

South Williamsport Area School District

Financial Statements and
Supplementary Information

June 30, 2021

South Williamsport Area School District

Table of Contents

June 30, 2021

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position (Deficit)	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	17
Statement of Fund Net Position (Deficit) - Proprietary Fund - Food Service	18
Statement of Revenues, Expenses and Change in Fund Net Position (Deficit) - Proprietary Fund - Food Service	19
Statement of Cash Flows - Proprietary Fund - Food Service	20
Notes to Financial Statements	21

South Williamsport Area School District

Table of Contents

June 30, 2021

	<u>Page</u>
Required Supplementary Information (Unaudited)	
Schedule of the District's Proportionate Share of the PSERS Net Pension Liability	44
Schedule of the District's PSERS Pension Contributions	45
Schedule of the District's Proportionate Share of the PSERS OPEB Liability	46
Schedule of the District's PSERS OPEB Contributions	47
Schedule of Changes in Total OPEB Liability and Related Ratios - District Plan	48
Independent Auditors' Report on Internal Control Over Financial Reporting and Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	49
Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	51
Supplementary Information	
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56

Independent Auditors' Report

To the Board of Directors of
South Williamsport Area School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of South Williamsport Area School District (the District), as of and for the year ended June 30, 2021, 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 South Williamsport Area School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2020 Baker Tilly US, LLP

Emphasis of Matter

As discussed in Note 1, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 December 22, 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.

Baker Tilly US, LLP

Williamsport, Pennsylvania
December 22, 2021

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(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, 2021. 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 \$1,445,949 in 2021. Net position of governmental activities increased \$1,415,843, an 8.69 percent increase from 2020. Net position of the business-type activity increased \$30,106, or 6.04 percent from 2020.

The District had \$19,265,898 in expenses related to governmental activities in 2021; only \$5,050,313 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$15,631,428 offset expenses for these programs.

In the District's business-type activity, net position increased by \$30,106 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

Management's Discussion and Analysis

June 30, 2021

(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 five 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) and the District's nonmajor funds (Student Activities Fund, Student Athletics Fund, and Scholarship 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.

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 21-43 of this report.

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

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 2021 included \$19,431,077 of revenues and \$19,076,633 of expenditures, as well as a budgetary reserve of \$64,799 and a budgeted interfund transfer of \$366,674.

The actual 2021 revenues were \$20,644,576. This amounted to \$1,213,499 (6.25 percent) over final budget.

Local revenues were \$588,943 over budget. While budgeting during the COVID-19 pandemic, statewide projections anticipated earned income to be down up to 15 percent. The District decided to lower the budget amount by 10 percent. 2020/2021 resulted in our largest earned income collection which was approximately \$522,000 over budget. State revenues were \$202,020 over budget. This was a result of a School Safety grant that was not included in the budget due to uncertainty of timing of the project. Federal revenues were over budget by \$422,536. This was a result of CARES Act and American Rescue Plan federal grants that were not known prior to the adoption of the budget.

Actual expenditures not including other financing uses of \$19,093,450 were \$16,817, or .09% percent over the original budget. During the year, \$413,700 of unbudgeted expenditures were spent using grant funds available. Non-grant salaries and benefits were \$399,000 under budget due to turnover in staff who were replaced with employees that start at the bottom of the salary schedule and a lack of substitutes to fill employee absences. Cyber charter school expenses and the District's online learning school were \$314,000 over budget as a result of families wishing to enroll in other options during the COVID-19 pandemic. Non-grant supplies came in \$135,500 under budget as a result of surplus on hand from the prior year due to schools being closed on March 13, 2020. Student transportation was under budget by \$31,600 due to the need to go to remote learning days as a result of high student exposure counts. Because we were restructuring our debt service payments while the budget was being passed, actual debt service was \$122,000 under budget.

South Williamsport Area School District

Management's Discussion and Analysis
 June 30, 2021
 (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		Variance
	2021	2020	2021	2020	2021	2020	
Current and other assets	\$ 6,191	\$ 4,412	\$ 41	\$ 63	\$ 6,232	\$ 4,475	\$ 1,757
Noncurrent assets	14,331	14,740	48	54	14,379	14,794	(415)
Total assets	20,522	19,152	89	117	20,611	19,269	1,342
Deferred outflow of resources	5,176	4,182	83	47	5,259	4,229	1,030
Total assets and deferred outflow of resources	\$ 25,698	\$ 23,334	\$ 172	\$ 164	\$ 25,870	\$ 23,498	\$ 2,372
Current liabilities	\$ 3,376	\$ 3,721	\$ 15	\$ 11	\$ 3,391	\$ 3,732	\$ (341)
Long-term liabilities:							
Long-term debt	505	395	-	-	505	395	110
Other long-term liabilities	34,285	33,803	566	432	34,851	34,235	616
Total liabilities	38,166	37,919	581	443	38,747	38,362	385
Deferred inflow of resources	2,417	1,967	59	220	2,476	2,187	289
Total liabilities and deferred inflow of resources	40,583	39,886	640	663	41,223	40,549	674
Net position:							
Net investment in capital assets	12,482	12,687	48	54	12,530	12,741	(211)
Restricted	1,097	393	-	-	1,097	393	704
Unrestricted	(28,464)	(29,632)	(516)	(553)	(28,980)	(30,185)	1,205
Total net position	(14,885)	(16,552)	(468)	(499)	(15,353)	(17,051)	1,698
Total liabilities, deferred inflow of resources and net position	\$ 25,698	\$ 23,334	\$ 172	\$ 164	\$ 25,870	\$ 23,498	\$ 2,372

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Condensed Statement of Activities

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Variance
	2021	2020	2021	2020	2021	2020	
Program revenues:							
Charges for services	\$ 48	\$ 50	\$ 13	\$ 164	\$ 61	\$ 214	\$ (153)
Operating grants and contributions	5,003	4,297	532	323	5,535	4,620	915
General revenues:							
Taxes levied for general purposes, net	9,238	8,846	-	-	9,238	8,846	392
Grants, subsidies and contributions not restricted	6,369	6,367	-	-	6,369	6,367	2
Other	24	(30)	-	80	24	50	(26)
Total revenues	20,682	19,530	545	567	21,227	20,097	1,130
Program expenses:							
Instruction	12,679	12,386	-	-	12,679	12,386	293
Instructional student support	1,826	1,506	-	-	1,826	1,506	320
Administration and financial support services	1,627	1,717	-	-	1,627	1,717	(90)
Operation and maintenance of plant services	2,242	2,161	-	-	2,242	2,161	81
Pupil transportation	342	349	-	-	342	349	(7)
Student activities	517	442	-	-	517	442	75
Community services	13	12	-	-	13	12	1
Interest on long-term debt	20	41	-	-	20	41	(21)
Other	-	-	515	593	515	593	(78)
Total expenses	19,266	18,614	515	593	19,781	19,207	574
Change in net position	\$ 1,416	\$ 916	\$ 30	\$ (26)	\$ 1,446	\$ 890	\$ 556

Governmental Activities

The net position of the governmental activities increased in 2021 by \$1,415,843 versus a \$916,621 increase in 2020. Revenues in fiscal year 2021 increased as noted in the Budgetary Highlights section. Expenditures in fiscal year 2021 increased 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 increased in 2021 by \$30,106 versus a \$25,957 decrease in 2020. During fiscal year 2021, there was a shift in revenues from Charges for Services to Operating Grants and Contributions as a result of transitioning to the Seamless Summer Option during school year. Program expenses decreased as a result of the adjustment of the net pension liability which decreased expenses in the current year by \$55,600.

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Financial Analysis of the Major Funds

General Fund

The following represents a summary of General Fund revenue, by source, along with changes from 2020:

	2021 Amount	2020 Amount	Increase (Decrease)	% Change
Local sources	\$ 8,933,170	\$ 8,578,631	\$ 354,539	4.13
State sources	10,386,356	10,609,747	(223,391)	(2.11)
Federal sources	1,325,050	403,443	921,607	228.44
Total	<u>\$ 20,644,576</u>	<u>\$ 19,591,821</u>	<u>\$ 1,052,755</u>	5.37

Local Sources

Earned income tax revenue increased by \$387,000. As described under the budget section, the District expected a decrease in earned income tax revenue. 2021 resulted in our largest earned income tax collection to date. Real estate transfer taxes increased by \$31,100. Interest on investments decreased by \$26,700. Sporting event ticket sales decreased by \$38,200 due to not charging admission to events as a result of the decreased capacity allowed at events.

State Sources

The decrease in state sources relates to a \$409,760 decrease in PLANCON Reimbursement due to the final payment on the PLANCON eligible project being made in the 2020 fiscal year. That decrease is offset by an increase in Safety and Security grants of \$158,384.

Federal Sources

The increase in federal sources relates to increases in Title funds of \$20,139 and an increase in CARES Act and American Rescue Plan revenue of \$901,468.

The following represents a summary of General Fund expenditures, by function, along with changes from 2020:

	2021 Amount	2020 Amount	Increase (Decrease)	% Change
Instruction	\$ 12,170,785	\$ 11,444,742	\$ 726,043	6.34 %
Support services	5,962,894	5,237,943	724,951	13.84
Noninstructional services	463,975	453,573	10,402	2.29
Debt service	495,796	1,718,662	(1,222,866)	(71.15)
Total	<u>\$ 19,093,450</u>	<u>\$ 18,854,920</u>	<u>\$ 238,530</u>	1.30

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Instruction

The most significant increase in instruction was an increase in cyber charter school costs of \$113,700 and an increase in District provided cyber learning of \$279,400. This was a direct result of increasing needs of families in the middle the COVID-19 pandemic. There was a \$94,000 increase in salaries and a \$48,800 increase in benefits. These increases are due to typical pay increases for staff. There was an increase in IU provided supports for special education students of \$72,100 as we had an increase in students with specialized needs. There was an increase of \$43,400 related to the Career and Technology Program. This increase is due to a full year of costs whereas the previous year had savings due to the partial year school closure for COVID-19. There was a \$55,900 increase in supplies as a result of CARES Act and ARP grant spending.

Support Services

Increase in expenses for support services costs was primarily related to grant spending. There was an increase of \$225,600 related to a school safety grant and \$461,300 related to CARES Act and ARP grant spending.

Noninstructional Services

Increase in expenses for noninstructional services, consisting primarily of the District's athletic operations, is due the resuming of a full year of student activities whereas the prior year lacked spring student activities as a result of school closure that occurred on March 13, 2020.

Debt Service

While budgeting for the 2020-2021 school year in the midst of the pandemic, and following reports that there would be a decrease in revenue, the District restructured existing debt to allow financial flexibility to cover a potential drop in revenue.

Capital Projects Fund

The Capital Projects Fund balance is \$862,980. There was a transfer from the General Fund to the Capital Projects Fund in the amount of \$489,044. Activities within this fund during the fiscal year ended June 30, 2021 were for various capital projects.

Capital Assets

The District's investment in capital assets as of June 30, 2021 is summarized below.

	Governmental Activities	Business-Type Activity	Totals
Land	\$ 123,200	\$ -	\$ 123,200
Land improvements	1,779,771	-	1,779,771
Buildings and improvements	29,269,036	-	29,269,036
Furniture and equipment	1,558,563	379,514	1,938,077
Total	32,730,570	379,514	33,110,084
Less accumulated depreciation	19,008,256	331,777	19,340,033
Total	<u>\$ 13,722,314</u>	<u>\$ 47,737</u>	<u>\$ 13,770,051</u>

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Long-Term Debt

At June 30, 2021, the District's general obligation debt was \$1,240,000. The District paid \$485,000 in principal payments and current refunded \$1,660,000 of debt during fiscal year 2021. The District's current debt obligation is expected to be paid in full in 2023.

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 has added 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 to keep a balanced budget going forward. In both 2019/2020 and 2020/2021, the District passed a budget with a small deficit but was able to increase fund balance in both years. The District passed a fully balanced budget in 2020/2021. The District must continue to find ways 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.

COVID-19

The District has been allocated approximately \$4,856,000 of federal funds from various stimulus packages enacted by the federal government in 2020 and 2021 for the specific purpose of providing emergency relief to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools. These funds must be used to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health, and academic needs of students. In fiscal 2021, the District spent approximately \$904,000 of these funds. The remaining must be expended by September 2024.

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 (Deficit)

June 30, 2021

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 4,538,986	\$ 25,623	\$ 4,564,609
Investments	63,391	-	63,391
Taxes receivable, net	552,333	-	552,333
Other receivables	18,077	-	18,077
Internal balance	(277)	277	-
Due from other governments	1,019,105	14,948	1,034,053
Inventories	-	377	377
Total current assets	<u>6,191,615</u>	<u>41,225</u>	<u>6,232,840</u>
Noncurrent Assets			
Restricted cash and cash equivalents	608,349	-	608,349
Land	123,200	-	123,200
Land improvements	1,779,771	-	1,779,771
Buildings and building improvements	29,269,036	-	29,269,036
Furniture and equipment	1,558,563	379,514	1,938,077
Accumulated depreciation	<u>(19,008,256)</u>	<u>(331,777)</u>	<u>(19,340,033)</u>
Total noncurrent assets	<u>14,330,663</u>	<u>47,737</u>	<u>14,378,400</u>
Total assets	<u>20,522,278</u>	<u>88,962</u>	<u>20,611,240</u>
Deferred Outflows of Resources			
Pension	4,191,528	82,569	4,274,097
Other postemployment benefits (OPEB)	<u>985,125</u>	<u>-</u>	<u>985,125</u>
Total deferred outflows of resources	<u>5,176,653</u>	<u>82,569</u>	<u>5,259,222</u>
Total assets and deferred outflows of resources	<u>\$ 25,698,931</u>	<u>\$ 171,531</u>	<u>\$ 25,870,462</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Liabilities			
Current liabilities:			
Current portion of note payable	\$ 735,000	\$ -	\$ 735,000
Accounts payable	622,393	819	623,212
Accrued salaries and benefits	1,105,528	-	1,105,528
Compensated absences	145,222	-	145,222
Unearned revenue	15,480	12,269	27,749
Accrued interest	4,531	-	4,531
Other current liabilities	<u>748,169</u>	<u>1,853</u>	<u>750,022</u>
Total current liabilities	<u>3,376,323</u>	<u>14,941</u>	<u>3,391,264</u>
Noncurrent liabilities:			
Long-term portion of note payable	505,000	-	505,000
Other postemployment benefits liability (OPEB)	5,997,603	-	5,997,603
Net pension liability	<u>28,287,861</u>	<u>566,139</u>	<u>28,854,000</u>
Total noncurrent liabilities	<u>34,790,464</u>	<u>566,139</u>	<u>35,356,603</u>
Total liabilities	<u>38,166,787</u>	<u>581,080</u>	<u>38,747,867</u>
Deferred Inflows of Resources			
Pension	2,033,297	58,542	2,091,839
Other postemployment benefits (OPEB)	<u>383,294</u>	<u>-</u>	<u>383,294</u>
Total deferred inflows of resources	<u>2,416,591</u>	<u>58,542</u>	<u>2,475,133</u>
Net Position (Deficit)			
Net investment in capital assets	12,482,314	47,737	12,530,051
Restricted for student activities and scholarships	234,413	-	234,413
Restricted for capital projects	862,980	-	862,980
Unrestricted	<u>(28,464,154)</u>	<u>(515,828)</u>	<u>(28,979,982)</u>
Total net position (deficit)	<u>(14,884,447)</u>	<u>(468,091)</u>	<u>(15,352,538)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 25,698,931</u>	<u>\$ 171,531</u>	<u>\$ 25,870,462</u>

See notes to financial statements

South Williamsport Area School District

Statement of Activities
Year Ended June 30, 2021

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
Governmental Activities						
Instruction	\$ (12,679,248)	\$ 1,879	\$ 3,809,139	\$ (8,868,230)		\$ (8,868,230)
Operation and maintenance of plant services	(2,242,359)	-	165,360	(2,076,999)		(2,076,999)
Instructional student support	(1,825,981)	-	397,063	(1,428,918)		(1,428,918)
Administration and financial support services	(1,626,831)	-	447,530	(1,179,301)		(1,179,301)
Student activities	(516,721)	45,931	500	(470,290)		(470,290)
Pupil transportation	(341,782)	-	182,911	(158,871)		(158,871)
Community services	(12,925)	-	-	(12,925)		(12,925)
Interest on long-term debt	(20,051)	-	-	(20,051)		(20,051)
Total governmental activities	(19,265,898)	47,810	5,002,503	(14,215,585)		(14,215,585)
Business-Type Activity						
Food service	(515,307)	12,961	532,364		\$ 30,018	30,018
Total	<u>\$ (19,781,205)</u>	<u>\$ 60,771</u>	<u>\$ 5,534,867</u>	<u>(14,215,585)</u>	<u>30,018</u>	<u>(14,185,567)</u>
General Revenues						
Grants, subsidies and contributions not restricted				6,368,567	-	6,368,567
Property taxes, levied for general purposes, net				6,738,054	-	6,738,054
Other taxes levied				2,500,341	-	2,500,341
Investment earnings				15,476	88	15,564
Miscellaneous income				8,990	-	8,990
Total general revenues				<u>15,631,428</u>	<u>88</u>	<u>15,631,516</u>
Change in net position				<u>1,415,843</u>	<u>30,106</u>	<u>1,445,949</u>
Net Deficit, Beginning						
As previously reported				(16,552,003)	(498,197)	(17,050,200)
Effect of adoption of GASB Statement No. 84 (Note 1)				251,713	-	251,713
As restated				<u>(16,300,290)</u>	<u>(498,197)</u>	<u>(16,798,487)</u>
Net Deficit, Ending				<u>\$ (14,884,447)</u>	<u>\$ (468,091)</u>	<u>\$ (15,352,538)</u>

See notes to financial statements

South Williamsport Area School District

Balance Sheet - Governmental Funds

June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 4,538,986	\$ -	\$ -	\$ 4,538,986
Restricted cash and cash equivalents	-	373,936	234,413	608,349
Investments	63,391	-	-	63,391
Taxes receivable, net	552,333	-	-	552,333
Other receivables	18,077	-	-	18,077
Due from other funds	-	489,044	-	489,044
Due from other governments	1,019,105	-	-	1,019,105
Total assets	<u>\$ 6,191,892</u>	<u>\$ 862,980</u>	<u>\$ 234,413</u>	<u>\$ 7,289,285</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 622,393	\$ -	\$ -	\$ 622,393
Accrued salaries and benefits	1,105,528	-	-	1,105,528
Unearned revenues	15,480	-	-	15,480
Compensated absences	145,222	-	-	145,222
Other liabilities	748,169	-	-	748,169
Due to other funds	489,321	-	-	489,321
Total liabilities	<u>3,126,113</u>	<u>-</u>	<u>-</u>	<u>3,126,113</u>
Deferred Inflows of Resources				
Unearned revenue, taxes	322,074	-	-	322,074
Fund Balances				
Restricted	-	862,980	234,413	1,097,393
Committed	50,000	-	-	50,000
Unassigned	2,693,705	-	-	2,693,705
Total fund balances	<u>2,743,705</u>	<u>862,980</u>	<u>234,413</u>	<u>3,841,098</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,191,892</u>	<u>\$ 862,980</u>	<u>\$ 234,413</u>	<u>\$ 7,289,285</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 (Deficit)
June 30, 2021

Total Fund Balance, Governmental Funds		\$ 3,841,098
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 \$32,730,570 and the accumulated depreciation is \$19,008,256.		13,722,314
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.		322,074
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		4,191,528
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		(2,033,297)
Deferred outflows related to OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.		985,125
Deferred inflows related to OPEB liability are not reported in the governmental funds, however are reported in the the statement of net position.		(383,294)
Long-term liabilities, including notes 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:		
Notes payable	(1,240,000)	
Accrued interest on bonds payable	(4,531)	
Other postemployment benefits liability	(5,997,603)	
Net pension liability	(28,287,861)	(35,529,995)
Total Net Position (Deficit), Governmental Activities		\$ (14,884,447)

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, 2021

	General	Capital Projects	Nonmajor Special Revenue	Totals
Revenues				
Local sources	\$ 8,933,170	\$ 1,056	\$ 48,372	\$ 8,982,598
State sources	10,386,356	-	-	10,386,356
Federal sources	1,325,050	-	-	1,325,050
Total revenues	<u>20,644,576</u>	<u>1,056</u>	<u>48,372</u>	<u>20,694,004</u>
Expenditures				
Instruction	12,170,785	-	-	12,170,785
Support services	5,962,894	19,914	-	5,982,808
Noninstructional services	463,975	-	65,672	529,647
Debt service	495,796	-	-	495,796
Total expenditures	<u>19,093,450</u>	<u>19,914</u>	<u>65,672</u>	<u>19,179,036</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	<u>1,551,126</u>	<u>(18,858)</u>	<u>(17,300)</u>	<u>1,514,968</u>
Other Financing Sources (Uses)				
Proceeds from issuance of long-term debt	1,725,000	-	-	1,725,000
Debt service payment to refunding agent	(1,674,550)	-	-	(1,674,550)
Transfers in	-	489,044	-	489,044
Transfers out	(489,044)	-	-	(489,044)
Total other financing sources (uses), net	<u>(438,594)</u>	<u>489,044</u>	<u>-</u>	<u>50,450</u>
Net changes in fund balances	<u>1,112,532</u>	<u>470,186</u>	<u>(17,300)</u>	<u>1,565,418</u>
Fund Balances, Beginning				
As previously reported	1,631,173	392,794	-	2,023,967
Effect of adoption of GASB Statement No. 84 (Note 1)	-	-	251,713	251,713
As restated	<u>1,631,173</u>	<u>392,794</u>	<u>251,713</u>	<u>2,275,680</u>
Fund Balances, Ending	<u>\$ 2,743,705</u>	<u>\$ 862,980</u>	<u>\$ 234,413</u>	<u>\$ 3,841,098</u>

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, 2021

Total Net Change in Fund Balances, Governmental Funds \$ 1,565,418

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	(740,875)	
Capital outlays	<u>115,830</u>	(625,045)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned tax revenues decreased by this amount this year. (12,263)

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, 2021, the following transactions factor into this reconciliation:

Repayment of long-term debt principal	2,145,000	
Issuance of long-term debt	<u>(1,725,000)</u>	420,000

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, 2021. (186,819)

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. 249,257

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	9,826	
Current year accrued interest	<u>(4,531)</u>	<u>5,295</u>

Change in Net Position of Governmental Activities \$ 1,415,843

South Williamsport Area School District

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues			
Local sources	\$ 8,344,227	\$ 8,933,170	\$ 588,943
State sources	10,184,336	10,386,356	202,020
Federal sources	902,514	1,325,050	422,536
Total revenues	<u>19,431,077</u>	<u>20,644,576</u>	<u>1,213,499</u>
Expenditures			
Instruction:			
Regular programs	8,424,175	8,631,019	(206,844)
Special programs	2,416,247	2,350,562	65,685
Vocational education programs	724,394	696,939	27,455
Other instructional programs	488,782	492,265	(3,483)
Total instruction	<u>12,053,598</u>	<u>12,170,785</u>	<u>(117,187)</u>
Support services:			
Pupil personnel	411,642	356,659	54,983
Instructional staff	1,178,900	1,167,033	11,867
Administration	1,351,535	1,375,450	(23,915)
Pupil health	181,008	185,136	(4,128)
Business	326,162	340,946	(14,784)
Operation and maintenance of plant services	2,017,900	2,195,691	(177,791)
Student transportation services	403,571	341,979	61,592
Total support services	<u>5,870,718</u>	<u>5,962,894</u>	<u>(92,176)</u>
Noninstructional services:			
Student activities	516,295	451,050	65,245
Community services	16,522	12,925	3,597
Total noninstructional services	<u>532,817</u>	<u>463,975</u>	<u>68,842</u>
Debt service	<u>619,500</u>	<u>495,796</u>	<u>123,704</u>
Total expenditures	<u>19,076,633</u>	<u>19,093,450</u>	<u>(16,817)</u>
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>354,444</u>	<u>1,551,126</u>	<u>1,196,682</u>
Other Financing Sources (Uses)			
Budgetary reserve	64,799	-	(64,799)
Proceeds from long term debt borrowing	-	1,725,000	1,725,000
Refunding of long term debt	-	(1,674,550)	(1,674,550)
Interfund transfer	366,674	(489,044)	(855,718)
Total other financing sources (uses), net	<u>431,473</u>	<u>(438,594)</u>	<u>(870,067)</u>
Net changes in fund balances	785,917	1,112,532	326,615
Fund Balance, Beginning	<u>974,193</u>	<u>1,631,173</u>	<u>656,980</u>
Fund Balance, Ending	<u>\$ 1,760,110</u>	<u>\$ 2,743,705</u>	<u>\$ 983,595</u>

See notes to financial statements

South Williamsport Area School District

Statement of Fund Net Position (Deficit) - Proprietary Fund - Food Service

June 30, 2021

Assets and Deferred Outflows of Resources

Current Assets

Cash	\$	25,623
Due from other governments		14,948
Due from other funds		277
Inventories		377

Total current assets 41,225

Noncurrent Assets

Machinery and equipment		379,514
Accumulated depreciation		(331,777)

Total noncurrent assets 47,737

Total assets 88,962

Deferred Outflows of Resources, Pension

82,569

Total assets and deferred outflows of resources \$ 171,531

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

Current Liabilities

Accounts payable	\$	819
Accrued salaries		1,853
Unearned revenue		12,269

Total current liabilities 14,941

Noncurrent Liabilities

Net pension liability		<u>566,139</u>
-----------------------	--	----------------

Total liabilities 581,080

Deferred Inflows of Resources, Pension

58,542

Net Position (Deficit)

Net investment in capital assets		47,737
Unrestricted		(515,828)

Total net position (deficit) (468,091)

Total liabilities, deferred inflows of resources
and net position (deficit) \$ 171,531

See notes to financial statements

South Williamsport Area School District

Statement of Revenues, Expenses and Change in Fund Net Position (Deficit) - Proprietary Fund - Food Service
Year Ended June 30, 2021

Operating Revenues

Food service revenue	\$ 12,961
----------------------	-----------

Operating Expenses

Salaries and employee benefits	210,440
--------------------------------	---------

Other purchased services	298,229
--------------------------	---------

Depreciation	6,362
--------------	-------

Supplies	276
----------	-----

Total operating expenses	<u>515,307</u>
--------------------------	----------------

Operating loss	<u>(502,346)</u>
----------------	------------------

Nonoperating Revenues

Federal sources	513,703
-----------------	---------

State sources	18,661
---------------	--------

Earnings on investments	88
-------------------------	----

Total nonoperating revenues	<u>532,452</u>
-----------------------------	----------------

Change in net position	30,106
------------------------	--------

Net Deficit, Beginning	<u>(498,197)</u>
-------------------------------	------------------

Net Deficit, Ending	<u><u>\$ (468,091)</u></u>
----------------------------	----------------------------

South Williamsport Area School District

Statement of Cash Flows - Proprietary Fund - Food Service

Year Ended June 30, 2021

Cash Flows From Operating Activities

Cash received from customers	\$ 16,173
Cash paid to employees and vendors	<u>(562,765)</u>
Net cash used in operating activities	<u>(546,592)</u>

Cash Flows From Noncapital Financing Activities

State sources	18,085
Federal sources	<u>499,331</u>
Net cash provided by noncapital financing activities	<u>517,416</u>

Cash Flows From Investing Activities

Earnings of investments	<u>88</u>
Decrease in cash	(29,088)

Cash, Beginning

54,711

Cash, Ending

\$ 25,623

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (502,346)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,362
Changes in assets and liabilities resulting in the provisions (use) of cash:	
Other receivables	2,549
Inventory	5,788
Due from other funds	(277)
Deferred outflow of resources	(35,332)
Accounts payable	819
Accrued salaries	1,853
Unearned revenue	663
Net pension liability	134,330
Deferred inflow of resources	<u>(161,001)</u>
Net cash used in operating activities	<u><u>\$ (546,592)</u></u>

Supplemental Disclosure of Noncash Operating Activities

Donated commodities received	<u><u>\$ 32,147</u></u>
------------------------------	-------------------------

See notes to financial statements

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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 by the 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, Capital Project, Student Activities, Student Athletics and Scholarship Fund 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

Notes to Financial Statements

June 30, 2021

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 Project Fund

The Capital Project 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 Project fund is a major fund.

Student Activities Fund

The Student Activities Fund accounts for the operations of the various student activity programs. The Student Activities Fund is a nonmajor fund.

Student Athletics Fund

The Student Athletics Fund accounts for the operations of various booster activity programs. The Student Athletics Fund is a nonmajor fund.

Scholarship Fund

The Scholarship Fund accounts for the operations of the various scholarship programs that are not held under a trust arrangement. The Scholarship Fund is a nonmajor 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.

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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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 and notes 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 and notes 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, 2021

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 and cash equivalents consists of cash and cash management liquid asset funds that are 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 position 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:

	Governmental Activities	Business-Type Activities
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

Notes to Financial Statements

June 30, 2021

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

Notes to Financial Statements

June 30, 2021

- *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. 84, *Fiduciary Activities*, for the year ended June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented July 1, 2020 and resulted in a restatement of government-wide net position and the nonmajor special revenue funds increasing beginning balances by \$251,713.

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, 2021, \$5,118,504 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, 2021

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, 2021, the carrying amount and bank balances of the District's deposits with PLGIT were \$63,391.

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 2021 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, 2021 amounted to \$322,074 as follows:

<u>Outstanding Balance</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
\$ 336,108	\$ 14,034	\$ 322,074

Also included in taxes receivable, net at June 30, 2021 are earned income taxes of \$170,966 and other local taxes totaling \$59,293.

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, 2021 amounted to approximately \$61,000.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

4. Due From Other Governments

The amount reported at June 30, 2021 as due from other governments is summarized below:

	<u>General Fund</u>	<u>Food Service Fund</u>
State source	\$ 768,913	\$ 576
Federal source (pass-through funding)	<u>250,192</u>	<u>14,372</u>
Total	<u>\$ 1,019,105</u>	<u>\$ 14,948</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, 2021.

5. Capital Assets

The changes in the District's capital assets in 2021 are summarized as follows:

	<u>Balance July 1, 2020</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
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	<u>2,028,130</u>	<u>115,830</u>	<u>(585,397)</u>	<u>1,558,563</u>
Total cost	<u>33,200,137</u>	<u>115,830</u>	<u>(585,397)</u>	<u>32,730,570</u>
Less accumulated depreciation:				
Land improvements	(1,721,495)	(19,039)	-	(1,740,534)
Buildings and improvements	(15,513,902)	(633,809)	-	(16,147,711)
Furniture and equipment	<u>(1,617,381)</u>	<u>(88,027)</u>	<u>585,397</u>	<u>(1,120,011)</u>
Total accumulated depreciation	<u>(18,852,778)</u>	<u>(740,875)</u>	<u>585,397</u>	<u>(19,008,256)</u>
Governmental activities capital assets, net	<u>\$ 14,347,359</u>	<u>\$ (625,045)</u>	<u>\$ -</u>	<u>\$ 13,722,314</u>
Business-Type Activity				
Asset being depreciated:				
Furniture and equipment	\$ 379,514	\$ -	\$ -	\$ 379,514
Less accumulated depreciation				
	<u>(325,415)</u>	<u>(6,362)</u>	<u>-</u>	<u>(331,777)</u>
Business-type activity capital assets, net	<u>\$ 54,099</u>	<u>\$ (6,362)</u>	<u>\$ -</u>	<u>\$ 47,737</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

Depreciation expense amounted to \$740,875 for the District's governmental activities and was allocated to expense as follows for the year ended June 30, 2021:

Function/Program:		
Instruction	\$	703,932
Operation and maintenance of plant services		18,767
Instructional student support		18,176
		<u>18,176</u>
Total	\$	<u>740,875</u>

6. Long-Term Debt

General Obligation Bonds

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. These bonds were currently refunded in 2021 through the issuance of the District's General Obligation Note, Series of 2020.

Direct Borrowing

In 2021, the District issued a \$1,725,000 General Obligation Note, Series of 2020, due in varying annual installments plus interest at a fixed rate of 1.250 percent through maturity in 2023. The proceeds from the issuance of the note were used to currently refund the District's outstanding General Obligation Bonds Series AA of 2014 and pay the costs associated with issuing the Bond.

This current refunding transaction resulted in an economic loss (the difference between the present value of the debt service requirements for the refunded debt and the present value of the debt service requirements of the refunding debt) of approximately \$9,900, and an increase of the District's debt service (cash flow) requirements over the next five years of approximately \$63,000.

	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021	Current Portion June 30, 2021
Series AA of 2014 GOB	\$ 1,660,000	\$ -	\$ (1,660,000)	\$ -	\$ -
Series of 2020 GON	-	1,725,000	(485,000)	1,240,000	735,000
Total	<u>\$ 1,660,000</u>	<u>\$ 1,725,000</u>	<u>\$ (2,145,000)</u>	<u>\$ 1,240,000</u>	<u>\$ 735,000</u>

Total interest expense on long-term debt in 2021 was \$20,051.

At June 30, 2021, the District's debt service requirements to maturity on direct borrowings of its long-term debt are summarized below:

	Principal	Interest	Total
Years ending June 30:			
2022	\$ 735,000	\$ 11,096	\$ 746,096
2023	505,000	3,226	508,226
Total	<u>\$ 1,240,000</u>	<u>\$ 14,322</u>	<u>\$ 1,254,322</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

7. Compensated Absences

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

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

The changes in the District's compensated absences in 2021 are summarized as follows:

Balance, July 1, 2020	\$	132,755
Increase		97,298
Decrease		(84,831)
		<hr/>
Balance, June 30, 2021	\$	<u>145,222</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 \$1,105,528 represent salaries of \$778,151, the District's share of Social Security taxes of \$57,089 for teachers' services during the 2020-2021 school term, which are paid during July and August 2021 and retirement plan expense of \$270,288 applicable to the accrued salaries at June 30, 2021.

9. Other Post-Employment Benefits (OPEB)

South Williamsport Area School District Postemployment Benefit Plan

Plan Description

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

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

Employees Covered by Benefit Terms

At July 1, 2020, 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><u>138</u></u>

Total OPEB Liability

The District's total OPEB liability as of June 30, 2021 was \$4,733,603, which was measured as of July 1, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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	1.86%
Healthcare cost trend rates	5.5% in 2020, through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
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, 2020.

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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, July 1, 2020	\$ 4,058,063
Changes for the year:	
Service cost	202,411
Interest	140,445
Changes in experience	-
Changes of assumptions or other inputs	481,384
Benefit payments	(148,700)
Net changes	675,540
Balance, June 30, 2021	\$ 4,733,603

Changes in assumptions or other inputs reflect a change in the discount rate from 3.36 percent in 2019 to 1.86 percent in 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 (0.86 percent) or 1-percentage-point higher (2.86 percent) than the current discount rate:

	1% Decrease (0.86%)	Discount Rate (1.86%)	1% Increase (2.86%)
Total OPEB Liability	\$ 5,055,109	\$ 4,733,603	\$ 4,423,141

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 4,164,300	\$ 4,733,603	\$ 5,403,462

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$378,999. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments subsequent to the measurement date (July 1, 2020)	\$ 178,981	\$ -
Changes of assumptions or other inputs	440,978	276,294
Differences between expected and actual experience	214,025	-
Total	<u>\$ 833,984</u>	<u>\$ 276,294</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:	
2022	\$ 36,143
2023	36,143
2024	36,143
2025	36,143
2026	36,143
Thereafter	<u>197,994</u>
Total	<u>\$ 378,709</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, 2020 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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was .82 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 \$68,511 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,264,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2021, the District's proportion was .0585 percent, which was a decrease of .0032 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$56,000.

At June 30, 2021, 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	\$ 52,000	\$ 28,000
Net differences between projected and actual investment earnings	2,000	-
District contributions subsequent to the measurement date	68,141	-
Difference between expected and actual experience	12,000	-
Changes in proportion	17,000	79,000
	<u>\$ 151,141</u>	<u>\$ 107,000</u>

\$68,141 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, 2022. 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:	
2022	\$ (4,000)
2023	(4,000)
2024	(5,000)
2025	(1,000)
2026	(5,000)
Thereafter	<u>(5,000)</u>
Total	<u>\$ (24,000)</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent of pay;
- Investment return - 2.66 percent - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale;
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50 percent;
 - Eligible retirees will elect to participate Post age 65 at 70 percent.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020;
- 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).

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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	50.3 %	(1.0) %
U.S. core fixed income	46.5	(0.1)
Non U.S. developed fixed	3.2	(0.1)
	100 %	

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66 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 2.66 percent which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of PSERS Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, 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, 2020, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
District's proportionate share of the PSERS Net OPEB Liability	\$ 1,264,000	\$ 1,264,000	\$ 1,264,000

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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 2.66 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 (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current rate:

	1% Decrease 1.66%	Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ 1,441,000	\$ 1,264,000	\$ 1,117,000

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.

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, 2021, there were three 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, 2021, there were no stipends distributed to administrators.

11. Retirement Plan

As of June 30, 2021, the District reported the following amounts in the accompanying financial statements related to their participation in the PSERS:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources	\$ 4,191,528	\$ 82,569	\$ 4,274,097
Net pension liability	28,287,861	566,139	28,854,000
Deferred inflows of resources	2,033,297	58,542	2,091,839

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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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 ten years of service.

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

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

Member Contributions

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

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.69 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 \$2,784,258 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$28,854,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2019 to June 30, 2020. 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, 2020, the District's proportion was .0586 percent, which was a decrease from its proportion measured as of June 30, 2019 of .0031 percent.

For the year ended June 30, 2021, the District recognized pension expense of approximately \$2,475,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion between governmental and business-type activity	\$ (17,161)	\$ (17,161)
Difference between expected and actual experience	75,000	692,000
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,268,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	164,000	1,417,000
District contributions subsequent to the measurement date	<u>2,784,258</u>	<u>-</u>
Total	<u>\$ 4,274,097</u>	<u>\$ 2,091,839</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

\$2,784,258 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, 2022.

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:		
2022	\$	(535,000)
2023		(449,000)
2024		5,000
2025		<u>377,000</u>
Total	\$	<u>(602,000)</u>

Actuarial Assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2020:

- 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

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	15.0 %	5.2 %
Fixed income	36.0	1.1
Commodities	8.0	1.8
Absolute return	10.0	2.5
Risk parity	8.0	3.3
Infrastructure/MLPs	6.0	5.7
Real estate	10.0	5.5
Private equity	15.0	7.2
Cash	6.0	(1.0)
Financing (LIBOR)	(14.0)	(0.7)
	100 %	

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, 2020.

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	\$ 35,699,000	\$ 28,854,000	\$ 23,056,000

South Williamsport Area School District

Notes to Financial Statements

June 30, 2021

12. Internal Balances

The following summarizes the interfund transfers in 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund: Capital Project Fund	\$ -	\$ 489,044
Capital Project Fund: General Fund	489,044	-
Total	<u>\$ 489,044</u>	<u>\$ 489,044</u>

The General Fund transferred \$489,044 into the Capital Project Fund to cover various capital expenditures.

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>Nonmajor Special Revenue Fund</u>	<u>Total</u>
Restricted for:				
Capital projects	\$ -	\$ 862,980	\$ -	\$ 862,980
Student/athletic activities and scholarships	-	-	234,413	234,413
Total restricted	<u>\$ -</u>	<u>\$ 862,980</u>	<u>\$ 234,413</u>	<u>\$ 1,097,393</u>
Committed for:				
PSERS	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>

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

Notes to Financial Statements

June 30, 2021

Contingency

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. The 2020/2021 school year was held with in-person, hybrid and virtual learning model operations available to its students. To the date, the majority of the 2021/2022 school year has been operating with in-person learning. While this disruption is anticipated to be temporary, the extent of the impact of COVID-19 on District's operational and financial performance will depend on the ongoing pandemic, including the duration and spread of the outbreak 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. Nonmonetary 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 2021 were \$32,147.

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. 87, *Leases*;
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*;
- 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*;
- Statement No. 98, *The Annual Comprehensive Financial Report*.

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.

South Williamsport Area School District

Schedule of the District's Proportionate Share of the PSERS Net Pension Liability
 Years Ended June 30
 (Unaudited)

	<u>2021</u>	<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	0.0586%	0.0617%	0.0628%	0.0632%	0.0614%	0.0625%	0.0617%
District's proportionate share of the net pension liability	\$ 28,854,000	\$ 28,865,000	\$ 30,146,999	\$ 31,213,000	\$ 30,428,000	\$ 27,072,000	\$ 24,421,000
District's covered-employee payroll	\$ 8,213,515	\$ 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	351.30%	339.25%	356.26%	371.12%	382.40%	336.55%	310.34%
PSERS Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,784,258	\$ 2,737,998	\$ 2,758,628	\$ 2,669,477	\$ 2,323,461	\$ 2,011,023	\$ 1,613,154
Contributions in relation to the contractually required contribution	<u>(2,784,258)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,213,515	\$ 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	33.90%	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 amendment of GASB Statement No. 27*, for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

South Williamsport Area School District

Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability
Years Ended June 30
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0585%	0.0617%	0.0628%	0.0632%	0.0614%
District's proportionate share of the net OPEB liability	\$ 1,264,000	\$ 1,312,000	\$ 1,309,000	\$ 1,288,000	\$ 1,323,000
District's covered-employee payroll	\$ 8,213,515	\$ 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	15.39%	15.42%	15.47%	15.31%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

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

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 68,511	\$ 68,942	\$ 70,235	\$ 69,807	\$ 66,043
Contributions in relation to the contractually required contribution	<u>(68,511)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,213,515	\$ 8,508,449	\$ 8,462,050	\$ 8,410,450	\$ 7,957,028
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	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**

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 202,411	\$ 207,521	\$ 191,682	\$ 200,089
Interest cost	140,445	120,821	121,747	93,858
Changes of benefit terms	-	-	-	37,018
Difference between expected and actual experience	-	261,587	-	-
Changes of assumptions	481,384	(294,586)	4,616	(55,426)
Benefit payments, including refunds of member contributions	<u>(148,700)</u>	<u>(183,609)</u>	<u>(152,084)</u>	<u>(140,669)</u>
Net change in total OPEB liability	675,540	111,734	165,961	134,870
Total OPEB Liability, Beginning	<u>4,058,063</u>	<u>3,946,329</u>	<u>3,780,368</u>	<u>3,645,498</u>
Total OPEB Liability, Ending	<u>\$ 4,733,603</u>	<u>\$ 4,058,063</u>	<u>\$ 3,946,329</u>	<u>\$ 3,780,368</u>
Covered-Employee Payroll	<u>\$ 7,640,658</u>	<u>\$ 7,640,658</u>	<u>\$ 7,483,417</u>	<u>\$ 7,483,417</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>61.95%</u>	<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 year ended 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2021. Our report indicated that the District implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. Our opinions were not modified with respect to this matter.

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

Williamsport, Pennsylvania
December 22, 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, 2021. 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, South Williamsport Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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.

Baker Tilly US, LLP

Williamsport, Pennsylvania
December 22, 2021

South Williamsport Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Grantor/Program Title	Assistance Listing Number	Pass-Through Grant Number	Beginning/Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2021	Passed Through to Subrecipient
U.S. Department of Agriculture										
Child Nutrition Cluster:										
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch, Donated Commodities	10.555	N/A	7/1/20 - 6/30/21	N/A	\$ 32,147 (a)	\$ (6,166) (b)	\$ 37,937	\$ 37,937 (c)	\$ (376) (d)	-
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	10.555	N/A	7/1/20 - 6/30/21	N/A	342,097	-	352,026	352,026	9,929	-
School Breakfast Program	10.553	N/A	7/1/20 - 6/30/21	N/A	125,087	-	129,530	129,530	4,443	-
Total Child Nutrition Cluster and U.S. Department of Agriculture					499,331	(6,166)	519,493	519,493	13,996	-
U.S. Department of Education										
Passed through the Pennsylvania Department of Education:										
Title I Grants to Local Education Agencies:										
Title I, Part A	84.010	013-20-0401	7/1/19 - 9/30/20	\$ 329,754	43,173	43,173	-	-	-	-
Title I, Part A	84.010	013-21-0401	7/1/20 - 9/30/21	347,511	277,318	-	343,875	343,875	66,557	-
Total Title I, Part A					320,491	43,173	343,875	343,875	66,557	-
Title II Improving Teacher Quality	84.367	020-20-0401	7/1/19 - 9/30/20	42,961	196	(799)	995	995	-	-
Title II Improving Teacher Quality	84.367	020-21-0401	7/1/20 - 9/30/21	52,256	45,051	-	52,256	52,256	7,205	-
Total Title II Improving Teacher Quality					45,247	(799)	53,251	53,251	7,205	-
Title IV Student Support and Academic Enrichment	84.424	144-20-0401	7/1/19 - 9/30/20	26,570	7,085	6,900	185	185	-	-
Title IV Student Support and Academic Enrichment	84.424	144-21-0401	7/1/20 - 9/30/21	25,008	25,008	-	23,891	23,891	(1,117)	-
Total Title IV Student Support and Academic Enrichment					32,093	6,900	24,076	24,076	(1,117)	-
Education Stabilization Funds:										
COVID-19 Governor's Emergency Education Relief Fund - GEER	84.425C	253-20-0401	3/13/20 - 9/30/21	40,800	36,505	-	39,812	39,812	3,307	-
COVID-19 CARES/Elementary and Secondary School Emergency Relief Fund	84.425D	200-20-0401	3/13/20 - 9/30/21	270,842	242,332	(28,510)	258,345	258,345	(12,497)	-
COVID-19 CARES/Elementary and Secondary School Emergency Relief Fund	84.425D	200-21-0401	3/13/20 - 9/30/23	1,283,248	-	-	138,726	138,726	138,726	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	223-21-0401	3/13/20 - 9/30/24	2,595,640	-	-	25,223	25,223	25,223	-
Passed through the Pennsylvania Commission on Crime and Delinquency:										
COVID-19 CARES/Elementary and Secondary Emergency Relief Fund	84.425D	2020-ES-01 35014	3/13/20 - 9/30/22	38,048	7,372	-	19,116	19,116	11,744	-
Total Education Stabilization Funds					286,209	(28,510)	481,222	481,222	166,503	-

See notes to Schedule of Expenditures of Federal Awards

South Williamsport Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Grantor/Program Title	Assistance Listing Number	Pass-Through Grant Number	Beginning/Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2021	Passed Through to Subrecipient
Special Education Cluster (IDEA)										
Passed through the Pennsylvania Department of Education:										
COVID-19 Governor's Emergency Education Relief Fund, Special Education	84.027	252-20-0401	7/1/20 - 9/30/21	\$ 6,502	\$ 5,202	\$ -	\$ 6,081	\$ 6,081	\$ 879	\$ -
Passed through BLAST IU #17:										
IDEA PART B	84.027	062-20-0017	7/1/19 - 9/30/20	185,112	35,112	35,112	-	-	-	-
IDEA PART B	84.027	062-21-0017	7/1/20 - 9/30/21	200,166	190,000	-	200,166	200,166	10,166	-
IDEA 619 EI	84.173	FA 131-21-0017	7/1/20 - 9/30/21	2,436	2,436	-	2,436	2,436	-	-
Total Special Education Cluster (IDEA)					232,750	35,112	208,683	208,683	11,045	-
Total U.S. Department of Education					916,790	55,876	1,111,107	1,111,107	250,193	-
U.S. Department of Treasury										
Passed through Pennsylvania Commission on Crime and Delinquency:										
COVID-19 School Safety and Security Grant	21.019	2020-CS-01 33720	3/1/20 - 10/30/20	170,125	170,125	2,380	167,745	167,745	-	-
Passed through the Lycoming County Commissioners:										
COVID-19 School Safety and Security Grant	21.019	C000073983	3/1/20 - 12/30/20	248,800	248,800	-	248,800	248,800	-	-
Total U.S. Department of Treasury					418,925	2,380	416,545	416,545	-	-
Total Federal Financial Assistance					\$ 1,835,046	\$ 52,090	\$ 2,047,145	\$ 2,047,145	\$ 264,189	\$ -

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

See notes to Schedule of Expenditures of Federal Awards

South Williamsport Area School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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, 2021. 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, other than Child Nutrition Cluster expenditures, are reported on the modified accrual (governmental funds) basis of accounting. Child Nutrition Cluster expenditures are reported on the accrual 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.

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, 2021

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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program</u>
84.425	Education Stabilization Fund

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II - Findings - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Audit Findings

There were no findings cited in the June 30, 2020 Single Audit.