Area School District**

## Schedule of the District's Pension Contributions

Year Ended June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,758,628	\$ 2,669,477	\$ 2,323,461	\$ 2,011,023	\$ 1,613,154
Contributions in relation to the contractually required contribution	<u>(2,758,628)</u>	<u>(2,669,477)</u>	<u>(2,323,461)</u>	<u>(2,011,023)</u>	<u>(1,613,154)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,462,050	\$ 8,410,450	\$ 7,957,058	\$ 8,044,091	\$ 7,869,043
Contributions as a percentage of covered-employee payroll	32.60%	31.74%	29.20%	25.00%	20.50%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

**South Williamsport Area School District****Schedule of the District's Proportionate Share of the Net OPEB Liability**

Year Ended June 30, 2019

(Unaudited)

	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.0628%	0.0632%	0.0614%
District's proportionate share of the net OPEB liability	\$ 1,309,000	\$ 1,288,000	\$ 1,323,000
District's covered-employee payroll	\$ 8,462,050	\$ 8,410,450	\$ 7,957,028
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.47%	15.31%	16.63%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2017 is not available for reporting.

**South Williamsport Area School District**

## Schedule of the District's OPEB Contributions

Year Ended June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 70,235	\$ 69,807	\$ 66,043
Contributions in relation to the contractually required contribution	<u>(70,235)</u>	<u>(69,807)</u>	<u>(66,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,462,050	\$ 8,410,450	\$ 7,957,028
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.83%

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2017 is not available for

**South Williamsport Area School District****Schedule of Changes in Total OPEB Liability and Related Ratios**

Year Ended June 30, 2019

(Unaudited)

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 191,682	\$ 200,089
Interest cost	121,747	93,858
Changes of benefit terms	-	37,018
Changes of assumptions	4,616	(55,426)
Benefit payments, including refunds of member contributions	<u>(152,084)</u>	<u>(140,669)</u>
Net change in total OPEB liability	165,961	134,870
Total OPEB liability, beginning	<u>3,780,368</u>	<u>3,645,498</u>
Total OPEB liability, ending	<u>\$ 3,946,329</u>	<u>\$ 3,780,368</u>
Covered-employee payroll	<u>\$ 7,483,417</u>	<u>\$ 7,483,417</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>52.73%</u>	<u>50.52%</u>

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018 to conform with principles generally accepted in the United States of America. Information for years prior to 2018 is not available for

**South Williamsport Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	Pass Through Grant Number	Beginning/ Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2019	Passed- Through to Subrecipient June 30, 2019
<b>U.S. Department of Agriculture</b>										
Child Nutrition Cluster:										
Passed through the Pennsylvania Department of Agriculture, National School Lunch	I 10.555	N/A	7/1/18-6/30/19	N/A	\$ 37,431 (a)	\$ (6,253) (b)	\$ 39,205	\$ 39,205 (c)	\$ (4,479) (d)	\$ -
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	I 10.555	N/A	7/1/17-6/30/18	N/A	35,131	35,131	-	-	-	-
National School Lunch Program	I 10.555	N/A	7/1/18-6/30/19	N/A	292,267	-	294,541	294,541	2,274	-
School Breakfast Program	I 10.553	N/A	7/1/17-6/30/18	N/A	8,506	8,506	-	-	-	-
School Breakfast Program	I 10.553	N/A	7/1/18-6/30/19	N/A	94,121	-	95,794	95,794	1,673	-
Total Child Nutrition Cluster and U.S. Department of Agriculture					467,456	37,384	429,540	429,540	(532)	-
<b>U.S. Department of Education</b>										
Passed through the Pennsylvania Department of Education:										
<b>Title I, Part A</b>										
ECIA Title I	I 84.010	013-18-0401	7/1/17-9/30/18	293,946	38,634	38,634	-	-	-	-
ECIA Title I	I 84.010	013-19-0401	7/1/18-9/30/19	355,003	307,897	-	355,003	355,003	47,106	-
<b>Total Title I, Part A</b>					346,531	38,634	355,003	355,003	47,106	
Title II Improving Teacher Quality	I 84.367	020-19-0401	7/1/18-9/30/19	56,057	44,860	-	53,099	53,099	8,239	-
Title IV Student Support and Academic Enrichment	84.424	144-19-0401	7/1/18-9/30/19	21,240	21,240	-	21,240	21,240	-	-
<b>Special Education Cluster (IDEA)</b>										
Passed through BLAST IU #17:										
IDEA PART B	I 84.027	062-18-0017	7/1/17-9/30/18	158,625	158,625	158,625	-	-	-	-
IDEA PART B	I 84.027	062-19-0017	7/1/18-9/30/19	180,918	160,000	-	180,918	180,918	20,918	-
IDEA 619 EI	I 84.173	FA 131-18-0017	7/1/17-6/30/18	1,520	1,520	1,520	-	-	-	-
IDEA 619 EI	I 84.173	FA 131-19-0017	7/1/18-6/30/19	1,125	1,125	-	1,125	1,125	-	-
Passed through Lancaster-Lebanon IU#13, IDEA PART B	I 84.027	062-19-0-033	7/1/18-6/30/19	10,000	10,000	-	10,000	10,000	-	-
<b>Total Special Education Cluster (IDEA)</b>					331,270	160,145	192,043	192,043	20,918	-
Total U.S. Department of Education					743,901	198,779	621,385	621,385	76,263	-
Total Federal Financial Assistance					\$ 1,211,357	\$ 236,163	\$ 1,050,925	\$ 1,050,925	\$ 75,731	\$ -

Source Code:

Footnotes:

N/A = Not Applicable  
I = Indirect Funding

(a) - Total amount of commodities received  
(b) - Beginning inventory at July 1  
(c) - Total amount of commodities used  
(d) - Ending inventory at June 30

## South Williamsport Area School District

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### Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Williamsport Area School District (the District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual (proprietary funds) or modified accrual (governmental funds) basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs, primarily those involving governmental activities (i.e., General Fund), are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs, including those involving business-type activities (i.e., Food Service Fund), are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

#### 3. Indirect Cost Rate

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

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

To the Board of Directors of  
South Williamsport Area School District

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 activity, each major fund and the aggregate remaining fund information of South Williamsport Area School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we considered to be a significant deficiency.



## **Compliance and Other Matters**

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

## **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

A handwritten signature in black ink that reads "Baker Tilly Virchow Krause, LLP". The signature is written in a cursive, flowing style.

Williamsport, Pennsylvania  
December 19, 2019

**Independent Auditors' Report on Compliance  
for the Major Federal Program and on  
Internal Control Over Compliance Required  
by the Uniform Guidance**

To the Board of Directors of  
South Williamsport Area School District

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

We have audited South Williamsport Area School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on the Major Federal Program**

In our opinion, South Williamsport 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 its major federal program for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 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 a 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.

*Baker Tilly Virchow Krause, LLP*

Williamsport, Pennsylvania  
December 19, 2019

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

## South Williamsport Area School District

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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## Section II - Findings - Financial Statement Findings

### **Finding 2019-001: Internal Control over Financial Reporting - Continuing Disclosure Compliance (Significant Deficiency)**

*Criteria:* Pursuant to the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12, Municipal Securities Disclosure, and the provisions of the District's General Obligation Bonds, the District is required to provide to the Municipal Securities Rulemaking Board (MSRB) a copy of its annual financial statements within 240 days. (Effective July 1, 2009, the SEC began allowing issuers and their dissemination agents to utilize the Electronic Municipal Market Access system (EMMA) to meet the filing requirements of SEC Rule 15c2-12).

*Condition and Context:* As part of the audit of the District's financial statements, we noted that the District does not appear to be in compliance with its Municipal Securities Disclosure requirements relative to its outstanding General Obligation Bonds, Series 2014; the District's continuing disclosure requirement is due to be filed by February 1st of each year for the fiscal year ended June the previous June 30. The financial statement was filed on March 2, 2019 for the year ended June 30, 2018.

*Cause:* Oversight by District management.

*Effect:* Because the District did not file its required SEC Rule 15c2-12 filings timely for the 2014 bonds, it is not in compliance with the requirements of SEC Rule 15c2-12.

*Recommendation:* We recommend that the District create an annual reminder system to update its filing on a timely basis.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan.

## Section III - Federal Award Findings and Questioned Costs

None.

## Section IV - Summary of Prior Year Audit Findings

None.