



# **South Williamsport Area School District**

Financial Statements and  
Supplementary Information

June 30, 2020

# 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 the South Williamsport Area School District (the District), as of and for the year ended June 30, 2020, 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 over financial reporting relevant to the District'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 District'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 the South Williamsport Area School District as of June 30, 2020, 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 and the required supplementary information, as listed in the table of contents, 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 Management's Discussion and Analysis and 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.

### *Supplementary 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 for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 January 19, 2021 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.

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

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Williamsport, Pennsylvania  
January 19, 2021

# **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2020  
(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, 2020. 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 there to enhance their understanding of the District's financial performance.

## **Financial Highlights**

Total net position of the District increased \$890,664 in 2020. Net position of governmental activities increased \$916,621, a 5.25 percent, increase from 2019. Net position of the business-type activity decreased \$25,957, or 5.50 percent from 2019.

The District had \$18,613,922 in expenses related to governmental activities in 2020; only \$4,346,540 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$15,184,003 offset expenses for these programs.

In the District's business-type activity, net position decreased by \$25,957 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 position 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 position. Over time, increases or decreases in net position 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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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.

## **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2020  
(Unaudited)

### **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.

#### **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.

## **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2020  
(Unaudited)

### **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 \$19,662,066 of revenues and \$19,679,164 of expenditures, as well as a budgetary reserve of \$64,799.

The actual 2020 revenues were \$19,591,821. This amounted to \$70,245 (0.36 percent) under final budget.

Actual expenditures and other uses were \$18,854,920, or 95.81 percent of the original budget. Approximately \$127,700 were savings in salary and benefits due to two staff members resigning during the year and being replaced with long-term substitutes. Due to staff furloughs at the end of the 2018/2019 school year, a significant amount was budgeted for unemployment claims. Actual unemployment claims came in approximately \$55,000 under budget. Charter school expenses came in approximately \$33,400 under budget. Outside special education placements were under budget by approximately \$79,700 due to students moving out of our district. Because of these savings, the district did not need to use the budgetary reserve of \$64,799.

The statewide shutdown beginning on March 13, 2020 as a result of COVID-19 also led to significant savings as many activities, purchases and services did not occur. Total savings were approximately \$265,000. Activities, purchases, and services that realized savings were items such as field trips, supplies, spring sports, and student activities, reduced cost of outside services such as Career and Technology Program and Physical Therapy for students, savings on the bussing contract and diesel fuel, and a reduction in wages and benefits due to not needing substitutes or employees working overtime.



# South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2020  
(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		
	2020	2019	2020	2019	2020	2019	Variance
Current and other assets	\$ 4,412	\$ 3,695	\$ 63	\$ 64	\$ 4,475	\$ 3,759	\$ 716
Noncurrent assets	14,740	15,696	54	61	14,794	15,757	(963)
Total assets	19,152	19,391	117	125	19,269	19,516	(247)
Deferred outflow of resources	4,182	4,538	47	87	4,229	4,625	(396)
Total assets and deferred outflow of resources	<u>\$ 23,334</u>	<u>\$ 23,929</u>	<u>\$ 164</u>	<u>\$ 212</u>	<u>\$ 23,498</u>	<u>\$ 24,141</u>	<u>\$ (643)</u>
Current liabilities	\$ 3,721	\$ 4,090	\$ 11	\$ 18	\$ 3,732	\$ 4,108	\$ (376)
Long-term liabilities:							
Long-term debt	395	1,660	-	-	395	1,660	(1,265)
Other long-term liabilities	33,803	34,764	432	639	34,235	35,403	(1,168)
Total liabilities	37,919	40,514	443	657	38,362	41,171	(2,809)
Deferred inflow of resources	1,967	884	220	27	2,187	911	1,276
Total liabilities and deferred inflow of resources	<u>39,886</u>	<u>41,398</u>	<u>663</u>	<u>684</u>	<u>40,549</u>	<u>42,082</u>	<u>(1,533)</u>
Net position:							
Net investment in capital assets	12,687	11,755	54	61	12,741	11,816	925
Restricted for capital assets	393	608	-	-	393	608	(215)
Unrestricted	<u>(29,632)</u>	<u>(29,832)</u>	<u>(553)</u>	<u>(533)</u>	<u>(30,185)</u>	<u>(30,365)</u>	<u>180</u>
Total net position	<u>(16,552)</u>	<u>(17,469)</u>	<u>(499)</u>	<u>(472)</u>	<u>(17,051)</u>	<u>(17,941)</u>	<u>890</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 23,334</u>	<u>\$ 23,929</u>	<u>\$ 164</u>	<u>\$ 212</u>	<u>\$ 23,498</u>	<u>\$ 24,141</u>	<u>\$ (643)</u>

# South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2020  
(Unaudited)

## Condensed Statement of Activities

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		
	2020	2019	2020	2019	2020	2019	Variance
Program revenues:							
Charges for services	\$ 50	\$ 52	\$ 164	\$ 240	\$ 214	\$ 292	\$ (78)
Operating grants and contributions	4,297	4,480	323	451	4,620	4,931	(311)
General revenues:							
Taxes levied for general purposes, net	8,846	8,526	-	-	8,846	8,526	320
Grants, subsidies and contributions not restricted	6,367	6,347	-	-	6,367	6,347	20
Other	(30)	59	80	-	50	59	(9)
Total revenues	19,530	19,464	567	691	20,097	20,155	(58)
Program expenses:							
Instruction	12,386	13,254	-	-	12,386	13,254	(868)
Instructional student support	1,506	1,503	-	-	1,506	1,503	3
Administration and financial support services	1,717	1,800	-	-	1,717	1,800	(83)
Operation and maintenance of plant services	2,161	2,018	-	-	2,161	2,018	143
Pupil transportation	349	392	-	-	349	392	(43)
Student activities	442	503	-	-	442	503	(61)
Community services	12	5	-	-	12	5	7
Interest on long-term debt	41	70	-	-	41	70	(29)
Other	-	-	593	714	593	714	(121)
Total expenses	18,614	19,545	593	714	19,207	20,259	(1,052)
Change in net position	\$ 916	\$ (81)	\$ (26)	\$ (23)	\$ 890	\$ (104)	\$ 994

### Governmental Activities

The net position of the governmental activities increased in 2020 by \$916,621 versus a \$81,514 decrease in 2019. Revenues in fiscal year 2020 overall were in-line with the prior year. Expenditures in fiscal year 2020 decreased due to savings as noted in the Budgetary Highlights section which resulted in an increase in net position.

### Business-Type Activity

The net position of the business-type activity decreased in 2020 by \$25,957 versus a \$23,334 decrease in 2019. During fiscal year 2020, there was a shift in revenues from program revenues to other revenues. Due to Act 13 of 2020, this district had to continue paying all employees after March 13, 2020 even though the school was closed. Because the district did not have program revenues coming in from lack of sales, the general fund transferred funds to help offset expenses.

## South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2020  
(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>2020 Amount</b>	<b>2019 Amount</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Local sources	\$ 8,578,631	\$ 8,241,545	\$ 337,086	4.09
State sources	10,609,747	10,749,028	(139,281)	(1.30)
Federal sources	403,443	429,342	(25,899)	(6.03)
Total	<u>\$ 19,591,821</u>	<u>\$ 19,419,915</u>	<u>\$ 171,906</u>	0.89

#### Local Sources

The increase in local sources was due to the millage increase of 1.03 mills which approximates \$374,200. Earned income tax revenue decreased \$63,600. Delinquent tax collection increased \$35,700. Real estate transfer taxes decreased by \$8,500. Private donations from the District's Foundation decreased \$8,900 due to the early school closure in 2020. Energy incentive rebates increased by \$10,800.

#### State Sources

The decrease in state sources relates to a \$32,500 decrease in the retirement subsidy during the fiscal year and a \$18,500 decrease in social security subsidy, which resulted from an overall decrease in salaries paid out during 2020. The District received an increase in its basic subsidy by approximately \$35,400, an increase in its special education subsidy by approximately \$16,900, a decrease in Section 1305/1306 funding of \$6,900, a decrease in the transportation subsidy of \$8,300 and received \$44,500 less in grants during fiscal year 2020. There was a decrease in PLANCON reimbursement of approximately \$82,000 due to the final debt payment being made on the eligible project.

#### Federal Sources

The decrease in federal sources relates to a decrease in Title I funding of \$25,200, a decrease in Title II funding of \$8,200, and an increase in Title IV funding of \$5,100. The District also recognized approximately \$2,400 in CARES act revenue in 2020.

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

	<b>2020 Amount</b>	<b>2019 Amount</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Instruction	\$ 11,444,742	\$ 12,106,710	\$ (661,968)	(5.47) %
Support services	5,237,943	5,357,463	(119,520)	(2.23)
Noninstructional services	453,573	518,881	(65,308)	(12.59)
Debt service	1,718,662	1,804,580	(85,918)	(4.76)
Total	<u>\$ 18,854,920</u>	<u>\$ 19,787,634</u>	<u>\$ (932,714)</u>	(4.71)

## South Williamsport Area School District

Management's Discussion and Analysis  
June 30, 2020  
(Unaudited)

### Instruction

The most significant decrease in instruction was a \$285,900 decrease in salaries and a \$223,600 decrease in benefits. This decrease is in part due to the economic furloughs of four professional staff. The remainder of this decrease is due to savings in substitutes from school shutting down on March 13, 2020. There was a decrease in travel and field trip expenses of approximately \$25,400 due to school closure on March 13, 2020. There was a decrease of \$13,600 in cyber school costs due to the district's aggressive measure to begin our own internal cyber school which decreased the number of students enrolled in outside cyber schools.

### Support Services

Decrease in expenses for support services costs was due to a decrease in staff tuition reimbursement of \$31,300 and a decrease in business office expenses of approximately \$62,800 due to staff turnover. Student transportation also experienced a decrease of approximately \$40,700; \$30,900 from renegotiating the transportation contract as a result of school closure and \$9,800 in diesel gas savings.

### Non Instructional Services

Decrease in expenses for noninstructional services, consisting primarily of the District's athletic operations, is due to the elimination of various paid coaching positions which resulted in salary savings of approximately \$28,800 and related benefit expense of approximately \$6,400. There were also savings in transportation expenses of approximately \$11,300 and supplies of \$17,700 due to the lack of spring student activities from school closure that occurred on March 13, 2020.

### Debt Service

The 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 \$392,794. Activities within this fund during the fiscal year ended June 30, 2020 were for various capital projects.

### Capital Assets

The District's investment in capital assets as of June 30, 2020 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	2,028,130	379,514	2,407,644
Total	33,200,137	379,514	33,579,651
Less accumulated depreciation	(18,852,778)	(325,415)	(19,178,193)
Total	<u>\$ 14,347,359</u>	<u>\$ 54,099</u>	<u>\$ 14,401,458</u>

## **South Williamsport Area School District**

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Management's Discussion and Analysis  
June 30, 2020  
(Unaudited)

### **Long-Term Debt**

At June 30, 2020, the District's general obligation debt was \$1,660,000. The District paid \$1,670,000 in principal payments of this debt during fiscal year 2020. The District's current debt obligation is expected to be paid in full in 2022.

### **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. COVID-19 will add a complexity on top of our other areas of concern. We have witnessed an increase in cyber school costs, and we are monitoring the impact to the district's revenue streams very closely.

The largest challenge will be balancing the budget going forward. The 2019/2020 fiscal year is the first year since the 2012/2013 fiscal year that the District has increased fund balance. The District is currently projected to use approximately \$77,000 of fund balance 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, 2020

	Governmental Activities	Business-Type Activity	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,741,019	\$ 54,711	\$ 2,795,730
Investments	63,360	-	63,360
Taxes receivable, net	618,835	-	618,835
Other receivables	147,426	2,549	149,975
Due from other governments	840,875	-	840,875
Inventories	-	6,165	6,165
Total current assets	4,411,515	63,425	4,474,940
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	392,794	-	392,794
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	2,028,130	379,514	2,407,644
Accumulated depreciation	(18,852,778)	(325,415)	(19,178,193)
Total noncurrent assets	14,740,153	54,099	14,794,252
Total assets	19,151,668	117,524	19,269,192
<b>Deferred Outflows of Resources</b>			
Pension	3,648,099	47,237	3,695,336
Other postemployment benefits (OPEB)	534,224	-	534,224
Total deferred outflows of resources	4,182,323	47,237	4,229,560
Total assets and deferred outflows of resources	\$ 23,333,991	\$ 164,761	\$ 23,498,752
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
<b>Liabilities</b>			
Current liabilities:			
Current portion of note payable	\$ 1,265,000	\$ -	\$ 1,265,000
Accounts payable	497,348	-	497,348
Accrued salaries and benefits	1,081,679	-	1,081,679
Compensated absences	132,755	-	132,755
Unearned revenue	28,510	11,606	40,116
Accrued interest	9,826	-	9,826
Other current liabilities	705,713	-	705,713
Total current liabilities	3,720,831	11,606	3,732,437
Noncurrent liabilities:			
Long-term portion of note payable	395,000	-	395,000
Other postemployment benefits liability (OPEB)	5,370,063	-	5,370,063
Net pension liability	28,433,191	431,809	28,865,000
Total noncurrent liabilities	34,198,254	431,809	34,630,063
Total liabilities	37,919,085	443,415	38,362,500
<b>Deferred Inflows of Resources</b>			
Pension	1,593,795	219,543	1,813,338
Other postemployment benefits (OPEB)	373,114	-	373,114
Total deferred inflows of resources	1,966,909	219,543	2,186,452
<b>Net Position (Deficit)</b>			
Net investment in capital assets	12,687,359	54,099	12,741,458
Restricted for capital projects	392,794	-	392,794
Unrestricted	(29,632,156)	(552,296)	(30,184,452)
Total net position (deficit)	(16,552,003)	(498,197)	(17,050,200)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 23,333,991	\$ 164,761	\$ 23,498,752

See notes to financial statements

# South Williamsport Area School District

## Statement of Activities

Year Ended June 30, 2020

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	\$ (12,385,569)	\$ 13,294	\$ 2,779,101	\$ (9,593,174)		\$ (9,593,174)
Operation and maintenance of plant services	(2,160,928)	-	221,920	(1,939,008)		(1,939,008)
Instructional student support	(1,505,804)	-	386,946	(1,118,858)		(1,118,858)
Administration and financial support services	(1,717,845)	-	294,848	(1,422,997)		(1,422,997)
Student activities	(441,641)	36,246	-	(405,395)		(405,395)
Pupil transportation	(349,568)	-	204,425	(145,143)		(145,143)
Community services	(11,932)	-	-	(11,932)		(11,932)
Interest on long-term debt	(40,635)	-	409,760	369,125		369,125
Total governmental activities	(18,613,922)	49,540	4,297,000	(14,267,382)		(14,267,382)
<b>Business-Type Activity</b>						
Food service	(593,646)	164,274	323,127	-	\$ (106,245)	(106,245)
Total	<u>\$ (19,207,568)</u>	<u>\$ 213,814</u>	<u>\$ 4,620,127</u>	<u>(14,267,382)</u>	<u>(106,245)</u>	<u>(14,373,627)</u>
<b>General Revenues</b>						
Grants, subsidies and contributions not restricted				6,367,436	-	6,367,436
Property taxes, levied for general purposes, net				6,732,577	-	6,732,577
Other taxes levied				2,113,355	-	2,113,355
Investment earnings				44,411	672	45,083
Miscellaneous income				5,840	-	5,840
Transfers between governmental and business-type activities				(79,616)	79,616	-
Total general revenues				<u>15,184,003</u>	<u>80,288</u>	<u>15,264,291</u>
Change in net position				916,621	(25,957)	890,664
<b>Net Deficit, Beginning</b>				<u>(17,468,624)</u>	<u>(472,240)</u>	<u>(17,940,864)</u>
<b>Net Deficit, Ending</b>				<u>\$ (16,552,003)</u>	<u>\$ (498,197)</u>	<u>\$ (17,050,200)</u>

See notes to financial statements

**South Williamsport Area School District**

## Balance Sheet - Governmental Funds

June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,741,019	\$ -	\$ 2,741,019
Restricted cash and cash equivalents	-	392,794	392,794
Investments	63,360	-	63,360
Taxes receivable, net	618,835	-	618,835
Other receivables	147,426	-	147,426
Due from other governments	840,875	-	840,875
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,411,515</u>	<u>\$ 392,794</u>	<u>\$ 4,804,309</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 497,348	\$ -	\$ 497,348
Accrued salaries and benefits	1,081,679	-	1,081,679
Unearned revenues	28,510	-	28,510
Compensated absences	132,755	-	132,755
Other liabilities	705,713	-	705,713
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>2,446,005</u>	<u>-</u>	<u>2,446,005</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenue - taxes	<u>334,337</u>	<u>-</u>	<u>334,337</u>
<b>Fund Balances</b>			
Restricted	-	392,794	392,794
Committed	50,000	-	50,000
Unassigned	1,581,173	-	1,581,173
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,631,173</u>	<u>392,794</u>	<u>2,023,967</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,411,515</u>	<u>\$ 392,794</u>	<u>\$ 4,804,309</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, 2020

<b>Total Fund Balance - Governmental Funds</b>			<b>\$ 2,023,967</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 \$33,200,137 and the accumulated depreciation is \$18,852,778.			14,347,359
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.			334,337
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.			3,648,099
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.			(1,593,795)
Deferred outflows related to OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.			534,224
Deferred inflows related to OPEB liability are not reported in the governmental funds, however are reported in the the statement of net position.			(373,114)
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 payable	(1,660,000)		
Accrued interest on bonds payable	(9,826)		
Other postemployment benefits liability	(5,370,063)		
Net pension liability	(28,433,191)	(35,473,080)	
<b>Total Net Position - Governmental Activities</b>			<b>\$ (16,552,003)</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, 2020

	<b>General</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>Revenues</b>			
Local sources	\$ 8,578,631	\$ 5,259	\$ 8,583,890
State sources	10,609,747	-	10,609,747
Federal sources	403,443	-	403,443
Total revenues	19,591,821	5,259	19,597,080
<b>Expenditures</b>			
Instruction	11,444,742	-	11,444,742
Support services	5,237,943	220,605	5,458,548
Noninstructional services	453,573	-	453,573
Debt service	1,718,662	-	1,718,662
Total expenditures	18,854,920	220,605	19,075,525
<b>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Uses</b>	736,901	(215,346)	521,555
<b>Other Financing Uses</b>			
Refund of prior year revenues	(306)	-	(306)
Transfers out	(79,616)	-	(79,616)
Total other financing uses	(79,922)	-	(79,922)
Net changes in fund balances	656,979	(215,346)	441,633
<b>Fund Balances, Beginning</b>	974,194	608,140	1,582,334
<b>Fund Balances, Ending</b>	\$ 1,631,173	\$ 392,794	\$ 2,023,967

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, 2020

**Total Net Change in Fund Balances - Governmental Funds** \$ 441,633

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	(780,247)	
Capital outlays	<u>42,592</u>	(737,655)

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 increased by this amount this year.

13,077

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, 2020, the following transactions factor into this reconciliation:

Repayment of long-term debt principal	1,670,000
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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, 2020.

(168,489)

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.

(309,972)

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	17,853	
Current year accrued interest	<u>(9,826)</u>	<u>8,027</u>

**Change in Net Position of Governmental Activities** \$ 916,621

**South Williamsport Area School District****Statement of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - General Fund

Year Ended June 30, 2020

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>			
Local sources	\$ 8,613,380	\$ 8,578,631	\$ (34,749)
State sources	10,648,108	10,609,747	(38,361)
Federal sources	400,578	403,443	2,865
Total revenues	19,662,066	19,591,821	(70,245)
<b>Expenditures</b>			
Instruction:			
Regular programs	8,516,678	8,159,166	357,512
Special programs	2,302,595	2,152,799	149,796
Vocational education programs	721,912	645,092	76,820
Other instructional programs	497,591	487,685	9,906
Total instruction	12,038,776	11,444,742	594,034
Support services:			
Pupil personnel	388,590	357,079	31,511
Instructional staff	783,436	751,092	32,344
Administration	1,379,043	1,394,274	(15,231)
Pupil health	182,317	175,191	7,126
Business	319,476	314,662	4,814
Operation and maintenance of plant services	1,952,508	1,895,221	57,287
Student transportation services	405,443	350,424	55,019
Total support services	5,410,813	5,237,943	172,870
Noninstructional services:			
Student activities	494,979	441,641	53,338
Community services	14,920	11,932	2,988
Total noninstructional services	509,899	453,573	56,326
Debt service	1,719,676	1,718,662	1,014
Total expenditures	19,679,164	18,854,920	824,244
<b>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Uses</b>	(17,098)	736,901	753,999
<b>Other Financing Uses</b>			
Budgetary reserve	(64,799)	-	64,799
Refund of prior year revenues	-	(306)	(306)
Interfund transfer	-	(79,616)	(79,616)
Net changes in fund balances	(81,897)	656,979	738,876
<b>Fund Balance, Beginning</b>	863,014	974,194	111,180
<b>Fund Balance, Ending</b>	\$ 781,117	\$ 1,631,173	\$ 850,056

See notes to financial statements

## South Williamsport Area School District

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

June 30, 2020

#### Assets and Deferred Outflows of Resources

##### Current Assets

Cash	\$ 54,711
Other receivables	2,549
Inventories	<u>6,165</u>
Total current assets	<u>63,425</u>

##### Noncurrent Assets

Machinery and equipment	379,514
Accumulated depreciation	<u>(325,415)</u>
Total noncurrent assets	<u>54,099</u>

Total assets	117,524
--------------	---------

##### Deferred Outflows of Resources - Pension

47,237

Total assets and deferred outflows of resources	<u><u>\$ 164,761</u></u>
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#### Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

##### Current Liabilities

Unearned revenue	\$ 11,606
------------------	-----------

##### Noncurrent liabilities:

Net pension liability	<u>431,809</u>
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Total liabilities	<u>443,415</u>
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##### Deferred Inflows of Resources - Pension

219,543

##### Net Position (Deficit)

Net investment in capital assets	54,099
Unrestricted	<u>(552,296)</u>

Total net position (deficit)	<u>(498,197)</u>
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Total liabilities, deferred inflows of resources and net position (deficit)	<u><u>\$ 164,761</u></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, 2020

### Operating Revenues

Food service revenue	\$ 164,274
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### Operating Expenses

Salaries and employee benefits	312,028
Other purchased services	272,748
Depreciation	6,596
Supplies	2,274

Total operating expenses	593,646
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Operating loss	(429,372)
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### Nonoperating Revenues

Federal sources	307,512
Interfund transfers	79,616
State sources	15,615
Earnings on investments	672

Total nonoperating revenues	403,415
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Change in net position	(25,957)
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Net Deficit, Beginning	(472,240)
------------------------	-----------

Net Deficit, Ending	\$ (498,197)
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## South Williamsport Area School District

### Statement of Cash Flows - Proprietary Fund - Food Service

Year Ended June 30, 2020

#### Cash Flows From Operating Activities

Cash received from customers	\$ 165,098
Cash paid to employees and vendors	(573,219)
Net cash used in operating activities	(408,121)

#### Cash Flows From Noncapital Financing Activities

State sources	15,849
Federal sources	311,460
Interfund transfers	79,616
Net cash provided by noncapital financing activities	406,925

#### Cash Flows From Investing Activities

Earnings of investments	672
Decrease in cash	(524)

#### Cash, Beginning

55,235

#### Cash, Ending

\$ 54,711

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

Operating loss	\$ (429,372)
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:	
Other receivables	(2,549)
Inventory	(1,687)
Deferred outflow of resources	39,759
Accounts payable	(9,918)
Unearned revenue	3,373
Net pension liability	(206,831)
Deferred inflow of resources	192,508
Net cash used in operating activities	\$ (408,121)

#### Supplemental Disclosure of Noncash Operating Activities

Donated commodities received	\$ 35,813
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**South Williamsport Area School District**

## Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2020

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 96,602</u>	<u>\$ 155,111</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Due to student groups		<u>\$ 155,111</u>
<b>Net Position</b>		
Restricted	<u>\$ 96,602</u>	

*See notes to financial statements*



**South Williamsport Area School District**

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
Year Ended June 30, 2020

	<b>Private Purpose Trust Fund</b>
<b>Additions</b>	
Contributions	\$ 500
Interest and dividends	<u>1,956</u>
Total additions	2,456
<b>Deductions</b>	
Scholarships awarded	<u>2,875</u>
Changes in net position	(419)
<b>Net Position, Beginning</b>	<u>97,021</u>
<b>Net Position, Ending</b>	<u><u>\$ 96,602</u></u>

See notes to financial statements

# South Williamsport Area School District

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Notes to Financial Statements  
June 30, 2020

## 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.

#### 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.

# South Williamsport Area School District

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## Notes to Financial Statements

June 30, 2020

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 nonoperating 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 nonoperating.

### **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 \$96,602 at June 30, 2020 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). Nonexchange 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 generally 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 in nature. 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.

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.

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2020

### 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.

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.

## South Williamsport Area School District

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Notes to Financial Statements  
June 30, 2020

### 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 (OPEB)

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.

### 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:

- *Nonspendable* - 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;

## South Williamsport Area School District

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Notes to Financial Statements  
June 30, 2020

- *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.

### 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, for the year ended June 30, 2020. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. 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, 2020, \$3,260,223 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.

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2020

### Investments

Pennsylvania Local Government Investment Trust (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, 2020, the carrying amount and bank balances of the District's deposits with PLGIT were \$63,360.

### 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 2020 was 16.78 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, 2020 amounted to \$334,337 as follows:

<u>Outstanding Balance</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
\$ 347,140	\$ 12,803	\$ 334,337

Also included in taxes receivable, net at June 30, 2020 are earned income taxes of \$213,431 and other local taxes totaling \$71,067.

### 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, 2020 amounted to approximately \$61,000.



## South Williamsport Area School District

Notes to Financial Statements

June 30, 2020

### 4. Due From Other Governments

The amount reported at June 30, 2020 as due from other governments is summarized below:

	<b>General Fund</b>
State source	\$ 754,108
Federal source (pass-through funding)	86,767
Total	<u>\$ 840,875</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, 2020.

### 5. Capital Assets

The changes in the District's capital assets in 2020 are summarized as follows:

	<b>Balance July 1, 2019</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance June 30, 2020</b>
<b>Governmental Activities</b>				
Cost:				
Assets not being depreciated:				
Land	\$ 123,200	\$ -	\$ -	\$ 123,200
Assets being depreciated:				
Land improvements	1,779,771	-	-	1,779,771
Buildings and improvements	29,269,036	-	-	29,269,036
Furniture and equipment	1,985,538	42,592	-	2,028,130
Total cost	<u>33,157,545</u>	<u>42,592</u>	<u>-</u>	<u>33,200,137</u>
Less accumulated depreciation:				
Land improvements	(1,674,588)	(46,907)	-	(1,721,495)
Buildings and improvements	(14,877,794)	(636,108)	-	(15,513,902)
Furniture and equipment	(1,520,149)	(97,232)	-	(1,617,381)
Total accumulated depreciation	<u>(18,072,531)</u>	<u>(780,247)</u>	<u>-</u>	<u>(18,852,778)</u>
Governmental activities capital assets, net	<u>\$ 15,085,014</u>	<u>\$ (737,655)</u>	<u>\$ -</u>	<u>\$ 14,347,359</u>
<b>Business-Type Activity</b>				
Asset being depreciated:				
Furniture and equipment	\$ 379,514	\$ -	\$ -	\$ 379,514
Less accumulated depreciation	<u>(318,819)</u>	<u>(6,596)</u>	<u>-</u>	<u>(325,415)</u>
Business-type activity capital assets, net	<u>\$ 60,695</u>	<u>\$ (6,596)</u>	<u>\$ -</u>	<u>\$ 54,099</u>

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2020

Depreciation expense amounted to \$780,247 for the District's governmental activities and was allocated to expense as follows for the year ended June 30, 2020:

Function/Program:	
Instruction	\$ 710,752
Operation and maintenance of plant services	36,596
Instructional student support	32,899
	<u>          </u>
Total	<u>\$ 780,247</u>

### 6. Long-Term Debt

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, 2020 was \$1,660,000.

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 was paid in full as of June 30, 2020.

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Current Portion June 30, 2020
Series AA of 2014 GOB	\$ 1,675,000	\$ -	\$ (15,000)	\$ 1,660,000	\$ 1,265,000
Series of 2016 Note (direct borrowing)	1,655,000	-	(1,655,000)	-	-
Total	<u>\$ 3,330,000</u>	<u>\$ -</u>	<u>\$ (1,670,000)</u>	<u>\$ 1,660,000</u>	<u>\$ 1,265,000</u>

Total interest expense on long-term debt in 2020 was \$40,635.

At June 30, 2020, the District's debt service requirements to maturity on its long-term debt are summarized below:

	General Obligation Bonds		
	Principal	Interest	Total
Years ending June 30:			
2021	\$ 1,265,000	\$ 21,143	\$ 1,286,143
2022	395,000	4,246	399,246
Total	<u>\$ 1,660,000</u>	<u>\$ 25,389</u>	<u>\$ 1,685,389</u>

### 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.

## South Williamsport Area School District

Notes to Financial Statements  
June 30, 2020

The changes in the District's compensated absences in 2020 are summarized as follows:

Balance, July 1, 2019	\$	113,636
Increase		92,342
Decrease		<u>(73,223)</u>
Balance, June 30, 2020	\$	<u>132,755</u>

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 \$1,081,679 represent salaries of \$763,942, the District's share of Social Security taxes of \$55,781 for teachers' services during the 2019-2020 school term, which are paid during July and August 2020 and retirement plan expense of \$261,956 applicable to the accrued salaries at June 30, 2020.

### 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.

##### **Employees Covered by Benefit Terms**

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>124</u>
Total	<u>138</u>

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

#### Total OPEB Liability

The District's total OPEB liability as of June 30, 2020 was \$4,058,063, which was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 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	3.36%
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	3.36%
Healthcare cost trend rates	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, 2019.

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.

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, July 1, 2019	<u>\$ 3,946,329</u>
Changes for the year:	
Service cost	207,521
Interest	120,821
Changes in experience	261,587
Changes of assumptions or other inputs	(294,586)
Benefit payments	<u>(183,609)</u>
Net changes	<u>111,734</u>
Balance, June 30, 2020	<u><u>\$ 4,058,063</u></u>

Changes in assumptions or other inputs reflect a change in the discount rate from 2.98 percent in 2018 to 3.36 percent in 2019.

## South Williamsport Area School District

Notes to Financial Statements

June 30, 2020

### 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 (2.36 percent) or 1-percentage-point higher (4.36 percent) than the current discount rate:

	<b>1% Decrease (2.36%)</b>	<b>Discount Rate (3.36%)</b>	<b>1% Increase (4.36%)</b>
Total OPEB Liability	\$ 4,355,137	\$ 4,058,063	\$ 3,775,487

### 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	\$ 3,610,720	\$ 4,058,063	\$ 4,581,130

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$320,723. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit payments subsequent to the measurement date (July 1, 2019)	\$ 148,700	\$ -
Changes of assumptions or other inputs	3,776	308,114
Differences between expected and actual experience	237,806	-
Total	<u>\$ 390,282</u>	<u>\$ 308,114</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:

2021	\$ (7,619)
2022	(7,619)
2023	(7,619)
2024	(7,619)
2025	(7,619)
Thereafter	<u>(28,437)</u>
Total	<u>\$ (66,532)</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, 2019 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 24½ 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.

**Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84 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 \$68,942 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,312,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0617 percent, which was a decrease of 0.0011 percent from its proportion measured as of June 30, 2019.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized OPEB expense of \$65,000. At June 30, 2020, 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	\$ 43,000	\$ 39,000
Net differences between projected and actual investment earnings	3,000	-
District contributions subsequent to the measurement date	68,942	-
Difference between expected and actual experience	7,000	-
Changes in proportion	22,000	26,000
	<u>\$ 143,942</u>	<u>\$ 65,000</u>

\$68,942 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2021	\$ 1,000
2022	1,000
2023	1,000
2024	1,000
2025	5,000
Thereafter	1,000
Total	<u>\$ 10,000</u>

### Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent of pay;
- Investment return - 2.79 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.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019;
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date;
- Asset valuation method: Market Value;
- Participation rate: 63 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.

The PSERS 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	13.2 %	0.02 %
U.S. core fixed income	83.1	1.00
Non U.S. developed fixed	3.7	-
	<u>100 %</u>	

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

#### Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79 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 2.79 percent which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.



## South Williamsport Area School District

Notes to Financial Statements

June 30, 2020

### 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, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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, 2019, 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:

	<u>1% Decrease</u>	<u>Healthcare Trends Cost</u>	<u>1% Increase</u>
PSERS Net OPEB Liability	\$ 1,312,000	\$ 1,312,000	\$ 1,312,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79 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 (1.79 percent) or 1-percentage-point higher (3.79 percent) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ 1,495,000	\$ 1,312,000	\$ 1,161,000

### 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, 2020, there were 2 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, 2020, there were no stipends distributed to administrators.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

#### 11. Retirement Plan

As of June 30, 2020, 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	\$ 3,648,099	\$ 47,237	\$ 3,695,336
Net pension liability	28,433,191	431,809	28,865,000
Deferred inflow of resources	1,593,795	219,543	1,813,338

#### 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.

## South Williamsport Area School District

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Notes to Financial Statements  
June 30, 2020

### 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.

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.

### Act 5 of 2017

Act 5 of 2017 created additional classes of service (Class T-G, T-H and DC) that reduce the defined benefit formula but add a defined contribution component to the employee benefit. These plans are effective for employees who join PSERS on or after July 1, 2019. Total member contributions between the two plans range from 7.5 percent to 8.25 percent, depending on the class section. The employer contribution to the defined contribution plan ranges from 2.0 percent to 2.25 percent, with the balance of the contractually required PSERS contribution rate paid to the defined benefit plan. The defined contribution component of a PSERS retirement benefit will be based on the amount of contributions made by the member and the District and the investment performance on those contributions. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in declining investment markets.

Since pension liabilities are determined based upon the District's proportion of the overall liability measured as of the PSERS valuation date, additional details will be provided by PSERS with the actuarial valuation for June 30, 2020 which will be incorporated into the District's June 30, 2021 financial statements.

### Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 33.45 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 \$2,737,998 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$28,865,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2018 to June 30, 2019. 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, 2019, the District's proportion was 0.0617 percent, which was a decrease from its proportion measured as of June 30, 2018 of 0.0011 percent.

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of approximately \$3,076,000. At June 30, 2020, 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	\$ 195,338	\$ 195,338
Difference between expected and actual experience	159,000	956,000
Changes in assumptions	276,000	-
Net difference between projected and actual earnings on pension plan investments	-	83,000
Changes in proportion and differences between District contributions and proportionate share of contributions	327,000	579,000
District contributions subsequent to the measurement date	2,737,998	-
Total	<u>\$ 3,695,336</u>	<u>\$ 1,813,338</u>

\$2,737,998 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Years ending June 30:

2021	\$ 30,000
2022	(517,000)
2023	(420,000)
2024	51,000
Total	<u>\$ (856,000)</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the District's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 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, 2019:

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

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

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 PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0 %	5.6 %
Fixed income	36.0	1.9
Commodities	8.0	2.7
Absolute return	10.0	3.4
Risk parity	10.0	4.1
Infrastructure/MLPs	8.0	5.5
Real estate	10.0	4.1
Alternative investments	15.0	7.4
Cash	3.0	0.3
Financing (LIBOR)	(20.0)	0.7
	<u>100 %</u>	

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

### 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 35,954,000	\$ 28,865,000	\$ 22,862,000

## South Williamsport Area School District

### Notes to Financial Statements

June 30, 2020

#### 12. Internal Balances

The following summarizes the interfund transfers in 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Food Service Fund	\$ -	\$ 79,616
Food Service Fund:		
General Fund	79,616	-
Total	<u>\$ 79,616</u>	<u>\$ 79,616</u>

The General Fund transferred \$79,616 into the Food Service Fund to cover payroll expenses of the Food Service Fund. During the year ended June 30, 2020, due to the COVID-19 pandemic, the District was required to continue paying food-service employees their normal wages, as required by Act 13 of 2020. The District covered this expense with a transfer in from the General Fund to supplement the lack of revenues coming into the Food Service Fund to cover the cost.

#### 13. 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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Restricted for:			
Capital projects	\$ -	\$ 392,794	\$ 392,794
Committed for:			
PSERS	\$ 50,000	\$ -	\$ 50,000

#### 14. 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.

#### 15. 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.

## South Williamsport Area School District

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### Notes to Financial Statements

June 30, 2020

#### COVID-19

In January 2020, an outbreak of a new strain of coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, all public schools in the Commonwealth were closed on March 13, 2020 and remained closed through the remainder of the 2019/2020 school year, with District students, staff, and faculty transitioned to remote operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has resulted in expenditures coming in below budget. In September 2020, the District began its 2020/2021 school year with hybrid and virtual learning model operations available to its students, and eventually offered in-person as well as virtual options. While this disruption is anticipated to be temporary, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on the development of COVID-19, including the duration and spread of the outbreak, the development of a vaccine, and the ongoing impact on students, employees, and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The District's Board of Directors and management are monitoring the outbreak and potential financial impact, which remains uncertain.

#### 16. 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 2020 were \$35,813.

#### 17. 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.

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

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

- Statement No. 83, *Certain Asset Retirement Obligations*;
- 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*;
- Statement No. 92, *Omnibus 2020*;
- Statement No. 93, *Replacement of Interbank Offered Rates*;
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*;
- Statement No. 96, *Subscription-Based Information Technology Arrangements*;
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

## **South Williamsport Area School District**

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### Notes to Financial Statements

June 30, 2020

GASB Statement No. 95 postpones the effective dates of Statements No. 83, 84, 89, 90, 91, 92 and 93 for a period of one year, and Statement No. 87 for a period of 18 months.

District management is in the process of evaluating these standards. When they become effective, application of these standards may restate portions of these financial statements.

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

### **19. Subsequent Events**

On August 20, 2020, the District entered into a General Obligation Note for \$1,725,000 at a rate of 1.25 percent per annum. The primary purpose of this Note is to refinance the District's Series 2014AA General Obligation Bond.



## South Williamsport Area School District

### Schedule of the District's Proportionate Share of the PSERS Net Pension Liability

Year Ended June 30, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0617%	0.0628%	0.0632%	0.0614%	0.0625%	0.0617%
District's proportionate share of the net pension liability	\$ 28,865,000	\$ 30,146,999	\$ 31,213,000	\$ 30,428,000	\$ 27,072,000	\$ 24,421,000
District's covered-employee payroll	\$ 8,508,449	\$ 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	339.25%	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 PSERS Pension Contributions

Year Ended June 30, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,737,998	\$ 2,758,628	\$ 2,669,477	\$ 2,323,461	\$ 2,011,023	\$ 1,613,154
Contributions made	<u>(2,737,998)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,508,449	\$ 8,462,050	\$ 8,410,450	\$ 7,957,058	\$ 8,044,091	\$ 7,869,043
Contributions as a percentage of covered-employee payroll	32.18%	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 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 PSERS Net OPEB Liability**

Year Ended June 30, 2020

(Unaudited)

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.0617%	0.0628%	0.0632%	0.0614%
District's proportionate share of the net OPEB liability	\$ 1,312,000	\$ 1,309,000	\$ 1,288,000	\$ 1,323,000
District's covered-employee payroll	\$ 8,508,449	\$ 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	15.42%	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 PSERS OPEB Contributions

Year Ended June 30, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 68,942	\$ 70,235	\$ 69,807	\$ 66,043
Contributions in relation to the contractually required contribution	<u>(68,942)</u>	<u>(70,235)</u>	<u>(69,807)</u>	<u>(66,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,508,449	\$ 8,462,050	\$ 8,410,450	\$ 7,957,028
Contributions as a percentage of covered-employee payroll	0.81%	0.83%	0.83%	0.83%

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 Changes in Total OPEB Liability and Related Ratios - District Plan

Year Ended June 30, 2020

(Unaudited)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 207,521	\$ 191,682	\$ 200,089
Interest cost	120,821	121,747	93,858
Changes of benefit terms	-	-	37,018
Difference between expected and actual experience	261,587	-	-
Changes of assumptions	(294,586)	4,616	(55,426)
Benefit payments, including refunds of member contributions	(183,609)	(152,084)	(140,669)
Net change in total OPEB liability	111,734	165,961	134,870
Total OPEB liability, beginning	3,946,329	3,780,368	3,645,498
Total OPEB liability, ending	<u>\$ 4,058,063</u>	<u>\$ 3,946,329</u>	<u>\$ 3,780,368</u>
Covered-employee payroll	<u>\$ 7,640,658</u>	<u>\$ 7,483,417</u>	<u>\$ 7,483,417</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>53.11%</u>	<u>52.73%</u>	<u>50.52%</u>

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 June 30, 2018 to conform with accounting principles generally accepted in the United States of America. Information for years prior to 2018 is not available for reporting.

**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2021.

**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 opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

### **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.

*Baker Tilly US, LLP*

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Williamsport, Pennsylvania  
January 19, 2021

**Independent Auditors' Report on Compliance  
for the Major Federal Program and Report 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, 2020. 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 program.

***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, the 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, 2020.



## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

### Purpose of This Report

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The script is cursive and fluid, with the letters "B", "T", and "U" being particularly large and stylized.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Williamsport, Pennsylvania  
January 19, 2021

**South Williamsport Area School District**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Grantor/Program Title	Federal CFDA Number	Pass Through Grant Number	Beginning/ Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2020	Passed- Through to Subrecipient June 30, 2020
<b>U.S. Department of Agriculture</b>										
Child Nutrition Cluster:										
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch	10.555	N/A	7/1/19-6/30/20	N/A	\$ 35,813 (a)	\$ (4,479) (b)	\$ 34,126	\$ 34,126 (c)	\$ (6,166) (d)	\$ -
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	N/A	2,274	2,274	-	-	-	-
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	N/A	206,891	-	206,891	206,891	-	-
School Breakfast Program	10.553	N/A	7/1/18-6/30/19	N/A	1,673	1,673	-	-	-	-
School Breakfast Program	10.553	N/A	7/1/19-6/30/20	N/A	64,809	-	64,809	64,809	-	-
Total Child Nutrition Cluster and U.S. Department of Agriculture					311,460	(532)	305,826	305,826	(6,166)	-
<b>U.S. Department of Education</b>										
Passed through the Pennsylvania Department of Education:										
Title I, Part A										
Title I, Part A	84.010	013-19-0401	7/1/18-9/30/19	355,003	47,106	47,106	-	-	-	-
Title I, Part A	84.010	013-20-0401	7/1/19-9/30/20	329,754	286,581	-	329,754	329,754	43,173	-
Total Title I, Part A				684,757	333,687	47,106	329,754	329,754	43,173	-
Title II Improving Teacher Quality	84.367	020-19-0401	7/1/18-9/30/19	56,057	11,197	8,239	2,958	2,958	-	-
Title II Improving Teacher Quality	84.367	020-20-0401	7/1/19-9/30/20	42,961	42,765	-	41,966	41,966	(799)	-
Title IV Student Support and Academic Enrichment	84.424	144-20-0401	7/1/19-9/30/20	26,570	19,485	-	26,385	26,385	6,900	-
Elementary and Secondary School Emergency Relief Fund	84.425D	200-20-0401	3/13/20-9/30/21	270,842	28,510	-	-	-	(28,510)	-
COVID-19 School Health & Safety Grant	21.019	220-CS-01-33720	3/1/20-10/30/20	170,125	-	-	2,380	2,380	2,380	-
<b>Special Education Cluster (IDEA)</b>										
Passed through BLAST IU #17:										
IDEA PART B	84.027	062-19-0017	7/1/18-9/30/19	180,918	20,918	20,918	-	-	-	-
IDEA PART B	84.027	062-20-0017	7/1/19-9/30/20	185,112	150,000	-	185,112	185,112	35,112	-
IDEA 619 EI	84.173	FA 131-20-0017	7/1/19-9/30/20	1,149	1,149	-	1,149	1,149	-	-
Passed through Lancaster-Lebanon IU#13:										
IDEA PART B	84.027	062-20-0033	7/1/19-6/30/20	7,000	7,000	-	7,000	7,000	-	-
Total Special Education Cluster (IDEA)					179,067	20,918	193,261	193,261	35,112	-
Total U.S. Department of Education					614,711	76,263	596,704	596,704	58,256	-
Total Federal Financial Assistance					\$ 926,171	\$ 75,731	\$ 902,530	\$ 902,530	\$ 52,090	\$ -

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  
Year Ended June 30, 2020

### 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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, *Uniform Administrative Requirements and 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.

## South Williamsport Area School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness (es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency (ies) identified?

\_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

#### Federal Awards

Internal control over major federal program:

Material weakness (es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency (ies) identified?

\_\_\_\_\_ yes        X   none reported

Type of auditors' report issued on compliance for the major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes        X   no

Identification of major federal program:

**CFDA Number(s)**

**Name of Federal Program**

84.010

Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   yes      \_\_\_\_\_ no

## South Williamsport Area School District

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Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

### Section II - Findings - Financial Statement Findings

None.

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

None.

### Section IV - Summary of Prior Year Audit Findings

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

*Condition/Context:* As part of the audit of the District's financial statements for the fiscal year ended June 30, 2019, we noted that the District did not appear to be in compliance with its continuing 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 statements were filed on March 2, 2019.

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

*Status:* During 2019, the District implemented steps to ensure that the financial statements were filed on a timely basis. The District filed its June 30, 2019 financial statements on December 20, 2019.