

**SUSQUEHANNA TOWNSHIP
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Susquehanna Township School District
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Susquehanna Township School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Susquehanna Township School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Susquehanna Township School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of Susquehanna Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Susquehanna Township School 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 Susquehanna Township School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
December 31, 2020

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020

The management of Susquehanna Township School District (the District) is pleased to present the following discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2020. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the District in order to enhance the reader's understanding of the District's basic financial statements.

The District is required to present comparative financial information between the current year and the prior year in its Management's Discussion and Analysis (MD&A) as mandated by the Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Financial Highlights

Key financial highlights for the year ended June 30, 2020, are as follows:

- The total Governmental and Business-Type Activities liabilities of the District exceeded its assets at June 30, 2020, by \$41.61 million (net position). The negative net position is the result of recording the District's proportionate share of net pension liability and deferred pension amounts reported in accordance with GASB Statement No. 68, which was implemented during 2015, with restatement of 2014. Additionally, the District implemented GASB Statement No. 75 during 2018, which required the District to record their proportionate share of additional other post-employment benefits (OPEB) and deferred OPEB amounts causing a larger negative net position. Consequently, there is no (unrestricted net position) available to meet the District's ongoing obligations to students and residents and total net position. However, an increase in change in net position of \$1,535,809 from the previous year occurred.
- The District's food service program, the only business-type activity, reported a total increase in net position of \$272,042 during the 2019-2020 fiscal year. Total food service revenues decreased by 19.02 percent or \$352,407 during the fiscal year. Food service expenses decreased by 17.85 percent or \$267,003.
- As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$25,939,417, an increase of \$13,296,078 in comparison with the prior year. Approximately 19.00 percent of total governmental fund balance is available for spending at the District's discretion (unassigned). When considering the \$13,296,078 increase in combined governmental funds fund balance, it is important to note that the general fund balance increased by \$1,137,352 while the capital projects fund balance increased by \$12,158,726. The capital projects fund increase was due to the issuance of General Obligation Notes - Series of 2020 on November 26, 2019, to fully refund multiple outstanding General Obligation Notes and finance various Capital Projects associated with the District's 5-year Capital Improvements Plan.
- The general fund reported an unassigned fund balance on June 30, 2020, of \$4,927,979, which is 9.61 percent of budget expenditures for the 2019-2020 fiscal year. Legislation enacted by the Commonwealth of Pennsylvania requires school districts to target an unassigned general fund balance of 8.0 percent or less of budgeted expenditures for the succeeding year. Budgeted expenditures for the 2020-2021 fiscal year total \$55,069,386.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

Overview of Financial Statements

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements, and other required supplementary information.

The first two statements of the basic financial statements are District-wide financial statements. These statements on pages 11 through 12 consist of the statement of net position and the statement of activities. The District-wide financial statements provide both short-term and long-term information about the District's overall financial status.

The remaining basic financial statements consist of fund financial statements. These statements focus on individual funds of the District and provide a more detailed presentation of the District's operations. The governmental funds statements on pages 13 and 15 present how general School District services are financed in the short-term as well as what remains for future spending. The proprietary fund statements on pages 18 through 20 presents both short-term and long-term information about the activities that the District operates similar to a business.

The basic financial statements also include notes on pages 23 through 60 that provide a more detailed explanation of some of the information in the financial statements. Following the basic financial statements is other required supplementary information on pages 61 through 65.

District-Wide Financial Statements

The District-wide statements report financial information about the District as a whole using accounting methods similar to the accounting used by private-sector companies. The statement of net position includes all of the District's assets and liabilities utilizing the full accrual basis of accounting. The statement of activities accounts for all of the District's revenues and expenses, regardless of when cash is received or paid.

The government-wide statements report the District's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as reported in the statement of activities - are used as one indicator of whether the District's financial health is improving or deteriorating. The District exists to provide services, primarily educational, to its students, so it does not have the profit-generation goal of private-sector companies. For this reason, the reader must also consider nonfinancial factors, such as the quality of the education provided, when assessing the *overall* health of the District.

The District-wide financial statements are divided into two categories:

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

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

Fund Financial Statements

Fund financial statements provide detailed information about the most significant funds or major funds - not the District as a whole. Some funds are required to be reported as major funds.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds and focus on changes in financial resources, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements on pages 14 and 16.
- **Proprietary Funds** - These funds are used to account for the District activities that are similar to business operations in the private sector. When the District charges customers for services it provides, these services are generally reported in proprietary funds. The food service fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee or agent for individuals, private organizations, and/or governmental units as shown on pages 21 and 22.

Financial Analysis of the District as a Whole

The District's total net position was (\$41,614,914) at June 30, 2020, which includes (\$40,946,010) in governmental activities and (\$668,904) in business-type activities.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Current assets	\$ 38,010,007	\$ 22,764,972	\$ 581,031	\$ 516,890	\$ 38,591,038	\$ 23,281,862
Capital assets	37,781,433	37,248,061	70,041	81,701	37,851,474	37,329,762
Total assets	\$ 75,791,440	\$ 60,013,033	\$ 651,072	\$ 598,591	\$ 76,442,512	\$ 60,611,624
Deferred outflows of resources	\$ 8,585,673	\$ 9,980,658	\$ 174,993	\$ 225,132	\$ 8,760,666	\$ 10,205,790
Current liabilities	\$ 8,089,166	\$ 6,096,880	\$ (61,328)	\$ 15,721	\$ 8,027,838	\$ 6,112,601
Long-term liabilities	111,534,016	102,161,425	1,446,675	1,668,060	112,980,691	103,829,485
Total liabilities	\$ 119,623,182	\$ 108,258,305	\$ 1,385,347	\$ 1,683,781	\$ 121,008,529	\$ 109,942,086
Deferred inflows of resources	\$ 5,699,941	\$ 3,945,163	\$ 109,622	\$ 80,888	\$ 5,809,563	\$ 4,026,051
Net investment in capital assets	\$ (2,260,510)	\$ 9,647,905	\$ 70,041	\$ 81,701	\$ (2,190,469)	\$ 9,729,606
Restricted	12,187,151	28,425	-	-	12,187,151	28,425
Unrestricted	(50,872,651)	(51,886,107)	(738,945)	(1,022,647)	(51,611,596)	(52,908,754)
Total net position	\$ (40,946,010)	\$ (42,209,777)	\$ (668,904)	\$ (940,946)	\$ (41,614,914)	\$ (43,150,723)

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

Financial Analysis of the District as a Whole (Continued)

The results of this year's operations as a whole are reported in the statement of activities. Direct expenses are listed by programs, and then offset by program revenues to determine net revenue (expense) and changes in net position. General revenues, such as taxes, state subsidies, and investment earnings are then applied to determine the change in net position. For the 2019-2020 fiscal year, the changes in net position for governmental activities was an increase of \$1,263,767, and an increase of \$272,042 for business-type activities, for a net total increase of \$1,535,809, as reflected in the following chart.

	Statement of Activities					
	Governmental Activities		Business-Type Activities		Total Activities	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Program Revenues						
Charges for services	\$ 63,557	\$ 57,227	\$ 423,981	\$ 604,197	\$ 487,538	\$ 661,424
Operating and capital grants and contributions	7,854,253	8,275,596	1,073,748	1,245,141	8,928,001	9,520,737
Total program revenues	7,917,810	8,332,823	1,497,729	1,849,338	9,415,539	10,182,161
General Revenues						
Taxes	38,881,678	39,119,428	-	-	38,881,678	39,119,428
General subsidies	5,305,144	4,378,198	-	-	5,305,144	4,378,198
Investment earnings	309,063	334,748	2,767	3,565	311,830	338,313
Other local revenue	-	143,084	-	-	-	143,084
Total general revenues	44,495,885	43,975,458	2,767	3,565	44,498,652	43,979,023
Total revenues	52,413,695	52,308,281	1,500,496	1,852,903	53,914,191	54,161,184
Total Expenses	51,149,928	51,772,374	1,228,454	1,495,457	52,378,382	53,267,831
Changes in net position	1,263,767	535,907	272,042	357,446	1,535,809	893,353
Net Position - July 1, 2019	(42,209,777)	(42,745,684)	(940,946)	(1,298,392)	(43,150,723)	(44,044,076)
Net Position - June 30, 2020	\$ (40,946,010)	\$ (42,209,777)	\$ (668,904)	\$ (940,946)	\$ (41,614,914)	\$ (43,150,723)

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

Financial Analysis of the District as a Whole (Continued)

Direct expenses represent the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants and contributions. The largest source of grants and contributions is state sources, which provided \$11,523,578 for governmental activities. The net cost of services must be recovered through general revenue, primarily real estate and income taxes. Amounts not recovered will reduce funds available for future years.

Governmental Activities						
	Direct Expenses		Program Revenues		Net Cost	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Instruction	\$ 34,752,138	\$ 35,267,906	\$ 5,776,277	\$ 6,225,054	\$ 28,975,861	\$ 29,042,852
Instructional student support	2,969,022	3,234,172	312,147	334,988	2,656,875	2,899,184
Administrative and financial support	5,641,706	5,133,340	546,971	471,135	5,094,735	4,662,205
Operation and maintenance of plant services	3,763,230	3,930,482	270,714	260,849	3,492,516	3,669,633
Pupil transportation	2,197,946	2,280,031	811,327	831,642	1,386,619	1,448,389
Student activities	993,317	1,160,844	135,506	144,938	857,811	1,015,906
Community services	949	3,320	-	-	949	3,320
Interest on long-term debt	831,620	762,279	64,868	64,217	766,752	698,062
Total governmental activities	\$ 51,149,928	\$ 51,772,374	\$ 7,917,810	\$ 8,332,823	\$ 43,232,118	\$ 43,439,551
State general subsidies revenue					(5,305,144)	(4,378,198)
Total needs from taxes and other local sources					\$ 37,926,974	\$ 39,061,353

Business-Type Activities						
	Direct Expenses		Program Revenues		Net Cost	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Food services	\$ 1,228,454	\$ 1,495,457	\$ 1,497,729	\$ 1,849,338	\$ (269,275)	\$ (353,881)
Total business-type activities	\$ 1,228,454	\$ 1,495,457	\$ 1,497,729	\$ 1,849,338	\$ (269,275)	\$ (353,881)

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

The District's Funds

At June 30, 2020, governmental funds reported a combined fund balance of \$25,939,417, which is an increase of \$13,296,078, from June 30, 2019. This increase is attributable to the net effect of an increase in the general fund balance at June 30, 2020, of \$1,137,352 and an increase in the capital projects fund balance of \$12,158,726.

Governmental Fund Balances

	6/30/2020	6/30/2019	Change	% Change
General Fund				
Assigned	\$ 8,824,287	\$ 8,824,287	\$ -	0.00%
Unassigned	4,927,979	3,790,627	1,137,352	30.00%
Capital Projects Fund	12,187,151	28,425	12,158,726	42774.76%
Total Governmental Fund Balances	\$ 25,939,417	\$ 12,643,339	\$ 13,296,078	105.16%

General Fund Budget

A general fund budget is adopted each year in accordance with the Pennsylvania School Code. The District applies for state and federal grants each year. Certain grants may not be anticipated during the budgeting process and must be added to the budget during the fiscal year. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget must then be modified based on the actual grant award.

Capital Assets (net of depreciation)

At June 30, 2020, the District had \$37,781,433 in governmental capital assets, which represents an increase of \$533,372. The decrease was due to depreciation exceeding capital asset additions associated with the District's annual operations.

	6/30/2020	6/30/2019	Change
Governmental Activities			
Land	\$ 215,004	\$ 215,004	\$ -
Land improvements	1,450,777	1,603,932	(153,155)
Construction-in-progress	2,517,116	-	2,517,116
Buildings and improvements	31,407,721	33,062,214	(1,654,493)
Furniture and equipment	2,190,815	2,366,911	(176,096)
Total governmental capital assets	37,781,433	37,248,061	533,372
Business-Type Activities			
Total business capital assets	70,041	81,701	(11,660)
Total capital assets	\$ 37,851,474	\$ 37,329,762	\$ 521,712

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended 2020**

Debt Administration

Bonds payable were \$37,235,000 and \$26,060,000 at June 30, 2020 and 2019, respectively. The amount of bond principal due within one year is \$2,200,000. Moody's Corporation has assigned its municipal bond rating of "Aa3" to all outstanding series of bonds.

Next Year's Budget and Economic

The new proposed preliminary budget for 2020-2021 represents an increase in total expenditures of 4.076%. This increase is largely associated with exorbitant cost increases for District students receiving their educational services by entities other than Susquehanna Township School District. Contracted educational services cost most responsible for the district's ever-increasing expenditure within this area of operation is Cyber School Tuition spend. The rate at which this expenditure line item is increasing, \$1.0+ million annually is fiscally unsustainable and has been exacerbated due to the COVID-19 Pandemic resulting in many more students electing to be educated virtually to avoid the spread of the virus. It is further noted that a flawed funding formula regarding these payments to outside Cyber Schools requires the district to pay approximately two-thirds more per student than what would be required if the district provided this virtual education, internally. In response to this fiscal issue, the district has developed its own in-house Virtual Education Program to compete with outside Cyber Schools and return existing outside Cyber School students back to Susquehanna Township School District, reducing required annual expenditures.

In addition to the adverse impact the Pandemic has had on Cyber School Tuition cost, it is anticipated that a reduction in local and potentially other revenues may occur over the next couple of years. In order to mitigate the effect of reduced revenue generation, the district continues to aggressively engage in cost containment measures associated with labor and fringe benefits, other contracted services, as well as incorporates frequent annual real estate tax increases to address the pressures placed on its annual budget.

The District's continuation of prudent and extensive long-term fiscal planning remains of paramount importance.

Contacting the District's Financial Management

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager, Oslwen C. Anderson, Jr., of Susquehanna Township School District, 2579 Interstate Drive, Harrisburg, PA 17110, (717) 657-5100.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 26,830,558	\$ 504,239	\$ 27,334,797
Investments	3,000,000	-	3,000,000
Receivables	8,179,449	55,121	8,234,570
Inventories	-	21,671	21,671
Capital assets			
Land and construction-in-progress	2,732,120	-	2,732,120
Other capital assets, net of depreciation	35,049,313	70,041	35,119,354
Total capital assets	37,781,433	70,041	37,851,474
Total assets	\$ 75,791,440	\$ 651,072	\$ 76,442,512
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 7,950,000	\$ 162,000	\$ 8,112,000
Deferred amounts on OPEB liabilities	635,673	12,993	648,666
Total deferred outflows of resources	\$ 8,585,673	\$ 174,993	\$ 8,760,666
Liabilities			
Internal balances	\$ 91,679.00	\$ (91,679.00)	\$ -
Accounts payable and accrued expenses	7,994,591	3,326	7,997,917
Unearned revenues	2,896	27,025	29,921
Long-term obligations			
Due within one year	2,486,861	-	2,486,861
Due in more than one year	38,150,079	-	38,150,079
Net pension liability	64,736,000	1,321,000	66,057,000
OPEB liabilities	6,161,076	125,675	6,286,751
Total long-term liabilities	111,534,016	1,446,675	112,980,691
Total liabilities	\$ 119,623,182	\$ 1,385,347	\$ 121,008,529
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 4,724,000	\$ 96,000	\$ 4,820,000
Deferred amounts on OPEB liabilities	669,575	13,622	683,197
Deferred amounts on refunding debt	306,366	-	306,366
Total deferred inflows of resources	\$ 5,699,941	\$ 109,622	\$ 5,809,563
Net Position			
Net investment in capital assets	\$ (2,260,510)	\$ 70,041	\$ (2,190,469)
Restricted	12,187,151	-	12,187,151
Unrestricted	(50,872,651)	(738,945)	(51,611,596)
Total net position	\$ (40,946,010)	\$ (668,904)	\$ (41,614,914)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction	\$ 34,752,138	\$ -	\$ 5,776,277	\$ -	\$ (28,975,861)	\$ -	\$ (28,975,861)
Instructional student support	2,969,022	-	312,147	-	(2,656,875)	-	(2,656,875)
Administration and financial services	5,641,706	-	546,971	-	(5,094,735)	-	(5,094,735)
Operation and maintenance of plant services	3,763,230	27,115	243,599	-	(3,492,516)	-	(3,492,516)
Pupil transportation	2,197,946	-	811,327	-	(1,386,619)	-	(1,386,619)
Student activities	993,317	36,442	99,064	-	(857,811)	-	(857,811)
Community services	949	-	-	-	(949)	-	(949)
Interest on long-term debt	831,620	-	-	64,868	(766,752)	-	(766,752)
Total governmental activities	51,149,928	63,557	7,789,385	64,868	(43,232,118)	-	(43,232,118)
Business-Type Activities:							
Food Service	1,228,454	423,981	1,073,748	-	-	269,275	269,275
Total primary government	\$ 52,378,382	\$ 487,538	\$ 8,863,133	\$ 64,868	\$ (43,232,118)	\$ 269,275	\$ (42,962,843)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 31,324,737	\$ -	\$ 31,324,737
Public utility, realty transfer, earned income and other taxes for general purposes, net					7,556,941	-	7,556,941
Grants, subsidies and contributions not restricted					5,305,144	-	5,305,144
Investment earnings					309,063	2,767	311,830
Total general revenues					44,495,885	2,767	44,498,652
Changes in net position					1,263,767	272,042	1,535,809
Net Position - July 1, 2019					(42,209,777)	(940,946)	(43,150,723)
Net Position - June 30, 2020					\$ (40,946,010)	\$ (668,904)	\$ (41,614,914)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 12,854,220	\$ 13,976,338	\$ 26,830,558
Investments	3,000,000	-	3,000,000
Due from other governments	1,867,651	-	1,867,651
Taxes receivable	5,084,393	-	5,084,393
Other receivables	1,227,405	-	1,227,405
Total assets	\$ 24,033,669	\$ 13,976,338	\$ 38,010,007
Liabilities			
Accounts payable	\$ 1,233,376	\$ 1,557,991	\$ 2,791,367
Contracts payable - retainage	-	231,196	231,196
Accrued salaries and benefits	2,712,250	-	2,712,250
Due to other funds	91,679	-	91,679
Payroll deductions and withholdings	2,105,245	-	2,105,245
Unearned revenues	2,896	-	2,896
Total liabilities	6,145,446	1,789,187	7,934,633
Deferred Inflows of Resources			
Delinquent property taxes	4,135,957	-	4,135,957
Fund Balances			
Restricted	-	12,187,151	12,187,151
Assigned	8,824,287	-	8,824,287
Unassigned	4,927,979	-	4,927,979
Total fund balances	13,752,266	12,187,151	25,939,417
Total liabilities, deferred inflows of resources and fund balances	\$ 24,033,669	\$ 13,976,338	\$ 38,010,007

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total fund balances - governmental funds	\$ 25,939,417
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources, and; therefore, they are not reported as assets in governmental funds. The cost of assets is \$70,878,006, and the accumulated depreciation is \$33,096,573.	
	37,781,433
Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures; and therefore, they are deferred inflows of resources in the funds.	
	4,135,957
The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred inflow or outflow of resources, which are not reported in the funds.	
Deferred inflows	(306,366)
Deferred inflows and outflows of resources related to pensions are applicable to future periods and; therefore, are not reported within the funds. Deferred outflows and inflows related to pensions are as follows (see footnotes for detail):	
Deferred outflows	7,950,000
Deferred inflows	(4,724,000)
Deferred inflows and outflows of resources related to OPEB are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):	
Deferred outflows	635,673
Deferred inflows	(669,575)
Long-term liabilities; including bonds/notes payable, lease-purchase obligations, net pension liabilities, compensated absences, and other post-employment benefits; are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds/notes payable, including bond premium/discount	(39,259,899)
Lease-purchase obligation	(475,678)
Accrued interest	(154,533)
Net pension liability	(64,736,000)
Other post-employment benefits	(6,161,076)
Compensated absences	(901,363)
	(111,688,549)
Total net position - governmental activities	\$ (40,946,010)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Totals Governmental Funds
Revenues			
Local sources	\$ 39,725,997	\$ 47,073	\$ 39,773,070
State sources	11,523,578	-	11,523,578
Federal sources	1,108,582	-	1,108,582
Total revenues	<u>52,358,157</u>	<u>47,073</u>	<u>52,405,230</u>
Expenditures			
Instruction	32,860,050	-	32,860,050
Support services	14,409,641	-	14,409,641
Operation of noninstructional services	928,030	-	928,030
Capital outlay	-	2,573,391	2,573,391
Debt service	3,645,136	-	3,645,136
Refund of prior year's receipts	14,703	-	14,703
Total expenditures	<u>51,857,560</u>	<u>2,573,391</u>	<u>54,430,951</u>
Deficiency of revenues over expenditures	500,597	(2,526,318)	(2,025,721)
Other Financing Sources (Uses)			
Interfund transfers in	-	14,685,044	14,685,044
Interfund transfers out	(14,685,044)	-	(14,685,044)
Issuance of refunding debt	15,935,000	-	15,935,000
Issuance of general obligation bonds	14,140,000	-	14,140,000
Payments to refunded-debt escrow agent	(16,735,815)	-	(16,735,815)
Bond premium	1,702,679	-	1,702,679
Proceeds from extended-term financing	279,935	-	279,935
Total other financing sources	<u>636,755</u>	<u>14,685,044</u>	<u>15,321,799</u>
Net changes in fund balances	1,137,352	12,158,726	13,296,078
Fund Balances - July 1, 2019	12,614,914	28,425	12,643,339
Fund Balances - June 30, 2020	<u>\$ 13,752,266</u>	<u>\$ 12,187,151</u>	<u>\$ 25,939,417</u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Net changes in fund balances - governmental funds		\$ 13,296,078
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense.		
Capital outlays	3,111,846	
Less depreciation expense	(2,578,474)	533,372
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. Deferred inflows of resources increased by this amount this year.		
		23,167
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 it is due. The change in interest accrued in the Statement of Activities from the amount due is shown here.		
		(66,496)
Governmental funds report District pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.		
District pension and OPEB contributions (PSERS)		6,528,000
Cost of benefits earned net of employee contributions (PSERS)		(6,337,400)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and; therefore, are not reported as revenues in governmental funds.		
Change in compensated absences		(49,742)
Change in other post-employment benefits (District's plan)		(221,425)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt, including bond premium	(31,777,679)	
Issuance of lease-purchase obligation	(279,935)	
Refunding of general obligation debt	16,655,000	
Repayment of long-term debt	2,245,000	
Repayment of lease-purchase obligation	517,015	
Amortization of bond premiums and discounts - net	149,990	
Amortization of charges for bond refunding	48,822	(12,441,787)
Changes in net position of governmental activities		\$ 1,263,767

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2020

	General Fund			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Local sources	\$ 39,607,020	\$ 39,607,020	\$ 39,725,997	\$ 118,977
State sources	11,038,436	11,038,436	11,523,578	485,142
Federal sources	643,392	643,392	1,108,582	465,190
Total revenues	51,288,848	51,288,848	52,358,157	1,069,309
Expenditures				
Instruction	31,931,541	31,931,541	32,860,050	(928,509)
Support services	15,310,886	15,310,886	14,409,641	901,245
Operation of noninstructional services	982,170	982,170	928,030	54,140
Debt service	3,064,251	3,133,251	3,645,136	(511,885)
Refund of prior year's receipts	-	(69,000)	14,703	(83,703)
Total expenditures	51,288,848	51,288,848	51,857,560	(568,712)
Excess of revenues over expenditures	-	-	500,597	500,597
Other Financing Sources (Uses)				
Interfund transfers out	-	-	(14,685,044)	(14,685,044)
Issuance of refunding debt	-	-	15,935,000	15,935,000
Issuance of general obligation bonds	-	-	14,140,000	14,140,000
Payments to refunded-debt escrow agent	-	-	(16,735,815)	(16,735,815)
Bond premium	-	-	1,702,679	1,702,679
Proceeds from extended-term financing	-	-	279,935	279,935
Total other financing sources	-	-	636,755	636,755
Net changes in fund balance	\$ -	\$ -	1,137,352	\$ 1,137,352
Fund Balances - July 1, 2019			12,614,914	
Fund Balances - June 30, 2020			\$ 13,752,266	

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

June 30, 2020

Assets	
Cash and cash equivalents	\$ 504,239
Receivables	
State sources	2,048
Federal sources	53,073
Inventories	21,671
Other capital assets, net of depreciation	70,041
Total assets	<u><u>\$ 651,072</u></u>
Deferred Outflows of Resources	
Deferred amounts on pension liability	\$ 162,000
Deferred amounts on OPEB liabilities	12,993
Total deferred outflows of resources	<u><u>\$ 174,993</u></u>
Liabilities	
Internal balances	\$ (91,679)
Accounts payable	3,264
Unearned revenues	27,025
Accrued salaries and benefits	62
Net pension liability	1,321,000
OPEB liabilities	125,675
Total liabilities	<u><u>\$ 1,385,347</u></u>
Deferred Inflows of Resources	
Deferred amounts on pension liability	\$ 96,000
Deferred amounts on OPEB liabilities	13,622
Total deferred inflows of resources	<u><u>\$ 109,622</u></u>
Net Position	
Net investment in capital assets	\$ 70,041
Unrestricted	(738,945)
Total net position	<u><u>\$ (668,904)</u></u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE**

Year Ended June 30, 2020

<hr/>	
Operating Revenues	
Food service revenue	\$ 423,981
<hr/>	
Operating Expenses	
Salaries	452,834
Employee benefits	107,415
Purchased professional and technical services	464
Purchased property services	14,962
Other purchased services	21,652
Supplies	619,467
Depreciation	11,660
Total operating expenses	<hr/> 1,228,454 <hr/>
Operating loss	(804,473)
Nonoperating Revenues	
Investment earnings	2,767
State sources	130,954
Federal sources	942,794
Total nonoperating revenues	<hr/> 1,076,515 <hr/>
Changes in net position	272,042
Net Position - July 1, 2019	(940,946)
Net Position - June 30, 2020	<hr/> \$ (668,904) <hr/>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2020

Cash Flows From Operating Activities	
Cash received from meal sales	\$ 435,753
Cash payments for goods and services	(569,713)
Cash payments to employees for services	(865,676)
Net cash used in operating activities	(999,636)
Cash Flows From Noncapital Financing Activities	
State sources	130,963
Federal sources	836,614
Net cash provided by noncapital financing activities	967,577
Cash Flows From Investing Activities	
Investment earnings	2,767
Net decrease in cash and cash equivalents	(29,292)
Cash and Cash Equivalents:	
July 1, 2019	533,531
June 30, 2020	<u>\$ 504,239</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (804,473)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	11,660
Value of donated commodities	89,828
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	(5,792)
Deferred outflows of resources	50,139
(Decrease) increase in:	
Internal balances	(162,977)
Accounts payable	2,796
Unearned revenue	11,772
Accrued salaries and benefits	62
Net pension liability	(209,000)
OPEB liabilities	(12,385)
Deferred inflows of resources	28,734
Net cash used in operating activities	(999,636)
Supplemental Disclosure	
Noncash noncapital financing activity:	
USDA donated commodities	<u>\$ 89,828</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Private-Purpose Trust Fund	Agency Activity Fund
Assets		
Cash and cash equivalents	\$ 174,130	\$ 148,939
Total assets	<u>\$ 174,130</u>	<u>\$ 148,939</u>
Liabilities		
Due to student groups	\$ -	\$ 148,939
Total liabilities	<u>\$ -</u>	<u>\$ 148,939</u>
Net Position		
Held in trust for scholarships	\$ 174,130	\$ -
Total net position	<u>\$ 174,130</u>	<u>\$ -</u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2020

	Private-Purpose Trust Fund
Additions	
Gifts and contributions	\$ 52,525
Investment earnings	833
Total additions	<u>53,358</u>
Deductions	
Scholarships awarded	7,150
Other deductions	1,432
Total deductions	<u>8,582</u>
Changes in net position	44,776
Net Position - July 1, 2019	129,354
Net Position - June 30, 2020	<u><u>\$ 174,130</u></u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Susquehanna Township School District (the District), located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12th to students living in Dauphin County municipality of Susquehanna Township. These include regular, advanced academic programs, vocational education programs, and special education programs for gifted and handicapped children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District operates two elementary schools, one middle school, and one high school, serving approximately 2,907 students.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units. The District does; however, participate in jointly-governed organizations which are described in Note 13.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned, or unassigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates a proprietary fund, the food service fund. This fund accounts for the activities of the District's food service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures, which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund types:

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

Private-Purpose Trust Fund - The private purpose trust fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to students as prescribed by donor stipulations.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. Management submits to the Board for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The Board determines if it will approve a resolution to keep any tax increase below the index by the PDE deadline.
2. If the Board adopts the resolution, management must submit to the Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
4. At public board meetings, information is presented and debated. The public is welcome to comment on the budget.
5. Prior to June 30, legislation requires a budget to be legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the School Board at the sub-function/major object level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2020.
9. The budget for the general fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three month or less, when purchased, to be cash equivalents.

Investments: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Inventories: There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food supplies on hand at June 30, 2020, including the value of commodities donated by the federal government. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchase commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Taxes Receivable and Estimated Uncollectible Taxes: Taxes receivable are presented net of estimated uncollectible balances, which represents managements estimated of outstanding per capita and occupational taxes which will not be collected.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at the discretion of management. Management considers various factors in the capitalization of assets, including the asset's estimated useful life, cost, and the extent to which the asset is part of a larger capital project. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided for fixed assets on the straight-line basis over the following estimated useful lives:

Asset Class	Years
Building and Building Improvements	25-50
Land Improvements	20-25
Furniture and Equipment	5-20
Vehicles	5-10
Library Books	10

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Deferred Outflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, changes in assumptions, changes in proportion, the difference between employer contributions and proportionate share of total contributions and the contributions subsequent to the measurement date, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between expected and actual experience, changes in assumptions, the net difference between projected and actual investment earnings, changes in proportion, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds. Bond insurance costs are deferred as prepaid expenses and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences: The District provides for the accumulations and payout of vacation and sick pay upon the retirement of employees who retire under the terms of the District's collective-bargaining agreements. Teachers, administrators and support employees are eligible to receive a per-diem amount for all accumulated vacation and sick days.

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans the first is a single employer plan administered by the District. The plan provides retiree health, vision, dental care, and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation. The single employer OPEB plan is unfunded.

The District also participates in a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) with the Public School Employees' Retirement System (PSERS) for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2020, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	\$ 3,218,076	\$ 65,675	\$ 3,283,751
PSERS Cost Sharing Plan	2,943,000	60,000	3,003,000
Total	<u>\$ 6,161,076</u>	<u>\$ 125,675</u>	<u>\$ 6,286,751</u>
Deferred Outflows of Resources			
District's Single Employer Plan	\$ 332,873	\$ 6,793	\$ 339,666
PSERS Cost Sharing Plan	302,800	6,200	309,000
Total	<u>\$ 635,673</u>	<u>\$ 12,993</u>	<u>\$ 648,666</u>
Deferred Inflows of Resources			
District's Single Employer Plan	\$ 442,075	\$ 9,022	\$ 451,097
PSERS Costs Sharing Plan	227,500	4,600	232,100
Total	<u>\$ 669,575</u>	<u>\$ 13,622</u>	<u>\$ 683,197</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost Sharing Plan are in Notes 10 and 11, respectively.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Continued)

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. 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 indicated on the Statement of Net Position as internal balances.

Deferred Inflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, changes in proportion, the net difference between projected and actual investment earnings, and the difference between employer contributions and proportionate share of total contributions as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the differences between expected and actual experience, changes in assumptions, changes in proportion and the difference between employer contributions and proportionate share of total contributions as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred inflow which is a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Net Position: The District's net position classifications are defined and described as follows:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position: Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Continued)

Fund Balance: The District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Director of Administration or the Budget and Finance Committee.

Unassigned: Represents fund balance amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance, and then the unassigned balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. They are presented along with other designations of fund balance in funds that are restricted, committed or assigned and are not separately classified in the financial statements. As of June 30, 2020, the District had no encumbrances.

F. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through December 31, 2020, the date the financial statements were available to be issued. See Note 15.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2020, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	First National Bank
Uninsured, collateralized in accordance with Act 72	11,066,865	11,793,578	First National Bank
	<u>\$ 11,316,865</u>	<u>\$ 12,043,578</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2020, the District had the following investments:

Investment	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	0.195	\$ 16,340,147
PSDLAF Full Flex Pool	NA	0.115	3,000,000
Total PSDLAF			<u>\$ 19,340,147</u>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed term series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third party custodian pursuant to a custody agreement among the Fund, the bank that issues the certificate of deposit and the third party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third party custodian with respect to all such collateralized certificates of deposit. Permitted Investments (other than certificates of deposit) such as U.S. Treasury or Agency securities in which monies in which a Fixed Term Series are invested are registered in the name or names of the Settlor or Settlers for which the Fixed Term Series was created, and the security is held in custody by a third party custodian pursuant to a custody agreement between the Investment Adviser and the third party custodian. At present, US Bank National Association, Minneapolis, Minnesota serves as the third party custodian with respect to all such securities. The District reports these nonparticipating contracts, as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are with PSDLAF.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Property Taxes

Based upon assessed valuations provided by the County, the District bills and collects its own property taxes. The schedule for property taxes levied for 2019-2020 is as follows:

July 1, 2019	Tax Levy Date
Through August 31, 2019	2% Discount
September 1 - October 31, 2019	Face payment period
November 1 - December 31, 2019	10% Penalty Period
January 1, 2020	Lien Filing Date

The District's tax rate for all purposes in 2019-2020 was 19.03 mills (\$19.03 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania Accounting System. Current tax collections for the District were approximately 96% of the total tax levy.

Note 4. Taxes Receivable, Deferred Inflows of Resources, and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2020, are as follows:

	Amount
Uncollected taxes	\$ 6,299,416
Estimated uncollectible taxes	(1,215,023)
Taxes Receivable - Net	<u>\$ 5,084,393</u>
Taxes to be collected within 60 days	\$ 948,436
Deferred inflows of resources - delinquent property taxes	<u>4,135,957</u>
Taxes Receivable - Net	<u>\$ 5,084,393</u>

The District estimates its uncollectible taxes for outstanding Per Capita and Occupational taxes based on the number of years the taxes are outstanding.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2020, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Fund		
General	\$ 442,235	\$ 533,914
Proprietary Fund		
Food Service	91,679	-
	<u>\$ 533,914</u>	<u>\$ 533,914</u>

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2020, are as follows:

	Transfers In	Transfers Out
Governmental Funds		
General	\$ -	\$ 14,685,044
Capital Projects	14,685,044	-
	<u>\$ 14,685,044</u>	<u>\$ 14,685,044</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions or funding capital projects and asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for governmental and business-type activities for the year ended June 30, 2020, was as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 215,004	\$ -	\$ -	\$ 215,004
Construction-in-progress	-	2,517,116	-	2,517,116
Total capital assets not being depreciated	215,004	2,517,116	-	2,732,120
Capital assets being depreciated				
Land and site improvements	3,840,293	-	-	3,840,293
Buildings and building improvements	56,705,759	60,916	-	56,766,675
Furniture and equipment	7,005,104	533,814	-	7,538,918
Total capital assets being depreciated	67,551,156	594,730	-	68,145,886
Less accumulated depreciation				
Land and site improvements	2,236,361	153,155	-	2,389,516
Buildings and building improvements	23,646,723	1,712,231	-	25,358,954
Furniture and equipment	4,635,015	713,088	-	5,348,103
Total accumulated depreciation	30,518,099	2,578,474	-	33,096,573
Total capital assets being depreciated, net	37,033,057	(1,983,744)	-	35,049,313
Total Governmental Activities, Capital Assets - Net	\$ 37,248,061	\$ 533,372	\$ -	\$ 37,781,433
Business-Type Activities				
Capital assets being depreciated, equipment	\$ 734,900	\$ -	\$ -	\$ 734,900
Less accumulated depreciation, equipment	653,199	11,660	-	664,859
Total Business-Type Activities, Capital Assets - Net	\$ 81,701	\$ (11,660)	\$ -	\$ 70,041

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the District as follows:

	Amount
Governmental Activities	
Instruction	\$ 1,829,374
Instructional student support	205,330
Administration and financial support	318,367
Operation and maintenance of plant services	160,239
Student activities	65,164
Total governmental activities	<u>2,578,474</u>
Business-Type Activities	
Food service	11,660
Total School District	<u><u>\$ 2,590,134</u></u>

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2020, and transactions during the year then ended follows:

	July 1, 2019	Increases	Decreases	June 30, 2020	Due within one year
General Obligation Bonds					
Series of 2012	\$ 6,080,000	\$ -	\$ (6,080,000)	\$ -	\$ -
Series A of 2012	6,170,000	-	(6,170,000)	-	-
Series of 2013	940,000	-	(940,000)	-	-
Series of 2019	9,405,000	-	(5,000)	9,400,000	5,000
Series of 2020	-	30,075,000	(2,240,000)	27,835,000	2,195,000
General Obligation Notes					
Series of 2017	3,465,000	-	(3,465,000)	-	-
Total Bonds and Notes	<u>26,060,000</u>	<u>30,075,000</u>	<u>(18,900,000)</u>	<u>37,235,000</u>	<u>2,200,000</u>
Unamortized bond premium/(discount)	492,061	1,702,679	(169,841)	2,024,899	-
Total Long-Term Debt	<u>26,552,061</u>	<u>31,777,679</u>	<u>(19,069,841)</u>	<u>39,259,899</u>	<u>2,200,000</u>
Other Long-Term Obligations					
Lease-purchase obligation	712,758	279,935	(517,015)	475,678	264,327
Compensated absences	851,621	49,742	-	901,363	22,534
Total Other Long-Term Obligations	<u>1,564,379</u>	<u>329,677</u>	<u>(517,015)</u>	<u>1,377,041</u>	<u>286,861</u>
Total Long-Term Obligations	<u>\$ 28,116,440</u>	<u>\$ 32,107,356</u>	<u>\$ (19,586,856)</u>	<u>\$ 40,636,940</u>	<u>\$ 2,486,861</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2012 - On July 23, 2012, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,995,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$1,244,079. Interest is payable semi-annually at rates between 0.40% and 2.40%. In the year ended June 30, 2020, the District issued General Obligation Notes – Series of 2020 to fully refund this obligation.

General Obligation Bonds - Series A of 2012 - On August 28, 2012, the District issued General Obligation Bonds - Series A of 2012, in the principal amount of \$7,270,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$797,000. Interest is payable semi-annually at rates between 0.50% and 2.38%. In the year ended June 30, 2020, the District issued General Obligation Notes – Series of 2020 to fully refund this obligation.

General Obligation Bonds - Series of 2013 - On August 19, 2013, the District issued General Obligation Bonds - Series of 2013, in the principal amount of \$9,520,000. These bonds were issued to currently refund General Obligation Bonds Series of 2008, Series of 2009, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$783,360. Interest was payable semi-annually at rates between 0.21% and 3.85%, with principal maturing through November 15, 2027. On February 26, 2019, the District issued General Obligation Bonds - Series of 2019 to refund \$2,250,000 of the remaining \$3,480,000 obligation. In the year ended June 30, 2020, the District issued General Obligation Notes – Series of 2020 to fully refund this obligation.

General Obligation Notes - Series of 2017 - On May 15, 2017, the District issued General Obligation Notes - Series of 2017, in the principal amount of \$4,242,000. The proceeds provided funds to refund a portion of the District's outstanding General Obligation Bonds - Series of 2011 and pay the costs of issuing and insuring the Note or any or all of the same. The interest rate of the note is 2.38%. In the year ended June 30, 2020, the District issued General Obligation Notes – Series of 2020 to fully refund this obligation.

General Obligation Bonds - Series of 2019 - On February 26, 2019, the District issued General Obligation Bonds - Series of 2019, in the principal amount of \$9,405,000. The proceeds provided funds to refund a portion of the District's outstanding General Obligation Bonds - Series of 2013 and the District's outstanding General Obligation Bonds - Series of 2014 and to pay the costs of issuing and insuring the Bonds. The economic gain on the refunding of the bonds was \$664,997. Interest is payable semi-annually at rates between 1.80% and 4.00%. The bonds mature serially in amounts ranging from \$5,000 to \$3,130,000 through November 15, 2027.

General Obligation Notes - Series of 2020 - On November 26, 2019, the District issued General Obligation Notes - Series of 2020, in the principal amount of \$30,075,000. The proceeds provided funds to fully refund the District's outstanding General Obligation Bonds - Series of 2012, fully refund the District's outstanding General Obligation Bonds – Series A of 2012, fully refund the District's outstanding General Obligation Bonds - Series of 2013, fully refund the District's outstanding General Obligation Bonds - Series of 2017, fund various capital projects for the District, and to pay the costs of issuing and insuring the Note or any or all of the same. The economic gain on the refunding of the bonds was \$119,328. Interest is payable semi-annually at rates between 1.50% and 4.00%. The notes mature serially in amounts ranging from \$5,000 to \$3,315,000 through May 15, 2034.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

The maturity of the long-term debt issues are as follows:

Year Ending June 30:	General Obligation Debt		
	Principal	Interest	Total
2021	\$ 2,200,000	\$ 1,236,210	\$ 3,436,210
2022	2,290,000	1,148,310	3,438,310
2023	2,370,000	1,066,810	3,436,810
2024	2,460,000	977,973	3,437,973
2025	2,545,000	894,535	3,439,535
2026-2030	14,875,000	2,873,575	17,748,575
2031-2034	10,495,000	666,790	11,161,790
	<u>\$ 37,235,000</u>	<u>\$ 8,864,203</u>	<u>\$ 46,099,203</u>

Lease-Purchase Obligation

The District leases computer equipment which is located throughout the District. The related lease agreements qualify as capital leases, and accordingly, the transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All lease-purchase obligations are funded by the general fund.

The assets acquired through the capital lease are as follows:

	Amount
Machinery and equipment	\$ 2,061,875
Less: accumulated depreciation	(1,082,565)
Total machinery and equipment - net book value	<u>\$ 979,310</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligation at June 30, 2020:

Year Ending June 30:	Amount
2021	\$ 289,610
2022	151,610
2023	76,159
Total minimum lease payments	517,379
Less: amount representing interest	(41,701)
Total present value of net minimum lease payments	<u>\$ 475,678</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Compensated Absences

The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

Note 8. Operating Lease

Lease Rental Debt - Series of 2015, was issued by the Dauphin County Technical School (DCTS) to provide funds to current refund the Series of 2007 School Lease Revenue Bonds. The Series of 2007 Bonds were issued to construct improvements and renovations to the Dauphin County Technical School. The Dauphin County Technical School Board and seven member school districts entered into a lease agreement with DCTS and will each pay their proportionate share of the lease rentals in order to fund the lease revenue bonds. Minimum future rental payments under this operating lease are as follows:

Year Ending June 30:	Amount
2021	\$ 231,018
2022	230,493
2023	230,812
2024	230,695
2025	231,452
2026-2030	1,155,307
2031	231,058
	<u>\$ 2,540,835</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan

Plan Description

PSERS (Pennsylvania Public School Employees' Retirement System or the System) 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 the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members, whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 34.29% 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. The 34.29% rate is composed of a contribution rate of 33.45% for pension benefits and .84% for healthcare insurance premium assistance (OPEB benefits).

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan, relating to pension benefits for the year ended June 30, 2020, was \$6,506,330, and is equal to the required contribution for the year. For the year ended June 30, 2020, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$3,317,890.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2020, the District reported a liability of \$66,057,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .1412 percent, which was a decrease of .0037 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$6,214,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 364,000	\$ 2,189,000
Changes in assumptions	631,000	-
Net difference between projected and actual investment earnings	-	189,000
Changes in proportion	555,000	2,431,000
Difference between employer contributions and proportionate share of total contributions	56,000	11,000
Contributions subsequent to the measurement date	6,506,000	-
	<u>\$ 8,112,000</u>	<u>\$ 4,820,000</u>

\$6,506,000 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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2021	\$ (282,000)
2022	(1,962,000)
2023	(1,089,000)
2024	119,000
	<u>\$ (3,214,000)</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

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

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

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

Investments

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

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

For the year ended June 30, 2019, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0)%	0.7%
	<u>100.0%</u>	

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

Discount Rate

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 82,281,000	\$ 66,057,000	\$ 52,319,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the PSERS pension plan of \$2,542,839. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2020.

Pension Reform

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, are required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a standalone defined contribution plan. PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan

The District provides retiree health, vision, and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<u>I. Administrators</u>	Must be eligible for PSERS retirement	Coverage: Medical, Prescription Drug, Dental and Vision Premium Sharing: Member must pay full premium as determined for the purpose of COBRA Dependents: Spouse and family included	Until member is eligible for Medicare
<u>II. Teachers</u>	Must be eligible for PSERS retirement	Same as I	Same as I
<u>III. Support Staff</u>	Must be eligible for PSERS retirement	Same as I	Same as I
<u>IV. Teamsters Staff</u>	Must be eligible for PSERS retirement	Same as I	Same as I

Notes: PSERS Retirement:

1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.

2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Coordination with Medicare benefits: Medicare pays primary.

Continued life insurance coverage is available; however, no one has ever elected such coverage.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Employees Covered by Benefit Terms

As of the July 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	26
Inactive employees entitle to but not yet receiving benefit payments	-
Active employees	376
	<u>402</u>

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

At June 30, 2020, the District reported a liability of \$3,283,751 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 3,133,045
Changes for the year	
Service cost	295,705
Interest	99,574
Changes in assumptions	(83,331)
Estimated benefit payments	(161,242)
Net Changes	150,706
Total OPEB Liability, ending	<u>\$ 3,283,751</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$373,077. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 374,176
Changes in assumptions	182,802	76,921
Benefit payments subsequent to the measurement date	156,864	-
	<u>\$ 339,666</u>	<u>\$ 451,097</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$156,864 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30:	Total
2021	\$ (22,202)
2022	(22,202)
2023	(22,202)
2024	(22,202)
2025	(22,202)
Thereafter	(157,285)
	<u>\$ (268,295)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Discount Rate – 3.36%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.
- Health Care Cost Trend Rate - 6.0% in 2018, and 5.5% in 2019-2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates are separate and 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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Sensitivity of the District's Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 3.36%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage higher (4.36%) than the current rate:

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
Total OPEB liability	\$ 3,507,038	\$ 3,283,751	\$ 3,073,687

The discount rate used to measure the total OPEB liability increased from 2.98% as of July 1, 2018 to 3.36% as of July 1, 2019.

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (6.0% decreasing to 3.8%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 2,926,588	\$ 3,283,751	\$ 3,708,310

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan

System Administration

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The control and management of the System, including the investment of its assets is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) 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. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% 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 the OPEB plan from the District were \$163,387 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,003,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .1412 percent, which was a decrease of .0037 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$127,100. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,000	\$ -
Changes in assumptions	99,000	89,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	25,000	140,000
Difference between employer contributions and proportionate share of total contributions	-	3,100
Contributions subsequent to the measurement date	163,000	-
	<u>\$ 309,000</u>	<u>\$ 232,100</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

\$163,000 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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	Amount
2021	\$ (20,300)
2022	(20,300)
2023	(20,300)
2024	(20,200)
2025	(5,000)
	<u>\$ (86,100)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017, determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
U.S. Core Fixed Income	83.1%	1.0%
Non-U.S. Developed Fixed	3.7%	0.0%
	<u>100.0%</u>	

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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

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

The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79%) or 1-percentage-point higher (3.79%) than the current discount rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 3,421,000	\$ 3,003,000	\$ 2,657,000

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7.75%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,003,000	\$ 3,003,000	\$ 3,003,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the OPEB plan of \$63,856.

Note 12. Fund Balance Designations

Restricted

The District has third-party restrictions on amounts reported in the Capital Projects fund, including those amounts under bond-agreement and capital reserve statutory restrictions.

Assigned

The District has assigned certain portions of the general fund balance as follows:

Description of assigned	Amount
Assigned for future health insurance payments	\$ 2,412,487
Assigned for future capital projects	1,250,000
Assigned for future PSERS obligations	5,161,800
	<u>\$ 8,824,287</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Joint Ventures

Dauphin County Technical School (DCTS)

The District is one of seven member school districts of the Dauphin County Technical School (DCTS). Effective July 1, 2017, the DCTS adopted resolutions to admit the School District of the City of Harrisburg (Harrisburg SD) as a member school district. For the year ended June 30, 2020, the District received total payments of \$50,291 from Harrisburg SD. The District will receive annual payments directly from Harrisburg SD for the next three years to offset debt service costs of the District, adjusted each year based on the total market valuation of each of the previous six school districts as determined by the State Tax Equalization Board.

DCTS provides vocational-technical training and education to participating students of the member districts. DCTS is controlled and governed by the Dauphin County Area Vocational Technical School Joint Board (Vo-Tech Board) which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of DCTS. The DCTS is not reported as part of the District's reporting entity. The District's share of annual operating costs for DCTS fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2020, was approximately \$1,382,379. In 2007, the DCTS entered into an agreement with the member school districts and the Vo-Tech Board to construct improvements to the school's premise and facilities. In 2015, DCTS refinanced its Series of 2007 debt with its Series of 2015 issuance. The District has a financial responsibility to the DCTS for a portion of the debt obligation relating to these improvements. The balance of the District's share of this obligation at June 30, 2020, was \$2,442,747. Complete general purpose financial statements for DCTS can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Dauphin County Area Vocational-Technology School Authority

The District is also a member of the Dauphin County Area Vocational-Technical School Authority (Authority). In 1983, the Authority entered into an agreement with the member school districts and the Vo-Tech Board to acquire land and construct buildings to provide the facilities for the operation of DCTS. In 1997, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the DCTS facilities. The District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements. The District's lease payment to the Authority for the year ended June 30, 2020, was \$231,317, which has been reported in the District's general fund and is detailed in Note 8. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Joint Ventures (Continued)

Capital Area Intermediate Unit (CAIU)

The CAIU Board of Directors consists of members from the IU's constituent school districts. The CAIU Board members are school district board members who are elected by the public and are appointed to the CAIU Board by the member school districts' Boards of Directors. Susquehanna Township School District and one other school district alternate responsibility for appointing one of these members. The CAIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Susquehanna Township School District contracts with the CAIU for special education services for District students. The amount paid for these services in the year ended June 30, 2020, was approximately \$1,435,429. Complete financial information for CAIU can be obtained from the Administrative Office at 55 Miller Street, Enola, PA 17025-1640.

Note 14. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2020, the District did not incur any significant losses that were not covered by insurance.

Effective July 1, 2017, the District has elected to self-insure its employee medical insurance plan. The District entered into the Public School Health Insurance Cooperative (PSHIC), which will reimburse the District for any medical costs over \$70,000 per covered individual per year. The District believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The District's liability for all asserted and estimated unasserted claims was \$286,340 at June 30, 2020. The District has a surplus deposit related to the plan in the amount of \$947,907 at June 30, 2020. The net of these amounts is recorded as a receivable in the general fund. The cost of medical coverage for employees was approximately \$3,578,000 in 2020.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Subsequent Events

COVID-19 Pandemic

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of school districts. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected all school districts. Unstable conditions enhance school district's risk factors as they have significant reliance on revenues from taxpayers and governmental agencies to fund their operations. These factors impact revenue recognition, cash flows and liquidity, and contingencies. Presently, the ultimate, effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

Financial Lease Agreements

The District entered into three separate Installment Payment Agreements with Vantage Financial, LLC., in the total aggregate principal amount not to exceed \$1,666,580 with annual principal and interest payments ranging from \$96,774 to \$172,510 over a 4-year term. The agreements are effective and payable starting July 1, 2020 through October 1, 2023, at a rate of 3.95%. The agreements provide for the financing necessary to fund and implement the District's 1:1 technology and new classroom equipment initiatives.

REQUIRED SUPPLEMENTARY INFORMATION

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30,

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1412%	0.1449%	0.1497%	0.1477%	0.1455%	0.1488%
District's proportionate share of the net pension liability	\$ 66,057,000	\$ 69,559,000	\$ 73,934,000	\$ 73,195,000	\$ 63,024,000	\$ 58,897,000
District's covered payroll	\$ 19,473,836	\$ 19,507,505	\$ 19,937,067	\$ 19,122,313	\$ 18,722,498	\$ 18,985,367
District's proportionate share of net pension liability as a percentage of its covered payroll	339.21%	356.58%	370.84%	382.77%	336.62%	310.22%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF
DISTRICT'S PENSION CONTRIBUTIONS**

Year Ended June 30,

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,506,330	\$ 6,343,519	\$ 6,204,645	\$ 5,708,403	\$ 4,677,211	\$ 3,631,000
Contributions in relation to the contractually required contribution	(6,506,330)	(6,343,519)	(6,204,645)	(5,708,403)	(4,677,211)	(3,631,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,394,604	\$ 19,621,214	\$ 19,528,996	\$ 19,939,422	\$ 19,070,689	\$ 18,910,852
Contributions as a percentage of covered payroll	33.55%	32.33%	31.77%	28.63%	24.53%	19.20%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN
Years Ended June 30,**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 295,705	\$ 282,302	\$ 252,199
Interest	99,574	111,197	78,759
Differences between expected and actual experience	-	(442,208)	-
Changes in assumptions	(83,331)	7,328	229,582
Benefit payments	(161,242)	(209,237)	(191,301)
Net change in total OPEB liability	150,706	(250,618)	369,239
Total OPEB Liability - beginning	3,133,045	3,383,663	3,014,424
Total OPEB Liability - ending	\$ 3,283,751	\$ 3,133,045	\$ 3,383,663
District's covered payroll	\$ 18,829,997	\$ 18,829,997	\$ 19,045,075
Total OPEB liability as a percentage of covered payroll	17.44%	16.64%	17.77%

Notes to Schedule:

Changes in assumptions: The discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PSERS COST SHARING PLAN
Years Ended June 30,**

	2020	2019	2018
District's proportion of the net OPEB liability	0.1412%	0.1449%	0.1497%
District's proportionate share of the net OPEB liability	<u>\$ 3,003,000</u>	<u>\$ 3,021,000</u>	<u>\$ 3,050,000</u>
District's covered payroll	<u>\$ 19,473,836</u>	<u>\$ 19,507,505</u>	<u>\$ 19,937,067</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	15.42%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST SHARING PLAN**

Years Ended June 30,

	2020	2019	2018
Contractually required contribution	\$ 163,387	\$ 161,507	\$ 162,251
Contributions in relation to the contractually required contribution	(163,387)	(161,507)	(162,251)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,394,604	\$ 19,621,214	\$ 19,528,996
Contributions as a percentage of covered payroll	0.84%	0.82%	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of School Directors
Susquehanna Township School District
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Susquehanna Township School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Susquehanna Township School District's basic financial statements, and have issued our report thereon dated December 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Susquehanna Township School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Susquehanna Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Susquehanna Township School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Susquehanna Township School District's Response to Findings

Susquehanna Township School District's response to the internal control over financial reporting finding and the noncompliance finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Susquehanna Township School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Boyer & Ritter". The signature is written in black ink and is positioned centrally on the page.

Camp Hill, Pennsylvania
December 31, 2020

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

Board of School Directors
Susquehanna Township School District
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Susquehanna Township School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Susquehanna Township School District's major federal programs for the year ended June 30, 2020. Susquehanna Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Susquehanna Township School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Susquehanna Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Susquehanna Township School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Susquehanna Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Susquehanna Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Susquehanna Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Susquehanna Township School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in cursive script, reading "Boyer & Fitter". The signature is written in dark ink and is positioned centrally on the page.

Camp Hill, Pennsylvania
December 31, 2020

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☒ Yes ☐ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☐ Yes ☒ No

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Identification of the major programs:

CFDA Number	Name of Federal Programs/Cluster
84.425	Elementary & Secondary School Emergency Relief Fund
	Special Education Cluster
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

A. Significant Deficiencies in Internal Control

Finding 2020-001

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Condition and context: The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

Cause and effect: It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

Repeat Finding: This was a repeat finding from the 2019 audit shown as finding 2019-001.

Recommendations: We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

Views of responsible officials and planned corrective actions: Several years ago, when GASB No. 34 was introduced and additional financial statements were required, larger districts added accountants and CPAs to their staff while smaller districts with fewer resources contracted with their accounting firms to draft statements. At this time, the District is continuing the practice of hiring a third party to draft its statements. However, it should be noted that the District has actively engaged in providing its business office staff with professional development and training specifically tailored to equip the staff with the knowledge and expertise necessary to independently prepare the financial statements. These efforts involve continued discussions with the District's local auditors, as well as staff attendance at various financial accounting workshops and seminars.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Section II - Financial Statement Findings (Continued)

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III - Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2019	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2020	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I - Grants to Local Educational Agencies	84.010	013-190425	18-19	\$ 472,194	\$ 101,158	\$ 101,158	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	84.010	013-200425	19-20	\$ 480,070	445,799	-	480,070	480,070	34,271	-
					546,957	101,158	480,070	480,070	34,271	-
Title II - Supporting Effective Instruction State Grants	84.367	020-190425	18-19	\$ 94,890	19,452	9,049	10,403	10,403	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-200425	19-20	\$ 101,164	93,981	-	91,085	91,085	(2,896)	-
					113,433	9,049	101,488	101,488	(2,896)	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-200425	19-20	\$ 35,341	35,341	-	35,341	35,341	-	-
					35,341	-	35,341	35,341	-	-
Elementary & Secondary School Emergency Relief Fund	84.425	200-200425	19-20	\$ 381,069	-	-	205,800	205,800	205,800	-
					-	-	205,800	205,800	205,800	-
Total passed through the Pennsylvania Department of Education					695,731	110,207	822,699	822,699	237,175	-
Passed through Capital Area Intermediate Unit										
Title III - English Language Acquisition State Grants	84.365	N/A	19-20	\$ 3,005	3,005	-	3,005	3,005	-	-
					3,005	-	3,005	3,005	-	-
Special Education Cluster										
Special Education Grants to States	84.027	N/A	19-20	\$ 503,236	503,236	-	503,236	503,236	-	-
Special Education Preschool Grants	84.173	N/A	19-20	\$ 4,250	4,011	-	4,250	4,250	239	-
Total Special Education Cluster					507,247	-	507,486	507,486	239	-
Total passed through the Capital Area Intermediate Unit					510,252	-	510,491	510,491	239	-
Total U.S. Department of Education					1,205,983	110,207	1,333,190	1,333,190	237,414	-
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare Medical Assistance Program	93.778	ACCESS	19-20	N/A	14,683	-	14,683	14,683	-	-
Total U.S. Department of Health and Human Services					14,683	-	14,683	14,683	-	-

(Continued)

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2020

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2019	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2020	Provided to Subrecipients
U.S. Department of Treasury										
Passed through the Pennsylvania Commission on Crime and Delinquency	21.019	2020-CS-01-34193	19-20	\$ 233,698	-	-	11,200	11,200	11,200	-
School Health & Security Grant (CARES Act)					-	-	11,200	11,200	11,200	-
Total U.S. Department of Treasury					-	-	11,200	11,200	11,200	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program *	10.555	N/A	18-19	N/A	28,013	28,013	-	-	-	-
National School Lunch Program *	10.555	N/A	19-20	N/A	609,306	-	641,895	641,895	32,589	-
					637,319	28,013	641,895	641,895	32,589	-
School Breakfast Program *	10.553	N/A	18-19	N/A	8,708	8,708	-	-	-	-
School Breakfast Program *	10.553	N/A	19-20	N/A	173,162	-	193,646	193,646	20,484	-
					181,870	8,708	193,646	193,646	20,484	-
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	19-20	\$ 17,425	17,425	-	17,425	17,425	-	-
					17,425	-	17,425	17,425	-	-
Total passed through the Pennsylvania Department of Education					836,614	36,721	852,966	852,966	53,073	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations *	10.555	N/A	19-20	N/A	89,828	-	89,828	89,828	-	-
Total U.S. Department of Agriculture					89,828	-	89,828	89,828	-	-
Total Expenditures of Federal Awards					926,442	36,721	942,794	942,794	53,073	-
					\$ 2,147,108	\$ 146,928	\$ 2,301,867	\$ 2,301,867	\$ 301,687	\$ -

* Programs in the Child Nutrition Cluster

National School Lunch Program	\$ 641,895
School Breakfast Program	193,646
National School Lunch Program - Food Donations	89,828
	<u>\$ 925,369</u>

See Notes to Schedule of Expenditures of Federal Awards.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of the District under programs of the Federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Susquehanna Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Susquehanna Township School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2020, was \$260,000.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Year Ended June 30, 2020

Significant Deficiencies in Internal Control

Finding 2019-001

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Condition and context: The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

Cause and effect: It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

Repeat Finding: This was a repeat finding from the 2018 audit shown as finding 2018-001.

Recommendations: We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

Views of responsible officials and planned corrective actions: Several years ago when GASB No. 34 was introduced and additional financial statements were required, larger districts added accountants and CPAs to their staff while smaller districts with fewer resources contracted with their accounting firms to draft statements. At this time, the District is continuing the practice of hiring a third party to draft its statements. However, it should be noted that the District has actively engaged in providing its business office staff with professional development and training specifically tailored to equip the staff with the knowledge and expertise necessary to independently prepare the financial statements. These efforts involve continued discussions with the District's local auditors, as well as staff attendance at various financial accounting workshops and seminars.

Current Status - This finding is repeated in the current year schedule of findings and questioned costs.



SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

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DISTRICT OFFICE

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CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2020

Susquehanna Township School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

A. Significant Deficiencies in Internal Controls

Finding 2020: 001

Recommendation: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements. The District has designated an individual responsible to oversee Boyer and Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles. We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business Office staff through additional training.

Corrective Action: At this time, the District is continuing the practice of hiring a third party to draft its statements. However, it should be noted that the District has actively engaged in providing its business office staff led by Oslwen C. Anderson, Jr., with professional development and training specifically tailored to equip the staff with the knowledge and expertise necessary to independently prepare the financial statements. These efforts involve continued discussions with the District's local auditors, as well as staff attendance at various financial accounting workshops and seminars.

Person Responsible: Oslwen C. Anderson, Jr., Business Manager *OCA*

Completion Date: June 30, 2021