

South Williamsport Area School District

Financial Statements and
Supplementary Information

June 30, 2022

South Williamsport Area School District

Table of Contents

June 30, 2022

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position (Deficit)	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	18
Statement of Fund Net Position (Deficit) - Proprietary Fund - Food Service	19
Statement of Revenues, Expenses and Change in Fund Net Position (Deficit) - Proprietary Fund - Food Service	20
Statement of Cash Flows - Proprietary Fund - Food Service	21
Notes to Financial Statements	22

South Williamsport Area School District

Table of Contents

June 30, 2022

	<u>Page</u>
Required Supplementary Information (Unaudited)	
Schedule of the District's Proportionate Share of the PSERS Net Pension Liability	47
Schedule of the District's PSERS Pension Contributions	48
Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability	49
Schedule of the District's PSERS OPEB Contributions	50
Schedule of Changes in Total OPEB Liability and Related Ratios - District Plan	51
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	52
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	54
Supplementary Information	
Schedule of Expenditures of Federal Awards	57
Notes to Schedule of Expenditures of Federal Awards	59
Schedule of Findings and Questioned Costs	60

Independent Auditors' Report

To the Board of Directors of
South Williamsport Area School District

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents 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 supplementary information 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 9, 2022, 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 9, 2022

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(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, 2022. 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 \$3,183,182 in 2022. Net position of governmental activities increased \$2,811,290, an 18.90% increase from 2021. Net position of the business-type activity increased \$371,892 or 79.44% from 2021.

The District had \$18,774,670 in expenses related to governmental activities in 2022; only \$5,592,924 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$15,993,036 offset expenses for these programs.

In the District's business-type activity, net position increased by \$371,892 as a result of the operations of the Food Service fund, including increased grant funding.

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 (deficit) 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 12 and 13 of this report.

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(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 14-17 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 18 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 19-21 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 22-46 of this report.

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(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 2022 included \$20,345,538 of revenues and \$20,004,632 of expenditures, as well as a budgetary reserve of \$101,575 and a budgeted interfund transfer of \$238,078.

The actual 2022 revenues were \$21,411,708. This amounted to \$1,066,170 (5.24%) over final budget.

Local revenues were \$433,332 over budget. With the recovery from the COVID-19 pandemic, areas such as earned income tax, delinquent real estate tax, and real estate transfer tax continue to be difficult areas to budget. The District is conservative in their approach to budgeting revenues. Earned income tax was approximately \$298,000 over budget, delinquent real estate tax was approximately \$78,000 over budget, and real estate transfer tax was \$42,000 over budget.

State revenues were \$275,278 over budget. Because of the uncertainty of the Governor's budget when the deadline approached to adopt our budget, the District decided to be conservative on the estimated revenue from the Commonwealth. As a result, the Basic Education Subsidy was approximately \$186,000 over budget and the Special Education Subsidy was approximately \$34,000 over budget. Retirement subsidy was also over budget by \$53,000 due to PSERS expense being over budget.

Federal revenues were over budget by \$357,560. The District was granted approximately \$108,000 under the Emergency Connectivity Grant. This was unknown at the time the budget was adopted. Other variances were in ESSER II which was approximately \$280,000 over budget and ARP ESSER which was approximately \$53,000 under budget. ESSER II was over budget due to the purchase of new smartboards that were not anticipated when the budget was adopted. ARP ESSER was under budget due to an administrative position that was not filled at the start of the school year, which resulted in lower expense being realized. In addition, the ARP ESSER 7% funds were allocated during the school year, so they were not budgeted. This resulted in approximately \$25,000 of a positive budget variance.

Actual expenditures not including other financing uses of \$20,227,519 were \$222,887 or 1.2% over the original budget. Spending related to CARES Act and American Rescue Plan were over budget by approximately \$393,000 as mentioned in various sections within the Management's Discussion and Analysis. This is offset by salaries and benefits being under budget as a result of savings realized during the hiring process and an increase in employees opting out of health insurance benefits which reduced expenses.

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(Unaudited)

Government-Wide Financial Analysis

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

Condensed Statement of Net Position (Deficit)

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		
	2022	2021	2022	2021	2022	2021	Variance
Current and other assets	\$ 6,959	\$ 6,191	\$ 370	\$ 41	\$ 7,329	\$ 6,232	\$ 1,097
Noncurrent assets	14,268	14,331	41	48	14,309	14,379	(70)
Total assets	21,227	20,522	411	89	21,638	20,611	1,027
Deferred outflow of resources	4,995	5,176	120	83	5,115	5,259	(144)
Total assets and deferred outflow of resources	\$ 26,222	\$ 25,698	\$ 531	\$ 172	\$ 26,753	\$ 25,870	\$ 883
Current liabilities	\$ 3,219	\$ 3,376	\$ 11	\$ 15	\$ 3,230	\$ 3,391	\$ (161)
Long-term liabilities:							
Long-term debt	-	505	-	-	-	505	(505)
Other long-term liabilities	29,159	34,285	510	566	29,669	34,851	(5,182)
Total liabilities	32,378	38,166	521	581	32,899	38,747	(5,848)
Deferred inflow of resources	5,917	2,417	106	59	6,023	2,476	3,547
Total liabilities and deferred inflow of resources	38,295	40,583	627	640	38,922	41,223	(2,301)
Net position:							
Net investment in capital assets	12,853	12,482	41	48	12,894	12,530	364
Restricted	1,143	1,097	-	-	1,143	1,097	46
Unrestricted	(26,069)	(28,464)	(137)	(516)	(26,206)	(28,980)	2,774
Total net position	(12,073)	(14,885)	(96)	(468)	(12,169)	(15,353)	3,184
Total liabilities, deferred inflow of resources and net position	\$ 26,222	\$ 25,698	\$ 531	\$ 172	\$ 26,753	\$ 25,870	\$ 883

South Williamsport Area School District

Management's Discussion and Analysis

June 30, 2022

(Unaudited)

Condensed Statement of Activities

(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Variance
	2022	2021	2022	2021	2022	2021	
Program revenues:							
Charges for services	\$ 194	\$ 48	\$ 111	\$ 13	\$ 305	\$ 61	\$ 244
Operating grants and contributions	5,399	5,003	907	532	6,306	5,535	771
General revenues:							
Taxes levied for general purposes, net	9,364	9,238	-	-	9,364	9,238	126
Grants, subsidies and contributions not restricted	6,606	6,369	-	-	6,606	6,369	237
Other	23	24	1	-	24	24	-
Total revenues	21,586	20,682	1,019	545	22,605	21,227	1,378
Program expenses:							
Instruction	12,046	12,679	-	-	12,046	12,679	(633)
Instructional student support	1,942	1,826	-	-	1,942	1,826	116
Administration and financial support services	1,442	1,627	-	-	1,442	1,627	(185)
Operation and maintenance of plant services	2,122	2,242	-	-	2,122	2,242	(120)
Pupil transportation	407	342	-	-	407	342	65
Student activities	794	517	-	-	794	517	277
Community services	13	13	-	-	13	13	-
Interest on long-term debt	9	20	-	-	9	20	(11)
Other	-	-	647	515	647	515	132
Total expenses	18,775	19,266	647	515	19,422	19,781	(359)
Change in net position	\$ 2,811	\$ 1,416	\$ 372	\$ 30	\$ 3,183	\$ 1,446	\$ 1,737

Governmental Activities

The net position of the governmental activities increased in 2022 by \$2,811,290 versus a \$1,415,843 increase in 2021. Revenues in fiscal year 2022 increased as noted in the Budgetary Highlights section. Expenditures in fiscal year 2022 decreased 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 2022 by \$371,892 versus a \$30,106 increase in 2021. During fiscal year 2022, the District continued under the Seamless Summer Option and was also able to resume offering a la carte options for students. Those items, along with a full year of school and increased reimbursements for meals, resulted in the increase in revenues. An increase in the cost of food and the payment of wages for an entire school year resulted in an increase in expenses.

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(Unaudited)

Financial Analysis of the Major Funds

General Fund

The following represents a summary of General Fund revenue, by source, along with changes from 2021:

	2022 Amount	2021 Amount	Increase (Decrease)	% Change
Local sources	\$ 9,117,162	\$ 8,933,170	\$ 183,992	2.06 %
State sources	10,531,825	10,386,356	145,469	1.40
Federal sources	1,762,721	1,325,050	437,671	33.03
Total	<u>\$ 21,411,708</u>	<u>\$ 20,644,576</u>	<u>\$ 767,132</u>	3.72

Local Sources

The District increased real estate tax millage which resulted in an increase in real estate tax revenue of approximately \$159,000. Earned income tax decreased by approximately \$74,000. Delinquent real estate tax collections increased by approximately \$30,000. Sporting event ticket sales increased by approximately \$29,000 as the relaxing of COVID-19 protocol allowed the District to resume selling tickets to attend events. ARP IDEA funds, which are new for the 2021-2022 fiscal year, resulted in an increase of approximately \$29,000. Finally, the District's Foundation was able to award approximately \$16,000 of additional awards in the 2021-2022 fiscal year.

State Sources

The increase in state sources relates to a \$186,000 increase in Basic Education subsidy, a \$34,000 increase in Special Education subsidy, and increases of \$9,000 and \$133,000 in Social Security and PSERS subsidies, which relates to an increase in the respective expenditures. These increases are offset by a decrease in Safety and Security grant of \$222,000, which was one-time funding in the prior fiscal year.

Federal Sources

The increase in federal sources relates to an increases in CARES Act and American Rescue Plan revenue of \$446,000 with an offsetting decrease of \$9,000 in Title funds.

The following represents a summary of General Fund expenditures, by function, along with changes from 2021:

	2022 Amount	2021 Amount	Increase (Decrease)	% Change
Instruction	\$ 12,530,102	\$ 12,170,785	\$ 359,317	2.95 %
Support services	6,349,167	5,962,894	386,273	6.48
Noninstructional services	601,153	463,975	137,178	29.57
Debt service	747,097	495,796	251,301	50.69
Total	<u>\$ 20,227,519</u>	<u>\$ 19,093,450</u>	<u>\$ 1,134,069</u>	5.94

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(Unaudited)

Instruction

Under instruction expenses, there was an increase of approximately \$312,000 related to additional spending of CARES Act and American Rescue Plan grants. This is offset by a decrease of \$5,000 in non-grant funded salaries and a decrease of \$65,000 in non-grant funded employee benefits. The decrease in non-grant salaries and employee benefits is a result of retirements, resignations and higher-paid employees moving into federally funded positions. There was an increase of \$42,000 in professional services as a result of additional students needing outside services. There was a net increase in cyber costs of \$96,000; an increase in outside cyber charter school cost of \$307,000 offset by a \$211,000 decrease in the District's cyber learning program. Alternative education placement costs decreased by \$79,000. Finally, supplies expenses increased by \$49,000; this was due to the prior fiscal year spend being lower as there were additional supplies remaining when school closed in March 2020.

Support Services

Under support services expenses, there was an increase of approximately \$467,000 related to additional spending of CARES Act and American Rescue Plan grants. This is offset by a decrease in spending of \$226,000 related to a school safety grant that was a one time grant in the prior fiscal year. There was an increase in bussing expense of \$26,000 and an increase of \$35,000 in diesel fuel due to an increase in cost of the contract, along with additional bussing days during the fiscal year. There was an increase in repairs and maintenance of \$30,000 related to the aging of the District's buildings. There was an increase of \$21,000 in natural gas and an increase of \$26,000 in electricity as a result of the increase in the cost of utilities.

Noninstructional Services

Increase in expenses for noninstructional services, consisting primarily of the District's athletic operations, is due to a change in Athletic Director and how the District allocates expenses related to that position's salary and benefit expenses, along with increases in salaries and benefit expenses for coaches and other paid student activity positions which resulted in an increase of \$105,000. Transportation expenses also increased by approximately \$22,000.

Debt Service

The District's debt schedule consisted of an increase in payment of principal and interest for the 2021-2022 fiscal year.

Capital Projects Fund

The Capital Projects Fund balance is \$944,336. There was a transfer from the General Fund to the Capital Projects Fund in the amount of \$238,078. Activities within this fund during the fiscal year ended June 30, 2022 were for various capital projects.

South Williamsport Area School District

Management's Discussion and Analysis
June 30, 2022
(Unaudited)

Capital Assets

The District's investment in capital assets as of June 30, 2022 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	29,346,724	-	29,346,724
Furniture and equipment	1,709,317	379,514	2,088,831
Total	32,959,012	379,514	33,338,526
Less accumulated depreciation	19,601,426	338,140	19,939,566
Total	\$ 13,357,586	\$ 41,374	\$ 13,398,960

Long-Term Debt

At June 30, 2022, the District's general obligation debt was \$505,000. The District paid \$735,000 in principal payments during fiscal year 2022. The District's current debt obligation is expected to be paid in full in 2023. The District is looking at a building renovation project and began the steps to issue debt to pay for the process during fiscal year 2022-2023.

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. The District has experienced an increase in cyber school costs and is monitoring the impact to the district's revenue streams very closely.

The largest challenge will be to keep a balanced budget going forward while also moving into a building project which may require an increase in debt service. 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 \$4,900,000 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 2022, the District spent approximately \$1,271,000 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, 2022

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 4,699,671	\$ 399,139	\$ 5,098,810
Investments	63,492	-	63,492
Taxes receivable, net	682,339	-	682,339
Other receivables	44,541	417	44,958
Internal balance	33,951	(33,951)	-
Due from other governments	1,434,904	-	1,434,904
Inventories	-	3,966	3,966
Total current assets	6,958,898	369,571	7,328,469
Noncurrent Assets			
Restricted cash and cash equivalents	910,659	-	910,659
Land	123,200	-	123,200
Land improvements	1,779,771	-	1,779,771
Buildings and building improvements	29,346,724	-	29,346,724
Furniture and equipment	1,709,317	379,514	2,088,831
Accumulated depreciation	(19,601,426)	(338,140)	(19,939,566)
Total noncurrent assets	14,268,245	41,374	14,309,619
Total assets	21,227,143	410,945	21,638,088
Deferred Outflows of Resources			
Pension	3,993,084	119,914	4,112,998
Other postemployment benefits (OPEB)	1,001,834	-	1,001,834
Total deferred outflows of resources	4,994,918	119,914	5,114,832
Total assets and deferred outflows of resources	\$ 26,222,061	\$ 530,859	\$ 26,752,920
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Liabilities			
Current liabilities:			
Current portion of note payable	\$ 505,000	\$ -	\$ 505,000
Accounts payable	434,462	-	434,462
Accrued salaries and benefits	1,330,234	-	1,330,234
Compensated absences	153,577	-	153,577
Unearned revenue	20,795	10,890	31,685
Accrued interest	1,876	-	1,876
Other current liabilities	773,430	-	773,430
Total current liabilities	3,219,374	10,890	3,230,264
Noncurrent liabilities:			
Other postemployment benefits liability (OPEB)	5,609,439	-	5,609,439
Net pension liability	23,549,133	509,867	24,059,000
Total noncurrent liabilities	29,158,572	509,867	29,668,439
Total liabilities	32,377,946	520,757	32,898,703
Deferred Inflows of Resources			
Pension	4,948,428	106,301	5,054,729
Other postemployment benefits (OPEB)	968,844	-	968,844
Total deferred inflows of resources	5,917,272	106,301	6,023,573
Net Position (Deficit)			
Net investment in capital assets	12,852,586	41,374	12,893,960
Restricted for student activities and scholarships	198,743	-	198,743
Restricted for capital projects	944,336	-	944,336
Unrestricted	(26,068,822)	(137,573)	(26,206,395)
Total net position (deficit)	(12,073,157)	(96,199)	(12,169,356)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 26,222,061	\$ 530,859	\$ 26,752,920

See notes to financial statements

South Williamsport Area School District

Statement of Activities

Year Ended June 30, 2022

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	\$ (12,045,843)	\$ 6,968	\$ 4,327,116	\$ (7,711,759)		\$ (7,711,759)
Operation and maintenance of plant services	(2,122,381)	-	259,126	(1,863,255)		(1,863,255)
Instructional student support	(1,941,381)	-	411,975	(1,529,406)		(1,529,406)
Administration and financial support services	(1,441,965)	-	215,455	(1,226,510)		(1,226,510)
Student activities	(794,227)	187,037	8,969	(598,221)		(598,221)
Pupil transportation	(406,645)	-	176,278	(230,367)		(230,367)
Community services	(12,787)	-	-	(12,787)		(12,787)
Interest on long-term debt	(9,441)	-	-	(9,441)		(9,441)
Total governmental activities	(18,774,670)	194,005	5,398,919	(13,181,746)		(13,181,746)
Business-Type Activity						
Food service	(646,902)	110,917	907,197	-	\$ 371,212	371,212
Total	\$ (19,421,572)	\$ 304,922	\$ 6,306,116	(13,181,746)	371,212	(12,810,534)
General Revenues						
Grants, subsidies and contributions not restricted				6,605,889	-	6,605,889
Property taxes, levied for general purposes, net				6,938,212	-	6,938,212
Other taxes levied				2,426,205	-	2,426,205
Investment earnings				16,589	680	17,269
Miscellaneous income				6,141	-	6,141
Total general revenues				15,993,036	680	15,993,716
Change in net position				2,811,290	371,892	3,183,182
Net Deficit, Beginning				(14,884,447)	(468,091)	(15,352,538)
Net Deficit, Ending				\$ (12,073,157)	\$ (96,199)	\$ (12,169,356)

See notes to financial statements

South Williamsport Area School District

Balance Sheet - Governmental Funds

June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 4,699,671	\$ -	\$ -	\$ 4,699,671
Restricted cash and cash equivalents	-	711,916	198,743	910,659
Investments	63,492	-	-	63,492
Taxes receivable, net	682,339	-	-	682,339
Other receivables	44,541	-	-	44,541
Due from other funds	34,227	238,078	-	272,305
Due from other governments	1,434,904	-	-	1,434,904
Total assets	<u>\$ 6,959,174</u>	<u>\$ 949,994</u>	<u>\$ 198,743</u>	<u>\$ 8,107,911</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 428,804	\$ 5,658	\$ -	\$ 434,462
Accrued salaries and benefits	1,330,234	-	-	1,330,234
Unearned revenues	20,795	-	-	20,795
Compensated absences	153,577	-	-	153,577
Other liabilities	773,430	-	-	773,430
Due to other funds	238,354	-	-	238,354
Total liabilities	<u>2,945,194</u>	<u>5,658</u>	<u>-</u>	<u>2,950,852</u>
Deferred Inflows of Resources				
Unearned revenue, taxes	<u>324,164</u>	<u>-</u>	<u>-</u>	<u>324,164</u>
Fund Balances				
Restricted	-	944,336	198,743	1,143,079
Assigned	1,100,000	-	-	1,100,000
Unassigned	<u>2,589,816</u>	<u>-</u>	<u>-</u>	<u>2,589,816</u>
Total fund balances	<u>3,689,816</u>	<u>944,336</u>	<u>198,743</u>	<u>4,832,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,959,174</u>	<u>\$ 949,994</u>	<u>\$ 198,743</u>	<u>\$ 8,107,911</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, 2022

Total Fund Balance, Governmental Funds	\$ 4,832,895
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$32,959,012 and the accumulated depreciation is \$19,601,426.	13,357,586
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.	324,164
Deferred outflows related to net pension liability are not reported in the governmental funds; however, are reported in the statement of net position (deficit).	3,993,084
Deferred inflows related to net pension liability are not reported in the governmental funds; however, are reported in the statement of net position (deficit).	(4,948,428)
Deferred outflows related to OPEB liability are not reported in the governmental funds; however, are reported in the statement of net position (deficit).	1,001,834
Deferred inflows related to OPEB liability are not reported in the governmental funds; however, are reported in the the statement of net position (deficit).	(968,844)
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	(505,000)
Accrued interest on notes payable	(1,876)
Other postemployment benefits liability	(5,609,439)
Net pension liability	(23,549,133)
	<u>(29,665,448)</u>
Total Net Position (Deficit), Governmental Activities	\$ <u>(12,073,157)</u>

South Williamsport Area School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2022

	General	Capital Projects	Nonmajor Special Revenue	Totals
Revenues				
Local sources	\$ 9,117,162	\$ 1,978	\$ 170,188	\$ 9,289,328
State sources	10,531,825	-	-	10,531,825
Federal sources	1,762,721	-	-	1,762,721
Total revenues	21,411,708	1,978	170,188	21,583,874
Expenditures				
Instruction	12,530,102	-	-	12,530,102
Support services	6,349,167	158,700	-	6,507,867
Noninstructional services	601,153	-	205,858	807,011
Debt service	747,097	-	-	747,097
Total expenditures	20,227,519	158,700	205,858	20,592,077
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,184,189	(156,722)	(35,670)	991,797
Other Financing Sources (Uses)				
Transfers in	-	238,078	-	238,078
Transfers out	(238,078)	-	-	(238,078)
Total other financing sources (uses), net	(238,078)	238,078	-	-
Net changes in fund balances	946,111	81,356	(35,670)	991,797
Fund Balances, Beginning	2,743,705	862,980	234,413	3,841,098
Fund Balances, Ending	\$ 3,689,816	\$ 944,336	\$ 198,743	\$ 4,832,895

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, 2022

Total Net Change in Fund Balances, Governmental Funds	\$	991,797
--	-----------	----------------

Amounts reported for governmental activities in the statement of net position (deficit) 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	(737,197)	
Capital outlays	<u>372,469</u>	(364,728)

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.

2,090

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 effect on net position. During the fiscal year ended June 30, 2022, the following transactions factor into this reconciliation:

Repayment of long-term debt principal	735,000
---------------------------------------	---------

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 (deficit) 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, 2022.

(180,677)

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 (deficit) 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.

1,625,153

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	4,531	
Current year accrued interest	<u>(1,876)</u>	<u>2,655</u>

Change in Net Position of Governmental Activities	\$	<u>2,811,290</u>
--	-----------	-------------------------

South Williamsport Area School District

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended June 30, 2022

	Original and Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues			
Local sources	\$ 8,683,830	\$ 9,117,162	\$ 433,332
State sources	10,256,547	10,531,825	275,278
Federal sources	1,405,161	1,762,721	357,560
Total revenues	20,345,538	21,411,708	1,066,170
Expenditures			
Instruction:			
Regular programs	8,824,244	9,001,638	(177,394)
Special programs	2,544,104	2,389,150	154,954
Vocational education programs	736,779	716,492	20,287
Other instructional programs	437,443	422,822	14,621
Total instruction	12,542,570	12,530,102	12,468
Support services:			
Pupil personnel	515,237	471,783	43,454
Instructional staff	1,264,239	1,540,123	(275,884)
Administration	1,320,064	1,299,527	20,537
Pupil health	183,527	185,663	(2,136)
Business	338,686	346,197	(7,511)
Operation and maintenance of plant services	2,072,410	2,098,788	(26,378)
Student transportation services	403,938	407,086	(3,148)
Total support services	6,098,101	6,349,167	(251,066)
Noninstructional services:			
Student activities	599,339	588,366	10,973
Community services	16,526	12,787	3,739
Total noninstructional services	615,865	601,153	14,712
Debt service	748,096	747,097	999
Total expenditures	20,004,632	20,227,519	(222,887)
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	340,906	1,184,189	843,283
Other Financing Sources (Uses)			
Budgetary reserve	(101,575)	-	101,575
Interfund transfer	(238,078)	(238,078)	-
Total other financing sources (uses), net	(339,653)	(238,078)	101,575
Net changes in fund balances	1,253	946,111	944,858
Fund Balance, Beginning	1,604,144	2,743,705	1,139,561
Fund Balance, Ending	\$ 1,605,397	\$ 3,689,816	\$ 2,084,419

See notes to financial statements

South Williamsport Area School District

Statement of Fund Net Position (Deficit) - Proprietary Fund - Food Service
June 30, 2022

Assets and Deferred Outflows of Resources

Current Assets

Cash	\$ 399,139
Other receivables	417
Inventories	<u>3,966</u>
Total current assets	<u>403,522</u>

Noncurrent Assets

Machinery and equipment	379,514
Accumulated depreciation	<u>(338,140)</u>
Total noncurrent assets	<u>41,374</u>
Total assets	444,896

Deferred Outflows of Resources, Pension

	<u>119,914</u>
Total assets and deferred outflows of resources	<u>\$ 564,810</u>

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

Current Liabilities

Due to other funds	\$ 33,951
Unearned revenue	<u>10,890</u>
Total current liabilities	44,841

Noncurrent Liabilities

Net pension liability	<u>509,867</u>
Total liabilities	<u>554,708</u>

Deferred Inflows of Resources, Pension

	<u>106,301</u>
--	----------------

Net Position (Deficit)

Net investment in capital assets	41,374
Unrestricted	<u>(137,573)</u>
Total net position (deficit)	<u>(96,199)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 564,810</u>

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, 2022

Operating Revenues

Food service revenue	\$ 110,917
----------------------	------------

Operating Expenses

Other purchased services	404,141
Salaries and employee benefits	234,549
Depreciation	6,362
Supplies	1,850

Total operating expenses	646,902
--------------------------	---------

Operating loss	(535,985)
----------------	-----------

Nonoperating Revenues

Federal sources	883,357
State sources	23,840
Earnings on investments	680

Total nonoperating revenues	907,877
-----------------------------	---------

Change in net position	371,892
------------------------	---------

Net Deficit, Beginning	(468,091)
-------------------------------	------------------

Net Deficit, Ending	\$ (96,199)
----------------------------	--------------------

South Williamsport Area School District**Statement of Cash Flows - Proprietary Fund - Food Service**

Year Ended June 30, 2022

Cash Flows From Operating Activities

Cash received from customers	\$ 109,538
Cash paid to employees and vendors	<u>(658,848)</u>
Net cash used in operating activities	<u>(549,310)</u>

Cash Flows From Noncapital Financing Activities

State sources	24,417
Federal sources	<u>897,729</u>
Net cash provided by noncapital financing activities	<u>922,146</u>

Cash Flows From Investing Activities

Earnings of investments	<u>680</u>
Increase in cash	373,516

Cash, Beginning25,623**Cash, Ending**\$ 399,139**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

Operating loss	\$ (535,985)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,362
Changes in assets, deferred outflows of resources, liabilities and deferred inflow of resources:	
Other receivables	(417)
Inventory	(3,589)
Deferred outflow of resources	(37,345)
Accounts payable	(819)
Due to/from other funds	34,228
Accrued salaries	(1,853)
Unearned revenue	(1,379)
Net pension liability	(56,272)
Deferred inflow of resources	<u>47,759</u>
Net cash used in operating activities	<u><u>\$ (549,310)</u></u>

Supplemental Disclosure of Noncash Operating Activities

Donated commodities received	<u><u>\$ 46,017</u></u>
------------------------------	-------------------------

See notes to financial statements

South Williamsport Area School District

Notes to Financial Statements
June 30, 2022

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, 2022

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 the District has acquired over time, 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, 2022

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, 2022

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

General 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 position (deficit) 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 (deficit) 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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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.

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 OPEB Plan 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.

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, 2022

- *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 (deficit).

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 Principle

The District adopted GASB Statement No. 87, *Leases*, for the year ended June 30, 2022. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. The adoption of this statement did not change the District's reporting at June 30, 2022.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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, 2022, \$5,843,076 of the District's bank balance was exposed to custodial credit risk, since the balance was uninsured and collateralized with securities held by the financial institutions' agent but not specifically in the District's name.

Investments

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase shares in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time, in any amount, with no liquidity fee or redemption gates. PLGIT/PLGIT PLUS have received an AAAM rating from Standard & Poor's, an independent credit rating agency. At June 30, 2022, the carrying amount and bank balances of the District's deposits with PLGIT were \$63,492.

3. Property Taxes

Real estate taxes for the District are collected on property, located in 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 2022 was 17.35 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, 2022 amounted to \$324,164 as follows:

<u>Outstanding Balance</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
\$ 338,966	\$ 14,802	\$ 324,164

Also included in taxes receivable, net at June 30, 2022 are earned income taxes of \$246,733, real estate transfer taxes of \$20,706 and delinquent real estate taxes of \$90,736.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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, 2022 amounted to approximately \$63,000.

4. Due From Other Governments

The amount reported at June 30, 2022 as due from other governments is summarized below:

	<u>General Fund</u>
State source	\$ 829,266
Federal source (pass-through funding)	<u>605,638</u>
Total	<u>\$ 1,434,904</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, 2022.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

5. Capital Assets

The changes in the District's capital assets in 2022 are summarized as follows:

	Balance July 1, 2021	Acquisitions	Disposals	Balance June 30, 2022
Governmental Activities				
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	77,688	-	29,346,724
Furniture and equipment	1,558,563	294,781	(144,027)	1,709,317
Total capital assets, being depreciated	32,607,370	372,469	(144,027)	32,835,812
Less accumulated depreciation:				
Land improvements	(1,740,534)	(17,144)	-	(1,757,678)
Buildings and improvements	(16,147,711)	(638,853)	-	(16,786,564)
Furniture and equipment	(1,120,011)	(81,200)	144,027	(1,057,184)
Total accumulated depreciation	(19,008,256)	(737,197)	144,027	(19,601,426)
Total capital assets, being depreciated, net	13,599,114	(364,728)	-	13,234,386
Governmental activities capital assets, net	<u>\$ 13,722,314</u>	<u>\$ (364,728)</u>	<u>\$ -</u>	<u>\$ 13,357,586</u>
Business-Type Activity				
Asset being depreciated:				
Furniture and equipment	\$ 379,514	\$ -	\$ -	\$ 379,514
Less accumulated depreciation	(331,778)	(6,362)	-	(338,140)
Business-type activity capital assets, net	<u>\$ 47,736</u>	<u>\$ (6,362)</u>	<u>\$ -</u>	<u>\$ 41,374</u>

Depreciation expense amounted to \$737,197 for the District's governmental activities and was allocated to expense as follows for the year ended June 30, 2022:

Function/Program:	
Instruction	\$ 701,348
Operation and maintenance of plant services	17,366
Instructional student support	18,483
Total	<u>\$ 737,197</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

6. Long-Term Debt

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% 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 Note.

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Current Portion June 30, 2022
Series of 2020 GON	\$ 1,240,000	\$ -	\$ (735,000)	\$ 505,000	\$ 505,000

Total interest expense on long-term debt in 2022 was \$9,441.

At June 30, 2022, the District's debt service requirements to maturity on direct borrowings of its long-term debt are summarized below:

	Principal	Interest	Total
Year ending June 30: 2023	\$ 505,000	\$ 3,226	\$ 508,226

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 2022 are summarized as follows:

Balance, July 1, 2021	\$ 145,222
Increase	95,399
Decrease	(87,044)
Balance, June 30, 2022	<u>\$ 153,577</u>

The District normally pays its compensated absences from the General Fund and considers the entire balance to be a current liability at June 30, 2022.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund and governmental activities totaling \$1,330,234 represent salaries of \$935,271, the District's share of Social Security taxes of \$68,563 for teachers' services during the 2021-2022 school term, which are paid during July and August 2022 and retirement plan expense of \$326,400 applicable to the accrued salaries at June 30, 2022.

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% of the composite rate cost of such coverage. The South Williamsport Area School District OPEB Plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	123
Total	142

Total OPEB Liability

The District's total OPEB liability as of June 30, 2022 was \$4,224,439, which was measured as of July 1, 2021 and was determined by an actuarial valuation as of that date.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 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	2.28%
Healthcare cost trend rates	5.5% in 2021 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, 2021.

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% 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%.

For mortality rates, separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, July 1, 2021	<u>\$ 4,733,603</u>
Changes for the year:	
Service cost	281,645
Interest	91,480
Changes in experience	(583,831)
Changes of assumptions or other inputs	(119,477)
Benefit payments	<u>(178,981)</u>
Net changes	<u>(509,164)</u>
Balance, June 30, 2022	<u><u>\$ 4,224,439</u></u>

Changes in assumptions or other inputs reflect a change in the discount rate from 1.86% in 2021 to 2.28% in 2022.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.28%) or 1-percentage-point higher (3.28%) than the current discount rate:

	1% Decrease (1.28%)	Discount Rate (2.28%)	1% Increase (3.28%)
Total OPEB Liability	\$ 4,511,916	\$ 4,224,439	\$ 3,948,273

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	\$ 3,775,882	\$ 4,224,439	\$ 4,747,068

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$345,330. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date (July 1, 2021)	\$ 173,516	\$ -
Changes of assumptions or other inputs	396,796	353,089
Differences between expected and actual experience	190,244	530,755
Total	<u>\$ 760,556</u>	<u>\$ 883,844</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:

2023	\$ (27,795)
2024	(27,795)
2025	(27,795)
2026	(27,795)
2027	(27,795)
Thereafter	<u>(157,829)</u>
Total	<u>\$ (296,804)</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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was .80% 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 \$66,278 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$1,385,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's proportion was .0584%, which was a decrease of .0001% from its proportion measured as of June 30, 2021.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of \$74,000. At June 30, 2022, 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	\$ 148,000	\$ 18,000
Net differences between projected and actual investment earnings	3,000	-
District contributions subsequent to the measurement date	66,278	-
Difference between expected and actual experience	13,000	-
Changes in proportion	11,000	67,000
	<u>\$ 241,278</u>	<u>\$ 85,000</u>

\$66,278 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, 2023. 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:	
2023	\$ 14,000
2024	14,000
2025	17,000
2026	14,000
2027	12,000
Thereafter	19,000
Total	<u>\$ 90,000</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level% of pay;
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50 and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%;
 - Eligible retirees will elect to participate Post age 65 at 70%.

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, 2019 determined the employer contribution rate for fiscal year 2021;
- 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% of eligible retirees are assumed to elect premium assistance;
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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	79.8 %	0.1 %
U.S. core fixed income	17.5	0.7
Non U.S. developed fixed	2.7	(0.3)
	<u>100 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

South Williamsport Area School District

Notes to Financial Statements
June 30, 2022

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2021, 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, 2021, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Trends Cost</u>	<u>1% Increase</u>
District's proportionate share of the PSERS Net OPEB Liability	\$ 1,385,000	\$ 1,385,000	\$ 1,385,000

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

The following presents the PSERS net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1% Decrease 1.18%</u>	<u>Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's proportionate share of the PSERS net OPEB liability	\$ 1,590,000	\$ 1,385,000	\$ 1,217,000

PSERS OPEB Plan Fiduciary Net Position

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

South Williamsport Area School District

Notes to Financial Statements
June 30, 2022

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 2% 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, 2022, there was one participant 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, 2022, there were no stipends distributed to administrators.

11. Retirement Plan

As of June 30, 2022, 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	\$ 3,993,084	\$ 119,914	\$ 4,112,998
Net pension liability	23,549,133	509,867	24,059,000
Deferred inflows of resources	4,948,428	106,301	5,054,729

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.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending 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.

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final 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

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25 %	N/A	6.25 %
T-C	On or after July 22, 1983	6.25	N/A	6.25
T-D	Prior to July 22, 1983	6.50	N/A	6.50
T-D	On or after July 22, 1983	7.50	N/A	7.50
		7.50% base rate with shared risk provision		
T-E	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	7.50
		5.50% base rate with shared risk provision		
T-F	On or after July 1, 2011	4.50% base rate with shared risk provision	N/A	10.30
		4.50% base rate with shared risk provision		
T-G	On or after July 1, 2019	4.50% base rate with shared risk provision	2.75 %	8.25
		4.50% base rate with shared risk provision		
T-H	On or after July 1, 2019	provision	3.00	7.50
DC	On or after July 1, 2019	N/A	7.50	7.50

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50 %	+/- 0.50 %	5.50 %	9.50 %
T-F	10.30	+/- 0.50	8.30	12.30
T-G	5.50	+/- 0.75	2.50	8.50
T-H	4.50	+/- 0.75	1.50	7.50

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14% 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 \$2,889,270 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$24,059,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was .0586%, which remained the same its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of approximately \$1,224,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion between governmental and business-type activity	\$ 38,729	\$ 38,729
Difference between expected and actual experience	18,000	316,000
Changes in assumptions	1,167,000	-
Net difference between projected and actual earnings on pension plan investments	-	3,830,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	870,000
District contributions subsequent to the measurement date	2,889,270	-
Total	<u>\$ 4,112,999</u>	<u>\$ 5,054,729</u>

\$2,889,270 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, 2023.

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:

2023	\$ (1,291,000)
2024	(837,000)
2025	(466,000)
2026	<u>(1,237,000)</u>
Total	<u>\$ (3,831,000)</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

Changes In Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward PSERS total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 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 - 7.00%, includes inflation at 2.50%;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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	27.0 %	5.2 %
Fixed income	35.0	1.8
Commodities	10.0	2.0
Absolute return	8.0	3.1
Infrastructure/MLPs	8.0	5.1
Real estate	10.0	4.7
Private equity	12.0	7.3
Cash	3.0	0.1
Leverage	(13.0)	0.1
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 31,579,000	\$ 24,059,000	\$ 17,716,000

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

12. Internal Balances/Interfund Balances and Transfers

At June 30, 2022, various operating funds owed amounts to and were due amounts from other funds. These amounts, which represent short-term borrowings and approved transfers that are expected to be repaid and transferred within the next fiscal year, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Food Service Fund	\$ 34,227	\$ 277
Capital Project Fund	-	238,078
Capital Project Fund:		
General Fund	238,078	-
Food Service Fund:		
General Fund	277	34,227
Total	<u>\$ 272,582</u>	<u>\$ 272,582</u>

The following summarizes the interfund transfers made during the year ended June 30, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Capital Project Fund	\$ -	\$ 238,078
Capital Project Fund:		
General Fund	238,078	-
Total	<u>\$ 238,078</u>	<u>\$ 238,078</u>

The General Fund transferred \$238,078 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	\$ -	\$ 944,336	\$ -	\$ 944,336
Student/athletic activities and scholarships	-	-	198,743	198,743
Total restricted	<u>\$ -</u>	<u>\$ 944,336</u>	<u>\$ 198,743</u>	<u>\$ 1,143,079</u>
Assigned for:				
Technology/PSERS	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>

South Williamsport Area School District

Notes to Financial Statements

June 30, 2022

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.

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 2022 were \$46,017.

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. 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. 99, *Omnibus 2022*.
- Statement No. 100, *Accounting Changes and Error Corrections*.
- Statement No. 101, *Compensated Absences*.

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

Notes to Financial Statements
June 30, 2022

19. Subsequent Event

On July 26, 2022, the District entered into a General Obligation Note in the amount of \$9,995,000 at interest rates ranging from 3.00% to 4.00% per annum to be repaid beginning September 2022 through March 2047. The proceeds from this borrowing will be used for a capital improvement program consisting of the planning, designing, acquiring, constructing, furnishing and equipping additions, renovations and improvements to the District's existing school buildings and grounds and any other additional capital projects or capital equipment as may be determined necessary by the District.

South Williamsport Area School District

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

Years Ended June 30

(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0586%	0.0586%	0.0617%	0.0628%	0.0632%	0.0614%	0.0625%	0.0617%
District's proportionate share of the net pension liability	\$ 24,059,000	\$ 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	\$ 8,284,717	\$ 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	290.40%	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	63.67%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,889,270	\$ 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>(2,889,270)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,284,717	\$ 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	34.87%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0584%	0.0585%	0.0617%	0.0628%	0.0632%	0.0614%
District's proportionate share of the net OPEB liability	\$ 1,385,000	\$ 1,264,000	\$ 1,312,000	\$ 1,309,000	\$ 1,288,000	\$ 1,323,000
District's covered-employee payroll	\$ 8,284,717	\$ 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	16.72%	15.39%	15.42%	15.47%	15.31%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 66,278	\$ 67,351	\$ 71,471	\$ 70,235	\$ 69,807	\$ 66,043
Contributions in relation to the contractually required contribution	<u>(66,278)</u>	<u>(67,351)</u>	<u>(71,471)</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>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,284,717	\$ 8,213,515	\$ 8,508,449	\$ 8,462,050	\$ 8,410,450	\$ 7,957,028
Contributions as a percentage of covered-employee payroll	0.80%	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)

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 281,645	\$ 202,411	\$ 207,521	\$ 191,682	\$ 200,089
Interest cost	91,480	140,445	120,821	121,747	93,858
Changes of benefit terms	-	-	-	-	37,018
Difference between expected and actual experience	(583,831)	-	261,587	-	-
Changes of assumptions	(119,477)	481,384	(294,586)	4,616	(55,426)
Benefit payments, including refunds of member contributions	(178,981)	(148,700)	(183,609)	(152,084)	(140,669)
Net change in total OPEB liability	(509,164)	675,540	111,734	165,961	134,870
Total OPEB Liability, Beginning	4,733,603	4,058,063	3,946,329	3,780,368	3,645,498
Total OPEB Liability, Ending	\$ 4,224,439	\$ 4,733,603	\$ 4,058,063	\$ 3,946,329	\$ 3,780,368
Covered-Employee Payroll	\$ 7,628,603	\$ 7,640,658	\$ 7,640,658	\$ 7,483,417	\$ 7,483,417
Total OPEB liability as a percentage of covered-employee payroll	55.38%	61.95%	53.11%	52.73%	50.52%

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.

**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***

Independent Auditors' Report

To the Board of Directors of
South Williamsport Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of South Williamsport Area School District (the District), as of and for the year ended June 30, 2022, 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 9, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. © 2020-2022 Baker Tilly US, LLP

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 9, 2022

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

Independent Auditors' Report

To the Board of Directors of
South Williamsport Area School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Williamsport Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 9, 2022

South Williamsport Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Grantor/Program Title	Assistance Listing Number	Pass-Through Grant Number	Beginning/Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipient
U.S. Department of Agriculture										
Child Nutrition Cluster:										
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch, Donated Commodities	I	10.555	N/A	7/1/21 - 6/30/22	N/A	\$ 46,017 (a) \$ (376) (b) \$	42,427	\$ 42,427 (c) \$	(3,966) (d) \$	-
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	I	10.555	N/A	7/1/20 - 6/30/21	N/A	9,929	9,929	-	-	-
National School Lunch Program	I	10.555	N/A	7/1/21 - 6/30/22	N/A	572,892	-	572,892	572,892	-
School Breakfast Program	I	10.553	N/A	7/1/20 - 6/30/21	N/A	4,443	4,443	-	-	-
School Breakfast Program	I	10.553	N/A	7/1/21 - 6/30/22	N/A	176,713	-	176,713	176,713	-
Supply Chain Assistance	I	10.555	N/A	7/1/21 - 6/30/22	N/A	28,213	-	28,213	28,213	-
SNP Emergency Operating Costs	I	10.555	N/A	7/1/21 - 6/30/22	N/A	58,908	-	58,908	58,908	-
Total Child Nutrition Cluster						897,115	13,996	879,153	879,153	(3,966)
Passed through the Pennsylvania Department of Education:										
P-EBT Local Admin Funds	I	10.649	N/A	7/1/21 - 6/30/22	N/A	614	-	614	614	-
Total U.S. Department of Agriculture						897,729	13,996	879,767	879,767	(3,966)
U.S. Department of Education										
Passed through the Pennsylvania Department of Education:										
Title I Grants to Local Education Agencies:										
Title I, Part A	I	84.010	013-21-0401	7/1/20 - 9/30/21	347,511	70,193	66,557	3,636	3,636	-
Title I, Part A	I	84.010	013-22-0401	7/1/21 - 9/30/22	343,890	298,045	-	340,124	340,124	42,079
Total Title I, Part A						368,238	66,557	343,760	343,760	42,079
Title II Improving Teacher Quality	I	84.367	020-21-0401	7/1/20 - 9/30/21	52,256	7,205	7,205	-	-	-
Title II Improving Teacher Quality	I	84.367	020-22-0401	7/1/21 - 9/30/22	46,997	44,200	-	46,997	46,997	2,797
Total Title II Improving Teacher Quality						51,405	7,205	46,997	46,997	2,797
Title IV Student Support and Academic Enrichment	I	84.424	144-21-0401	7/1/20 - 9/30/21	25,008	-	(1,117)	1,117	1,117	-
Title IV Student Support and Academic Enrichment	I	84.424	144-22-0401	7/1/21 - 9/30/22	26,133	20,894	-	20,521	20,521	(373)
Total Title IV Student Support and Academic Enrichment						20,894	(1,117)	21,638	21,638	(373)

See notes to schedule of expenditures of federal awards

South Williamsport Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Grantor/Program Title	Assistance Listing Number	Pass-Through Grant Number	Beginning/Ending Date	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipient
Education Stabilization Funds:										
COVID-19 Governor's Emergency Education Relief Fund - GEER	I 84.425C	253-20-0401	3/13/20 - 9/30/21	\$ 40,800	\$ 4,295	\$ 3,307	\$ 988	\$ 988	\$ -	\$ -
COVID-19 CARES/Elementary and Secondary School Emergency Relief Fund	I 84.425D	200-20-0401	3/13/20 - 9/30/21	270,842		(12,497)	12,497	12,497	-	-
COVID-19 CARES/Elementary and Secondary School Emergency Relief Fund	I 84.425D	200-21-0401	3/13/20 - 9/30/23	1,283,248	835,603	138,726	784,405	784,405	87,528	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I 84.425U	223-21-0401	3/13/20 - 9/30/24	2,595,640	188,774	25,223	400,269	400,269	236,718	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I 84.425U	225-21-0401	3/13/20 - 9/30/24	144,100	10,480	-	14,800	14,800	4,320	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I 84.425U	225-21-0401	3/13/20 - 9/30/24	28,820	2,096	-	-	-	(2,096)	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I 84.425U	225-21-0401	3/13/20 - 9/30/24	28,820	2,096	-	10,145	10,145	8,049	-
Passed through the Pennsylvania Commission on Crime and Delinquency:										
COVID-19 CARES/Elementary and Secondary Emergency Relief Fund	I 84.425D	2020-ES-01 35014	3/13/20 - 9/30/22	38,048	30,676	11,744	18,932	18,932	-	-
Total Education Stabilization Funds					1,074,020	166,503	1,242,036	1,242,036	334,519	-
Special Education Cluster (IDEA)										
Passed through the Pennsylvania Department of Education:										
COVID-19 Governor's Emergency Education Relief Fund, Special Education	I 84.027	252-20-0401	7/1/20 - 9/30/21	6,502	1,300	879	421	421	-	-
Passed through BLAST IU #17:										
IDEA PART B	I 84.027	062-21-0017	7/1/20 - 9/30/21	200,166	10,166	10,166	-	-	-	-
IDEA PART B	I 84.027	062-22-0017	7/1/21 - 9/30/22	197,231	-	-	197,231	197,231	197,231	-
ARP IDEA	I 84.027	062-22-0017	7/1/21 - 9/30/23	43,908	-	-	28,980	28,980	28,980	-
IDEA 619 EI	I 84.173	FA 131-22-0017	7/1/21 - 9/30/22	406	-	-	406	406	406	-
Total Special Education Cluster (IDEA)					11,466	11,045	227,038	227,038	226,617	-
Total U.S. Department of Education					1,526,023	250,193	1,881,469	1,881,469	605,639	-
Federal Communications Commission										
Emergency Connectivity Fund	32.009	N/A	7/1/21 - 6/30/22	107,869	107,869	-	107,869	107,869	-	-
Total Federal Financial Assistance					\$ 2,531,621	\$ 264,189	\$ 2,869,105	\$ 2,869,105	\$ 601,673	\$ -

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, 2022

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, *Uniform Administrative Requirements and Cost Principles Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting, as described below. 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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

3. Indirect Cost Rate

The District has not elected to use the 10% 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, 2022

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 the major federal program:

Assistance Listing Number(s)

Name of Federal Program

10.553/10.555
84.425

Child Nutrition Cluster
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, 2022

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 indicated in the June 30, 2021 Single Audit.