

**PENNCREST SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**JUNE 30, 2021**

**PENNCREST SCHOOL DISTRICT**  
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**For the Year Ended June 30, 2021**

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# PENNCREST SCHOOL DISTRICT

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FELIX & GLOEKLER, P. C.

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CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

## **Independent Auditor's Report**

To the Members of the Board  
PENNCREST School District  
Saegertown, 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 the PENNCREST School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Independent Auditor's Report**  
**(Continued)**

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the PENNCREST School District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PENNCREST School District's basic financial statements. The schedule of revenue, expenditures, and changes in fund balance – budget and actual and combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

**Independent Auditor's Report**  
**(Continued)**

The schedule of revenue, expenditures, and changes in fund balance – budget and actual, combining schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 revenue, expenditures, and changes in fund balance - budget and actual, combining schedules, and the schedule of expenditures of federal awards are 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 November 23, 2021 on our consideration of the PENNCREST 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 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 PENNCREST 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 PENNCREST School District's internal control over financial reporting and compliance.

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*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

November 23, 2021  
Erie, Pennsylvania

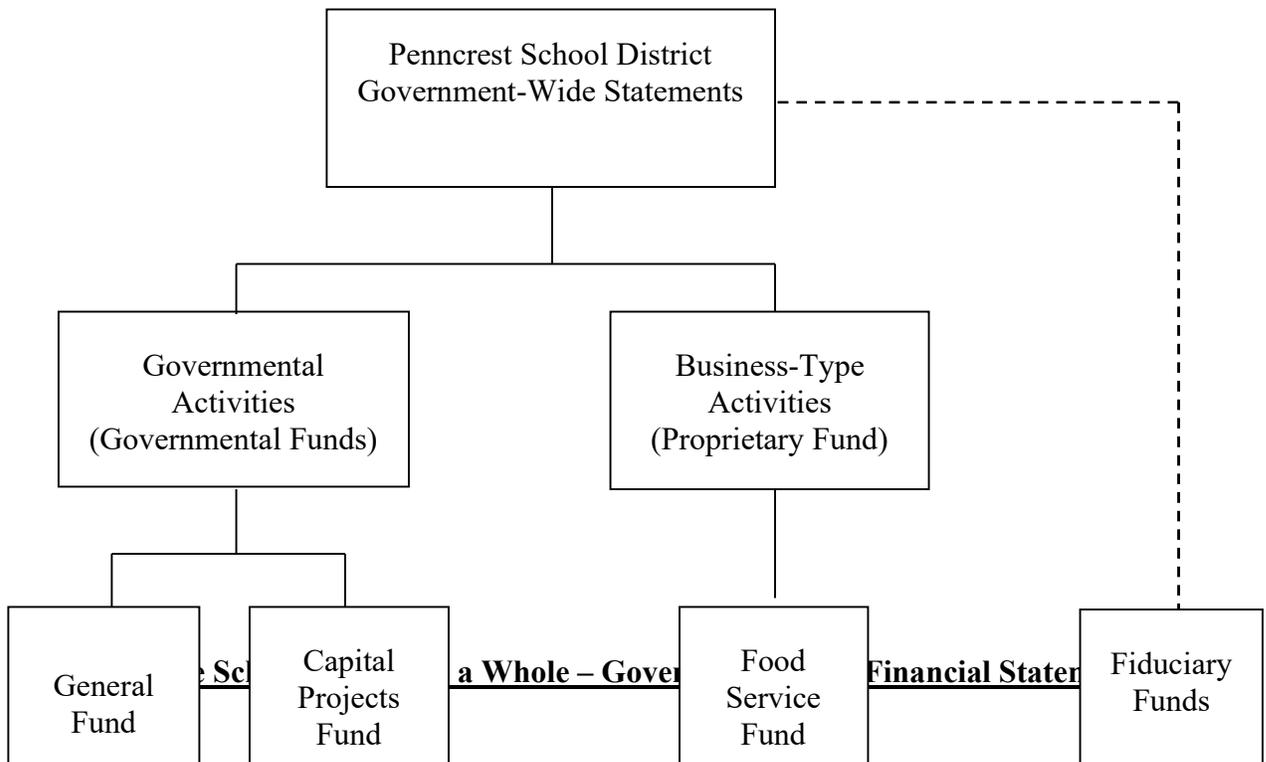
**PENNCREST School District**  
**Management Discussion and Analysis (unaudited)**  
**For the Year Ended June 30, 2021**

This discussion and analysis section is presented to provide readers with an overview and summary of selected information from the accompanying financial statements. It is not intended to be used in place of the detailed financial reports. As a reader, you should examine the financial, footnote and supplementary information sections in order to obtain a thorough understanding of the District’s operating results and financial position.

**Using the Annual Report**

This annual report contains a series of financial statements and relevant notes to those statements. They are organized from beginning to end in order of increasing detail. Therefore, many of the statements at the beginning of the report incorporate data and information from the statements that follow.

The government-wide statements (*Statement of Net Position* and *Statement of Activities*) contain information about the activities of the entire PENNCREST School District with an aggregate and longer-term view of finances. The fund financial statements (for example, the *Balance Sheet – Governmental Funds*, *Statement of Net Position – Proprietary Funds*, *Statement of Fiduciary Net Position*, *Statement of Revenues, Expenditures and Changes in Fund Balances* and *Statement of Cash Flows*) contain the next level of detail. The governmental funds include information such as how services were financed in the short term as well as what remains for future operations for each significant fund. The general fund is by far the most significant for PENNCREST School District followed by the proprietary fund (Food Service) and fiduciary funds (miscellaneous scholarship and student activity funds).



### ***Statement of Net Position and Statement of Activities***

These statements include all the several funds used by the District to account for various programs and activities. The purpose of the statements is to provide information to answer the questions “What were the District’s financial results for the fiscal year?” and “What was the District’s financial position at the end of the fiscal year?” All of the District’s assets and liabilities are included in the statements using an accrual basis of accounting similar to that used by most private sector companies. The accrual basis of accounting takes into account all revenues when they are earned and all expenses when they are incurred regardless of when cash is received or paid.

The Statement of Activities includes all transactions (i.e. revenues, expenses and transfers) that impact the District’s net position. The net excess of revenues over expenses (or expenses over revenues) represents the change to net position. If revenues exceed expenses, the District’s financial position improves. Conversely, if expenses exceed revenues its position deteriorates. There are many factors which impact the District’s Statement of Activities such as student enrollment, the real estate tax base, facility conditions, state/federal subsidies and unfunded state/federal mandated programs.

There are two distinct types of activities reported in the Statement of Net Position and the Statement of Activities:

- Governmental Activities – Includes most of the District’s programs and services such as instruction, support services, plant operation and maintenance, pupil transportation and extracurricular activities.
- Business-Type Activities – Includes programs (services) that the District provides for a fee. PENNCREST reports its food service program as a business activity.

### **Government-Wide Financial Highlights**

The key financial highlights for the 2019-2020 and 2020-2021 school years (in thousands of dollars) are:

	<b><u>All Dollars in Thousands</u></b>		
	<u>As of 6/30/20</u>	<u>As of 6/30/21</u>	<u>Increase (Decrease)</u>
Governmental Activities Net Position	\$ (44,196)	\$ (35,679)	\$ 8,517
Business Type Activities	<u>(909)</u>	<u>(678)</u>	<u>231</u>
Government-Wide Net Position	<u>\$ (45,105)</u>	<u>\$ (36,357)</u>	<u>\$ 8,748</u>

	Year 2019-2020	Year 2020-2021
Program Specific Revenues	\$ 36,611	\$ 40,261
General Revenues	18,677	18,070
<b>Total Revenues</b>	<b>\$ 55,288</b>	<b>\$ 58,331</b>
Less Expenses:		
Governmental Activities	\$ 51,673	\$ 48,102
Business-Type Activities	1,301	1,481
	<b>\$ 52,974</b>	<b>\$ 49,583</b>
<b>Excess of Revenues over Expenses (change to net position)</b>	<b>\$ 2,314</b>	<b>\$ 8,748</b>

The District's detailed government-wide financial data is compared to the previous year below.

	<b>Government-Wide Net Position</b>					
	(All Dollar Amounts in Thousands)					
	Governmental Activities		Business-Type Activities		Government-Wide Grand Totals	
	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021
<b>Assets</b>						
Cash	\$ 12,082	\$ 30,321	\$ 91	\$ 75	\$ 12,173	\$ 30,396
Investments	1,986	2,104	-	-	1,986	2,104
Taxes receivable, net	1,389	1,098	-	-	1,389	1,098
Due from other funds	-	-	-	-	-	-
Due from other						
Governments	5,015	8,282	15	243	5,030	8,525
Other receivables	14	16	-	2	14	18
Inventories	2,094	2,057	5	4	2,099	2,061
Prepaid expenses	1,020	320	-	-	1,020	320
Deferred outflow of						
resources	8,712	12,026	8	87	8,733	12,113
Capital assets, net	15,815	22,422	73	58	15,888	22,480
<b>Total Assets</b>	<b>\$ 48,127</b>	<b>\$ 78,646</b>	<b>\$ 205</b>	<b>\$ 469</b>	<b>\$ 48,332</b>	<b>\$ 79,115</b>

**Government-Wide Net Position**

(All Dollar Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Government-Wide Grand Totals	
	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021
<b>Liabilities</b>						
Accounts Payable	\$ 1,142	\$ 4,214	\$ 10	\$ 128	\$ 1,152	\$ 4,342
Interfund Payables	(348)	(199)	348	199	-	-
Accrued wages/benefits	2,776	2,820	-	-	2,776	2,820
AP-PSERS	2,134	2,209	-	-	2,134	2,209
Other current liabilities	89	388	-	-	89	388
Compensated absences	1,896	1,731	-	-	1,896	1,731
Other post-employment benefits	6,270	6,646	-	-	6,270	6,646
Net pension liability	69,194	72,536	699	732	69,893	73,268
Bonds payable	-	19,907	-	-	-	19,907
Deferred inflows- pensions	9,170	4,073	57	88	9,227	4,161
<b>Total Liabilities</b>	<b>\$ 92,323</b>	<b>\$ 114,325</b>	<b>\$ 1,114</b>	<b>\$ 1,147</b>	<b>\$ 93,437</b>	<b>\$ 115,472</b>
<b>Net Position</b>						
Net investment in Capital assets	\$ 15,815	\$ 15,482	\$ 73	\$ 58	\$ 15,888	\$ 15,540
Restricted	-	13,246	5	4	5	13,250
Unrestricted	(60,010)	(64,407)	(987)	(740)	(60,997)	(65,147)
<b>Total Net Position</b>	<b>\$ (44,195)</b>	<b>\$ (35,679)</b>	<b>\$ (909)</b>	<b>\$ (678)</b>	<b>\$ (45,104)</b>	<b>\$ (36,357)</b>

**Government-Wide Revenues, Expenses and Changes to Net Position**

(All Dollar Amounts in Thousands Unless Otherwise Specified)

The District relies heavily on state and federal revenues for ongoing operations and would have to increase local taxes nearly dollar-for-dollar if either funding source is reduced significantly. This is especially true for the Food Service fund which is very reliant on state and/or federal funding.

**Government-Wide Revenues, Expenses and Changes to Net Position (continued)**  
(All Dollar Amounts in Thousands Unless Otherwise Specified)

	Governmental Activities		Business-Type Activities		Government-Wide Grand Totals	
	2019- 2020	2020- 2021	2019- 2020	2020- 2021	2019- 2020	2020- 2021
<b>Revenues</b>						
Program Revenues						
Fees for services	\$ 2,093	\$ 1,635	\$ 296	\$ 114	\$ 2,389	\$ 1,749
Operating grants	33,524	36,914	698	1,598	34,222	38,512
General Revenues						
Taxes collected or due	17,631	17,773	-	-	17,631	17,773
Investment earnings	276	11	-	-	276	11
Refund of prior years' expenses	19	211	-	-	19	211
Gain/(Loss) on Disposal of Fixed Assets	(166)	75	-	-	(166)	75
Transfers and others	917	-	-	-	917	-
<b>Total Revenues</b>	<b>\$ 54,294</b>	<b>\$ 56,619</b>	<b>\$ 994</b>	<b>\$ 1,712</b>	<b>\$ 55,288</b>	<b>\$ 58,331</b>
<b>Program Expenses &amp; Other Use</b>						
Instruction	\$ 34,902	\$ 32,667	\$ -	-	\$ 34,902	\$32,667
Support services						
Instructional student support	4,425	3,152	-	-	4,425	2,533
Administration & business	3,535	3,267	-	-	3,535	3,267
Plant operation/maintenance	3,869	3,762	-	-	3,869	3,762
Student transportation	3,734	3,390	-	-	3,734	3,390
Non-instructional services	968	1,116	-	-	968	1,735
Interest expense	240	748	-	-	240	747
Food service	-	-	1,301	1,481	1,301	1,481
<b>Total Expenses &amp; Other Uses</b>	<b>\$ 51,673</b>	<b>\$ 48,102</b>	<b>\$ 1,301</b>	<b>\$ 1,481</b>	<b>\$ 52,974</b>	<b>\$ 49,583</b>
<b>Revenues more/(less) than Expenses</b>	<b>\$ 2,621</b>	<b>\$ 8,517</b>	<b>\$ (307)</b>	<b>\$ 231</b>	<b>\$ 2,314</b>	<b>\$ 8,748</b>

## **Reporting the School District's Significant Funds – Fund Financial Statements**

Although the School District uses several funds to account for ongoing financial transactions, the fund financial statements focus on the most significant ones. The District's major governmental funds are the general fund and capital projects fund.

### **Governmental Funds**

Most of the school district's activities are captured in the governmental funds which have a focus on how money flows into and out of the funds as well as the balances left for future spending at year-end. The District uses the modified accrual method of accounting for these funds which measures cash and all other financial assets that can be readily converted to cash. As such, the governmental funds statements contain a short-term view of the District's general operations and the basic services it provides. Governmental fund information is helpful if you want to know the amount and types of financial resources available to finance near term educational programs. The relationships and differences between the governmental funds balance sheet and the entity-wide statement of net position are explained with the reconciliation on the page immediately following the governmental funds balance sheet.

Revenues for the governmental funds totaled \$76.7 million for the year and expenditures totaled \$59.4 million. The fund balance increased by \$17.3 million due to the excess of revenue over expenditures caused by the treatment of bond issuance proceeds on the governmental fund statements.

### **General Fund**

Total general fund revenues amounted to \$56.8 million which was \$4.4 million more than the budget.

Total general fund expenditures amounted to \$53 million which was \$1 million less than the final budget.

The fund balance increased \$3.6 million as compared to a budgeted \$0.2 million decrease.

### **Proprietary Funds**

The District uses the same method of accounting for its Food Service (Proprietary) Fund as it uses for business-type activities in the government-wide financial statements. Therefore, the data presented for the proprietary funds in these two sections is the same.

## **Capital Spending and Debt Administration**

The District had \$22.5 million invested in land, buildings and equipment (net of accumulated depreciation) as of June 30, 2021 and spent a total of about \$8 million during the 2020-2021 fiscal year for various new, additional and/or replacement assets.

During 2020-2021 PENNCREST School District had received two general obligation bonds totaling \$20 million.

Please refer to footnote 7 of the financial statements for additional information about the District's outstanding long-term debt.

## **The District's Future**

Although the District's financial position has been relatively stable, the Board of School Directors and administrative personnel are keenly aware that expenditures have been growing at a faster rate than revenues. The Board is sensitive to the plight of district residents in the weak economy and has been reluctant to raise taxes. Additionally, revenue from the Commonwealth of Pennsylvania and the federal government has decreased dramatically while ongoing operational costs in the form of salaries, benefits, transportation and utilities continue to increase. There are concerns about added operational costs associated with unfunded state and/or federal mandates including, but not limited to special education, cyber/charter schools and retirement contributions. In particular, the Pennsylvania State Employees' Retirement System employer retirement contribution rate has increased from 4.78% in 2009-10 to 34.51% in 2020-21.

The Board has evaluated the current financial situation along with future projections and taken measured action to reduce expenditures. Staffing has been reduced through mostly attrition over the past couple of years. Now that the district has paid in full its general obligation bonds, the Board has scheduled to use some of those expenditures used for past debt and increase the amount of funds transferred to the Capital Reserve Fund. These additional funds will be used for future capital projects. Non-essential purchases have been curtailed in all departments.

## **Contact Information**

PENNCREST School District personnel have made every effort to provide sufficient financial and non-financial information in this report to allow you to obtain an overall understanding of the District's operating results and financial position for the fiscal year ending June 30, 2021. If you have any questions about this report or the District in general, please contact:

Kristen Eckart, Business Manager and Treasurer  
PENNCREST School District  
P.O. Box 808  
18741 State Highway 198, Suite 101  
Saegertown, PA 16433

**PENNCREST SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 30,321,404	\$ 74,654	\$ 30,396,058
Investments	2,103,894	-	2,103,894
Taxes Receivable, Net	1,098,312	-	1,098,312
Intergovernmental Receivables	8,281,951	243,393	8,525,344
Other Receivables, Net	16,274	1,712	17,986
Inventories	2,056,679	3,824	2,060,503
Prepaid Items	320,113	-	320,113
<b>Total Current Assets</b>	<b>44,198,627</b>	<b>323,583</b>	<b>44,522,210</b>
Non-Current Assets			
Land	265,860	-	265,860
Construction in Progress	6,449,461	-	6,449,461
Capital Assets, Net	15,706,336	57,727	15,764,063
<b>Total Non-Current Assets</b>	<b>22,421,657</b>	<b>57,727</b>	<b>22,479,384</b>
Deferred Outflows-Pension Contributions	7,081,725	54,297	7,136,022
Deferred Outflows-Pension	3,981,000	33,000	4,014,000
Deferred Outflows -OPEB Premium Assistance Contributions	171,911	-	171,911
Deferred Outflows-OPEB Premium Assistance	252,000	-	252,000
Deferred Outflows-District OPEB	539,031	-	539,031
<b>Total Deferred Outflows of Resources</b>	<b>12,025,667</b>	<b>87,297</b>	<b>12,112,964</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 78,645,951</b>	<b>\$ 468,607</b>	<b>\$ 79,114,558</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 4,213,985	\$ 127,595	\$ 4,341,580
Interfund Payables	(198,912)	198,912	-
Accrued Salaries and Benefits	2,819,727	-	2,819,727
Unearned Revenues	230,799	-	230,799
Accrued Interest Payable	157,083	-	157,083
Compensated Absences	100,000	-	100,000
Bond Payable	490,000	-	490,000
Accounts Payable-PSERS	2,208,528	-	2,208,528
<b>Total Current Liabilities</b>	<b>10,021,210</b>	<b>326,507</b>	<b>10,347,717</b>
Non-Current Liabilities			
Long-Term Portion of Compensated Absences	1,631,062	-	1,631,062
Bond Payable	19,417,257	-	19,417,257
Other Post-Employment Benefits	3,435,322	-	3,435,322
OPEB Premium Assistance Liability	3,211,000	-	3,211,000
Net Pension Liability	72,536,000	732,000	73,268,000
<b>Total Non-Current Liabilities</b>	<b>100,230,641</b>	<b>732,000</b>	<b>100,962,641</b>
Deferred Inflows			
Deferred Inflows - OPEB Premium Assistance	576,000	-	576,000
Deferred Inflows - District OPEB	258,238	-	258,238
Deferred Inflows - Pensions	3,238,504	88,496	3,327,000
<b>Total Deferred Inflows</b>	<b>4,072,742</b>	<b>88,496</b>	<b>4,161,238</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>114,324,593</b>	<b>1,147,003</b>	<b>115,471,596</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,482,196	57,727	15,539,923
Restricted for Construction Projects	13,245,539	-	13,245,539
Restricted for Donated Commodities	-	3,824	3,824
Unrestricted (Deficit)	(64,406,377)	(739,947)	(65,146,324)
<b>Total Net Position</b>	<b>(35,678,642)</b>	<b>(678,396)</b>	<b>(36,357,038)</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 78,645,951</b>	<b>\$ 468,607</b>	<b>\$ 79,114,558</b>

The accompanying notes are an integral part of these financial statements.

# PENNCREST SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction	\$ 32,667,100	\$ 1,634,557	\$ 31,892,945
Instructional Student Support	2,532,836	-	436,549
Administrative and Financial Support Services	3,267,486	-	327,411
Pupil Health	619,148	-	468,792
Operation of Plant and Maintenance Services	3,761,801	-	433,950
Pupil Transportation	3,390,136	-	3,109,480
Student Activities	933,790	272	109,137
Community Services	181,916	-	54,569
Interest on Debt	747,175	-	80,832
Total Governmental Activities	48,101,388	1,634,829	36,913,665
<u>Business-Type Activities</u>			
Food Service	1,481,306	113,906	1,598,152
Total Business-Type Activities	1,481,306	113,906	1,598,152
Total Primary Government	\$ 49,582,694	\$ 1,748,735	\$ 38,511,817
<u>General Revenues</u>			
Taxes			
Property Taxes Levied for General Purposes			
Earned Income Taxes			
Other Taxes			
Investment Earnings			
Refund of Prior Year Expenditures			
Gain on Disposal of Fixed Assets			
Miscellaneous Income			
Total General Revenues			
Change in Net Position			
Net Position, July 1, 2020			
Net Position, June 30, 2021			

The accompanying notes are an integral part of these financial statements.

Net (Expense)/Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ 860,402	\$ -	\$ 860,402
(2,096,287)	-	(2,096,287)
(2,940,075)	-	(2,940,075)
(150,356)	-	(150,356)
(3,327,851)	-	(3,327,851)
(280,656)	-	(280,656)
(824,381)	-	(824,381)
(127,347)	-	(127,347)
(666,343)	-	(666,343)
<u>(9,552,894)</u>	<u>-</u>	<u>(9,552,894)</u>
-	230,752	230,752
-	230,752	230,752
<u>(9,552,894)</u>	<u>230,752</u>	<u>(9,322,142)</u>
15,396,572	-	15,396,572
2,216,284	-	2,216,284
160,580	-	160,580
10,913	-	10,913
211,358	-	211,358
74,616	-	74,616
(150)	-	(150)
<u>18,070,173</u>	<u>-</u>	<u>18,070,173</u>
8,517,279	230,752	8,748,031
<u>(44,195,921)</u>	<u>(909,148)</u>	<u>(45,105,069)</u>
<u>\$ (35,678,642)</u>	<u>\$ (678,396)</u>	<u>\$ (36,357,038)</u>

**PENNCREST SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 13,043,279	\$ 17,278,125	\$ 30,321,404
Investments	2,103,894	-	2,103,894
Interfund Receivables	198,912	-	198,912
Taxes Receivable, Net	1,098,312	-	1,098,312
Intergovernmental Receivables	8,281,951	-	8,281,951
Other Receivables	16,274	-	16,274
Prepaid Items	320,113	-	320,113
	<u>25,062,735</u>	<u>17,278,125</u>	<u>42,340,860</u>
Total Assets	<u>\$ 25,062,735</u>	<u>\$ 17,278,125</u>	<u>\$ 42,340,860</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,144,609	\$ 3,069,376	\$ 4,213,985
Accrued Salaries and Benefits	5,028,255	-	5,028,255
Unearned Revenue	230,799	-	230,799
	<u>6,403,663</u>	<u>3,069,376</u>	<u>9,473,039</u>
Total Liabilities	<u>6,403,663</u>	<u>3,069,376</u>	<u>9,473,039</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	934,906	-	934,906
	<u>934,906</u>	<u>-</u>	<u>934,906</u>
Total Deferred Inflows of Resources	<u>934,906</u>	<u>-</u>	<u>934,906</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Items	320,113	-	320,113
Committed To:			
Facilities, Acquisition, and Improvement	285,000	14,208,749	14,493,749
IU Refund Used for Future PSERS Increases	1,417,507	-	1,417,507
Assigned To:			
Future Increase in District's Share of PSERS			
Contributions	1,789,373	-	1,789,373
Future Increase in Health Care Costs	1,353,625	-	1,353,625
Cyber Tuition Increases	800,000	-	800,000
Future Budget Deficits	3,046,375	-	3,046,375
Unassigned	8,712,173	-	8,712,173
	<u>17,724,166</u>	<u>14,208,749</u>	<u>31,932,915</u>
Total Fund Balances	<u>17,724,166</u>	<u>14,208,749</u>	<u>31,932,915</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,062,735</u>	<u>\$ 17,278,125</u>	<u>\$ 42,340,860</u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**For the Year Ended June 30, 2021**

Differences in amounts reported for governmental activities in the statement of net position:

Total fund balances - governmental funds	\$	31,932,915	
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds			22,421,657
Certain long-term assets are not available to pay current period expenditures and, therefore, are deferred and/or not included in the fund statements			
Unavailable revenue - property taxes			934,906
The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory			2,056,679
Other post-employment benefits are reflected on the statement of net position, but are not considered a current expenditure for the fund statements			
District OPEB	\$	(3,435,322)	
OPEB Premium Assistance		<u>(3,211,000)</u>	(6,646,322)
Deferred outflows and inflows of resources related to pensions and OPEB benefits are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows of resources related to pension contributions		7,081,725	
Deferred outflows of resources related to pensions		3,981,000	
Deferred outflows of resources related to District OPEB		539,031	
Deferred outflows of resources related to OPEB Premium Assistance contributions		171,911	
Deferred outflows of resources related to OPEB Premium Assistance		<u>252,000</u>	12,025,667
Deferred inflows of resources related to OPEB Premium Assistance		(576,000)	
Deferred inflows of resources related District OPEB		(258,238)	
Deferred inflows of resources related to pensions		<u>(3,238,504)</u>	(4,072,742)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Accrued interest on bonds payable		(157,083)	
Compensated absences		(1,731,062)	
Bond payable		(19,907,257)	
Net pension liability		<u>(72,536,000)</u>	(94,331,402)
Total Net Position - Governmental Activities	\$		<u><u>(35,678,642)</u></u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Governmental Funds**  
**For the Year Ended June 30, 2021**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 18,910,719	\$ 3,731	\$ 18,914,450
State Sources	35,053,648	-	35,053,648
Federal Sources	2,592,555	-	2,592,555
	<u>56,556,922</u>	<u>3,731</u>	<u>56,560,653</u>
<b>EXPENDITURES</b>			
Instruction Services	34,994,768	-	34,994,768
Support Services	15,661,132	-	15,661,132
Noninstructional Services	980,686	-	980,686
Facilities Acquisition, Construction, and Improvement Services	-	7,181,433	7,181,433
Debt Service	278,466	352,723	631,189
	<u>51,915,052</u>	<u>7,534,156</u>	<u>59,449,208</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,641,870</u>	<u>(7,530,425)</u>	<u>(2,888,555)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	111,585	-	111,585
Refund of Prior Year Expenditures	211,358	-	211,358
Bond Issue Proceeds	-	19,695,000	19,695,000
Bond Issue Premiums	-	287,925	287,925
Bond Issue Discounts	-	(75,668)	(75,668)
Interfund Transfers	(1,300,000)	1,300,000	-
	<u>(977,057)</u>	<u>21,207,257</u>	<u>20,230,200</u>
Net Change in Fund Balance	3,664,813	13,676,832	17,341,645
Fund Balance - July 1, 2020	<u>14,059,353</u>	<u>531,917</u>	<u>14,591,270</u>
Fund Balance - June 30, 2021	<u>\$ 17,724,166</u>	<u>\$ 14,208,749</u>	<u>\$ 31,932,915</u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

Net change in fund balances - total governmental funds		\$ 17,341,645
<p>Capital outlays are reported in governmental funds as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense</p>		
Capital outlays	\$ 7,975,546	
Loss on disposal	(36,969)	
Depreciation expense	<u>(1,331,501)</u>	6,607,076
<p>Revenues and other adjustments in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Unearned real estate and earned income tax	(227,960)	
Change in accrued interest	<u>(115,986)</u>	(343,946)
<p>Library books and periodicals are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of these items are capitalized and reported as inventory</p>		
		(37,327)
<p>Governmental funds report District pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned net of employee contribution is reported as pension expense</p>		
District pension contributions	7,081,725	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>(10,281,257)</u>	(3,199,532)
<p>Amortization of deferred outflows/inflows is not reflected in the fund statements as they are related to future pension obligations</p>		
		7,869,574
<p>Other post-employment benefits are reflected on the statement of net position, but are not considered a current expenditure for the fund statements</p>		
		22,119
<p>In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used</p>		
Issuance of bonds, net of discounts and premiums	(19,907,257)	
Change in compensated absences	<u>164,927</u>	<u>(19,742,330)</u>
Change in Net Position of Governmental Activities		<u>\$ 8,517,279</u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 18,551,457	\$ 18,551,457	\$ 18,910,719	\$ 359,262
State Sources	32,021,703	32,021,703	35,053,648	3,031,945
Federal Sources	1,804,000	1,804,000	2,592,555	788,555
Total Revenues	<u>52,377,160</u>	<u>52,377,160</u>	<u>56,556,922</u>	<u>4,179,762</u>
<b>EXPENDITURES</b>				
Instruction	34,472,785	34,472,785	34,994,768	(521,983)
Support Services	16,633,652	16,633,652	15,661,132	972,520
Noninstructional Services	1,154,461	1,154,461	980,686	173,775
Debt Service	244,000	244,000	278,466	(34,466)
Total Expenditures	<u>52,504,898</u>	<u>52,504,898</u>	<u>51,915,052</u>	<u>589,846</u>
Excess of Revenues Over (Under) Expenditures	<u>(127,738)</u>	<u>(127,738)</u>	<u>4,641,870</u>	<u>4,769,608</u>
<b>Other Financing Sources/(Uses)</b>				
Sale of Fixed Assets	65,000	65,000	111,585	46,585
Refund of Prior Year Expenditures	-	-	211,358	211,358
Interfund Transfers	(1,400,000)	(1,400,000)	(1,300,000)	100,000
Budgetary Reserve	(100,000)	(100,000)	-	100,000
Total Other Financing Sources/(Uses)	<u>(1,435,000)</u>	<u>(1,435,000)</u>	<u>(977,057)</u>	<u>457,943</u>
Net Change in Fund Balance	(1,562,738)	(1,562,738)	3,664,813	5,227,551
Fund Balance - July 1, 2020	<u>14,059,353</u>	<u>14,059,353</u>	<u>14,059,353</u>	<u>-</u>
Fund Balance - June 30, 2021	<u>\$ 12,496,615</u>	<u>\$ 12,496,615</u>	<u>\$ 17,724,166</u>	<u>\$ 5,227,551</u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

	Food Service
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 74,654
Intergovernmental Receivables	243,393
Other Receivables	1,712
Inventories	3,824
Total Current Assets	323,583
Non-Current Assets	
Machinery and Equipment, Net	57,727
Total Assets	381,310
Deferred Outflows of Resources	
Deferred Outflows-Pensions	87,297
Total Assets and Deferred Outflows of Resources	\$ 468,607
Liabilities	
Current Liabilities	
Interfund Payables	\$ 198,912
Accounts Payable	127,595
Total Current Liabilities	326,507
Long-Term Liabilities	
Net Pension Liability	732,000
Total Liabilities	1,058,507
Deferred Inflows of Resources	
Deferred Inflows-Pensions	88,496
Net Position	
Net Investment in Capital Assets	57,727
Restricted for Donated Commodities	3,824
Unrestricted	(739,947)
Total Net Position	(678,396)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 468,607

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Food Service
Operating Revenues	
Food Service Revenue	\$ 39,571
Other Revenues	74,335
Total Operating Revenues	113,906
Operating Expenses	
Salaries	511,387
Employee Benefits	132,827
Purchased Property Services	13,938
Other Purchased Services	133,567
Supplies	672,154
Depreciation	15,125
Total Operating Expenses	1,478,998
Operating Income (Loss)	(1,365,092)
Nonoperating Revenues (Expenses)	
State Sources	57,692
Federal Sources	1,540,460
Change in Pension Related Expenditures Due To Net Pension Liability	(2,308)
Total Nonoperating Revenues (Expenses)	1,595,844
Change in Net Position	230,752
Net Position, July 1, 2020	(909,148)
Net Position, June 30, 2021	\$ (678,396)

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Food Service</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 37,859
Cash Received from Others	63,142
Cash Payments to Employees for Services	(795,136)
Cash Payments to Suppliers for Goods and Services	<u>(615,173)</u>
Net Cash (Used for) Operating Activities	<u>(1,309,308)</u>
Cash Flows from Noncapital Financing Activities:	
Change in Pension Related Expenditures Due to Net Pension/Liability	(2,308)
State Sources	49,303
Federal Sources	<u>1,245,715</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,292,710</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,598)
Cash and Cash Equivalents at Beginning of Year	<u>91,252</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 74,654</u></u>
Reconciliation of Operating Income to Net Cash (Used for)	
Operating Activities:	
Operating Income (Loss)	\$ (1,365,092)
Depreciation	15,125
Donated Commodities	85,956
(Increase) Decrease in Other Receivables	(1,712)
(Increase) Decrease in Intergovernmental Receivables	(11,193)
(Increase) Decrease in Inventories	686
(Increase) Decrease in Deferred Outflows - Pensions	(65,918)
Increase (Decrease) in Accounts Payable	117,844
Increase (Decrease) in Deferred Inflows - Pensions	31,000
Increase/(Decrease) in Net Pension Liability	32,610
Increase (Decrease) in Interfund Payables	<u>(148,614)</u>
Net Cash (Used by) Operating Activities	<u><u>\$ (1,309,308)</u></u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**June 30, 2021**

	<u>Private Purpose Trust</u>	<u>Student Activity Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 296,868	\$ 134,422
Investments	34,940	-
Land and Other Assets	<u>146,150</u>	<u>-</u>
Total Assets	<u><u>\$ 477,958</u></u>	<u><u>\$ 134,422</u></u>
<b>LIABILITIES</b>		
Due to Other Student Groups	<u>\$ -</u>	<u>\$ 595</u>
Total Liabilities	<u>-</u>	<u>595</u>
<b>NET POSITION</b>		
Held for Student Groups	-	133,827
Held in Trust for Future Recipients	<u>477,958</u>	<u>-</u>
Total Net Position	<u>477,958</u>	<u>133,827</u>
Total Liabilities and Net Position	<u><u>\$ 477,958</u></u>	<u><u>\$ 134,422</u></u>

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2021**

	Private Purpose Trust	Student Activity Funds
Additions:		
Contributions	\$ 5,405	\$ -
Fundraising	-	44,256
Interest and Dividend Income	1,345	-
Unrealized Gain or (Loss) on Investments	7,217	-
Total Additions	13,967	44,256
Deductions:		
Scholarships	8,770	-
Fundraising	-	59,986
Athletic Field Maintenance	1,612	-
Total Deductions	10,382	59,986
Change in Net Position	3,585	(15,730)
Net Position, July 1, 2020, restated	474,373	149,557
Net Position, June 30, 2021	\$ 477,958	\$ 133,827

The accompanying notes are an integral part of these financial statements.

**PENNCREST SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of PENNCREST School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Description of Government-Wide 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 nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. Reporting Entity**

For financial reporting purposes, PENNCREST School District includes all funds that are controlled by or dependent on the School District. Control by or dependence on the School District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District, obligation of the School District to finance any deficits that may occur, or receipt of significant subsidies from the School District. As required by generally accepted accounting principles, the financial statement of the reporting entity includes those of the primary government (PENNCREST School District) and its component unit, the PENNCREST School District Foundation. The Foundation is reported as a private purpose trust in the financial statements. The Foundation does not issue its own financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

**The General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Capital Projects Fund** accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

**The Construction Fund** accounts for bond proceeds for specific projects and related capital outlays.

Additionally, the School District reports the following other fund types:

**Proprietary Funds** account for a government's activities that are operated like private businesses, charging customers a fee in return for goods or services. Proprietary funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

**Private Purpose Trust Funds** account for the activities of the government that are fiduciary in nature, except those reported as custodial funds. The government acts as a trustee for resources that belong to others. Trust funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Custodial Funds** account for the activities of the student accounts including measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources as they are needed.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

### **E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

### **F. Budgetary Information**

An annual budget is adopted for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for the capital projects funds.

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

1. A proposed budget for a fiscal year commencing on July 1 is submitted to the School Board approximately six months before the fiscal year begins. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is legally adopted through passage of a resolution.
3. Management is authorized to transfer budgeted amounts within a specific budget object; any other transfers or revisions that alter the total expenditures of any fund must be approved by the School Board.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or the expenditures are all fixed in nature.

### **G. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance**

Cash and cash equivalents included in the financial statements are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), investments, and short-term investments with original maturities of three months or less.

Under Section 440.1 of the Public School Code of 1949, as amended, and Pennsylvania ACT No. 10 of 2016, the School is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Repurchase agreements such as US Treasury Bills or obligations or other instruments guaranteed by the United States.

Negotiable certificates of deposits with a maturity of three years or less issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state licensed branch of a foreign bank.

Bills of exchange or time drafts accepted by a commercial bank if the acceptances don't exceed 180 days maturity and the accepting bank is rated in the top short-term category.

Commercial paper issued by corporations or other business entities organized in accordance with federal or state law or shares of an investment company registered under the Investment Company Act of 1940.

Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

**Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2021. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District does not have any infrastructure assets. The School District maintains a \$1,000 threshold for additions to equipment, buildings and improvements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Life - Years</u>
Buildings and Improvements	25-40
Furniture and Equipment	5-20
Vehicles	10

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has five items that qualify for reporting in this category. They are related to pension/OPEB contributions subsequent to the measurement date and actuarially determined amounts related to the Net Pension Liability and OPEB Liability (see Notes 8, 13 and 14 for further information).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has four types of items, one which arises only under a modified accrual basis of accounting and three that arise under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other three types are related to the net pension and OPEB liabilities (see Note 8, Note 13, and Note 14 for further information).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the government fund financial statements a flow consumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The School Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School Board has by resolution authorized the business manager to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is essential to either remove or revise a commitment.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Revenues and Expenditures/Expense**

Program Revenues

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 instead as *general revenues*.

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at year end.

Compensated Absences

The School District does not permit the carryover of unused vacation days. Accordingly, the financial statements do not contain any provision for unused vacation time.

Employees are allowed unlimited accumulation of unused sick days and upon retirement can elect to receive compensation as follows:

<u>Classification of Employees</u>	<u>Sick Pay Rate/Day</u>	<u>Maximum Benefit</u>
Teacher	\$ 90	Unstated
Confidential employees	90	Unstated
Support staff	40	Unstated
Administrative employees	60-110	Unstated

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Joint Venture

PENNCREST School District is one of the member districts of Crawford County Career and Technical Center (CCCTC). Each District elects three members to the operating committee of Crawford County CTC. Each District is responsible for a portion of Crawford County CTC's operating budget based on student enrollment. For the year ended June 30, 2021, PENNCREST School District's share was \$1,435,251 towards the operating budget and \$278,466 towards the debt. These amounts are recorded as an expense of the general fund.

For the year ended June 30, 2021, Crawford County CTC's general fund balance was \$1,200,581. Crawford County CTC's complete financial information is included in its separate audit report for the year ended June 30, 2021 and may be obtained at its administrative offices at 860 Thurston Road, Meadville, Pennsylvania, 16335.

### Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 food service fund are charged to customers for goods and services. Operating expenses for the food service fund include cost of sales, admin fees, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Property Tax Calendar

Property taxes are levied and billed July 1 on property values assessed as of the same date. Taxpayers received a two percent rebate for payments received by September 30. Payments from October 1 through November 30 are collected at face. A ten percent penalty is added for payments received December 1 through December 31. Delinquent taxes are turned over to the County Tax Claim Bureau for collection as of December 31, at which time the applicable property is subject to lien and penalties and interest are assessed.

Taxpayers can make installment payments at face beginning September 15 to November 15.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Future Pronouncements**

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the District’s financial statements:

GASB Statement No. 87 “Leases”, effective for fiscal years beginning after June 15, 2021. The objective of this statement is to improve accounting and financial reporting for leases.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Deposits

At June 30, 2021, the District’s deposits, excluding the PENNCREST School District Foundation and agency funds are as follows:

	<u>Bank</u>	<u>Book</u>
Governmental Activities		
Unrestricted Cash:		
Cash and cash equivalents	\$ 30,481,976	\$ 30,321,404
Business-type Activities		
Unrestricted Cash:		
Cash and cash equivalents	<u>75,760</u>	<u>74,654</u>
	<u>\$ 30,557,736</u>	<u>\$ 30,396,058</u>

Included in the governmental activities unrestricted cash is the District’s investment in PA INVEST, PLGIT, and PSDLAF external investment pools, with total deposits of \$28,376,582 as of June 30, 2021. The District’s investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximated market. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth. The District can withdraw funds from the investment pools without limitation or fees.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

*Custodial Credit Risk* – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2021, \$266,484 of the District’s \$2,181,154 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$1,914,670 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$2,019,476 as of June 30, 2021.

Investments

As of June 30, 2021, the District had the following investments:

Investment Type	Book Value	Investment Maturities (In Years)		
		Less than 1	1-5	6-10
Debt Securities:				
Certificates Deposit	\$ 1,508,138	\$ 100,800	\$ 1,407,338	\$ -
State Municipal Bonds	<u>595,756</u>	<u>-</u>	<u>204,786</u>	<u>390,970</u>
Total	<u>\$ 2,103,894</u>	<u>\$ 100,800</u>	<u>\$ 1,612,124</u>	<u>\$ 390,970</u>

The District’s investments in money market and certificates of deposits are reported at amortized cost, which approximated market.

The fair value at the end of the period of the above investments is as follows:

	Level I	Level II	Level III	Total
State Municipal Bonds	<u>\$ -</u>	<u>\$ 595,756</u>	<u>\$ -</u>	<u>\$ 595,756</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of June 30, 2021.

**NOTE 3 – TAXES RECEIVABLES**

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the Administration. A portion of the net amount estimated to be collectible, which was measurable and available under 60 days, was recognized as revenue and the balance unearned in the fund financial statements.

**NOTE 3 – TAXES RECEIVABLES (CONTINUED)**

The balances at June 30, 2021 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net	Tax Revenue Recognized	Unavailable Revenue
Real Estate/Transfer	\$ 1,267,852	\$ (175,000)	\$ 1,092,852	\$ (157,946)	\$ 934,906
Wage	5,460	-	5,460	(5,460)	-
	<u>\$ 1,273,312</u>	<u>\$ (175,000)</u>	<u>\$ 1,098,312</u>	<u>\$ (163,406)</u>	<u>\$ 934,906</u>

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2021, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Total
Receivables:			
Federal	\$ 859,226	\$ 223,204	\$ 1,082,430
State	6,026,089	8,996	6,035,085
Local	1,396,636	11,193	1,407,829
	<u>\$ 8,281,951</u>	<u>\$ 243,393</u>	<u>\$ 8,525,344</u>

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	<u>June 30, 2020</u>	<u>Additions/ Adjustments</u>	<u>Deletions/ Adjustments</u>	<u>June 30, 2020</u>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Depreciated:				
Land	\$ 265,860	\$ -	\$ -	\$ 265,860
Construction in Progress	-	6,449,461	-	6,449,461
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Assets Not Depreciated	<u>\$ 265,860</u>	<u>\$ 6,449,461</u>	<u>\$ -</u>	<u>\$ 6,715,321</u>
Capital Assets Depreciated:				
Vehicles	\$ 16,862	\$ 131,310	\$ -	\$ 148,172
Buildings	47,291,622	1,152,825	(59,621)	48,384,826
Site Improvements	2,233,386	-	-	2,233,386
Furniture and Equipment	11,798,425	241,950	(67,686)	11,972,689
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Assets Depreciated	<u>61,340,295</u>	<u>1,526,085</u>	<u>(127,307)</u>	<u>62,739,073</u>
Less Accumulated Depreciation				
Vehicles	(1,680)	(9,282)	-	(10,962)
Buildings	(35,404,535)	(805,261)	54,206	(36,155,590)
Site Improvements	(1,706,147)	(77,530)	-	(1,783,677)
Furniture and Equipment	(8,679,212)	(439,428)	36,132	(9,082,508)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Accumulated Depreciation	<u>(45,791,574)</u>	<u>(1,331,501)</u>	<u>90,338</u>	<u>(47,032,737)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 15,548,721</u>	<u>\$ 194,584</u>	<u>\$ (36,969)</u>	<u>\$ 15,706,336</u>
<b><u>Business-Type Activities</u></b>				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 1,020,270	\$ -	\$ -	\$ 1,020,270
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Assets Depreciated	<u>1,020,270</u>	<u>-</u>	<u>-</u>	<u>1,020,270</u>
Less Accumulated Depreciation				
	<u>(947,418)</u>	<u>(15,125)</u>	<u>-</u>	<u>(962,543)</u>
Total Accumulated Depreciation	<u>(947,418)</u>	<u>(15,125)</u>	<u>-</u>	<u>(962,543)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 72,852</u>	<u>\$ (15,125)</u>	<u>\$ -</u>	<u>\$ 57,727</u>

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
Instruction	\$ 1,011,941
Support Services:	
Student Support	53,260
Administration and Finance	53,260
Operation and Maintenance	146,465
Student Activities	<u>66,575</u>
Total Depreciation Expense- Governmental Activities	<u><u>\$ 1,331,501</u></u>
Business-Type Activities:	
Food Service	<u>\$ 15,125</u>
Total Depreciation Expense- Business-type Activities	<u><u>\$ 15,125</u></u>

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	<u><u>\$198,912</u></u>

The outstanding balances between funds results mainly from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Transfers made between the general fund and the capital projects fund are used for capital improvements made. The total amount of transfers for the fiscal year ended June 30, 2021 is \$1,300,000.

**NOTE 7 - LONG-TERM DEBT**

During 2020/2021, the District issued General Obligation Bonds, Series of 2020 and Series of 2021 in the total amount of \$19,695,000. The proceeds of the bonds will be used for energy saving projects, roof repairs and to pay issuance costs of those bonds. Bonds will bear interest payable semi-annually on April 1 and October 1 each year until maturity. Interest rates on the bonds range from 2.0% from 2021 to 2042 and 2.125% in 2043/2044 and 2.25% in 2045 through 2047.

The following is a summary of changes in long-term debt during the fiscal year:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ -	\$ 19,695,000	\$ -	\$ 19,695,000	\$ 490,000
Bond Premium	-	287,925	-	287,925	-
Bond Discount	-	(75,668)	-	(75,668)	-
General Obligation Bonds, Net	-	19,907,257	-	19,907,257	490,000
Compensated Absences	1,895,989	248,395	(413,322)	1,731,062	100,000
Total Long-Term Debt	<u>\$ 1,895,989</u>	<u>\$ 20,155,652</u>	<u>\$ (413,322)</u>	<u>\$ 21,638,319</u>	<u>\$ 590,000</u>

The liability for compensated absences is normally liquidated by the general fund.

**NOTE 8 – RETIREMENT PLAN**

**Summary of Significant Accounting Policies**

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 by 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.

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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](http://www.psers.pa.gov).

## **NOTE 8 – RETIREMENT PLAN (CONTINUED)**

### **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 credited 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.

### **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.

**NOTE 8 – RETIREMENT PLAN (CONTINUED)**

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 are effected 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 School District’s contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% 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 pension plan from the School District were \$7,136,022 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$73,268,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2019 to June 30, 2020. The School District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District’s proportion was .1488%, which was a decrease of .0006% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$2,463,672 after recognition and amortization of deferred outflows and deferred inflows. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 296,000	\$ 1,230,000
Changes in assumptions	374,000	-
Net difference between projected and actual investment earnings	3,220,000	-
Changes in proportions and the effect of certain employer contributions on the employer’s net pension liability	124,000	2,097,000
Contributions subsequent to the measurement date	7,136,022	-
	<u>\$ 11,150,022</u>	<u>\$ 3,327,000</u>

## NOTE 8 – RETIREMENT PLAN (CONTINUED)

\$7,136,022 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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 ended June 30:

2022	\$ 1,275,000
2023	(1,005,000)
2024	<u>(957,000)</u>
	<u>\$ (687,000)</u>

### Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % 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 increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

**NOTE 8 – RETIREMENT PLAN (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLP's	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100%</u>	

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

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.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what 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 rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	<u>\$ 90,648,000</u>	<u>\$ 73,268,000</u>	<u>\$ 58,544,000</u>

**NOTE 8 – RETIREMENT PLAN (CONTINUED)**

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](http://www.psers.pa.gov).

Payable to PSERS

The School District has an outstanding payable to PSERS for employer contributions as of June 30, 2021 in the amount of \$2,208,528. The payable is due to legally required pension contributions.

**NOTE 9 – SELF INSURANCE**

**A. Health Insurance**

The School District's self-insurance program pays accident and health (including dental) insurance coverage for School District employees on a cost-reimbursement basis. Retired employees are also covered by the program, provided they pay a monthly premium to the School District. Under the program, the School District is obligated for claim payments.

The School District participates in the Northwest Region Employee Benefit Trust (NOREBT), which is a consortium of school districts within Northwest Pennsylvania Intermediate Unit #5. Each month the School District pays a predetermined amount to the NOREBT mini-pool to cover the cost of individual employee health claims between \$100,000 and \$300,000. NOREBT also purchases a stop-loss insurance contract to pay for individual claims that exceed \$300,000.

To summarize, the School District's health care claims are paid according to the following hierarchy:

<u>If the Cost of an Employee's Claim is:</u>	<u>The Cost is Paid By:</u>
Less than \$100,000	PENNCREST School District
\$100,000 to \$300,000	NOREBT Mini-Pool
More than \$300,000	Stop-Loss Insurance Contract

Health care expenditures for the fiscal year were as follows:

General Fund	\$ 6,210,694
Food Service Fund	<u>63,140</u>
Total	<u>\$ 6,273,834</u>

**NOTE 9 – SELF INSURANCE (CONTINUED)**

The expenditures listed above represent claims processed and include \$72,213 of claims asset at the end of the fiscal year, included in prepaid items amount on the Statement of Net Position.

The claims asset of \$72,213 is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims (liability)/asset is as follows:

Claims Liability, 6/30/19	\$ (629,137)
Current Year Premiums	7,859,703
Claim Payments and Administration	<u>(6,458,790)</u>
Claims Asset, 6/30/20	771,776
Current Year Premiums	6,210,694
Claim Payments and Administration	<u>(6,910,257)</u>
Claims Asset, 6/30/21	<u><u>\$ 72,213</u></u>

**B. Contingent Liability**

The amount, if any, of future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Accordingly, the financial statements do not reflect a liability for any unasserted claims related to the current or prior period.

**NOTE 10 – LEGAL MATTERS**

PENNCREST School District is subject to certain legal proceedings and claims arising in the ordinary course of business. The District believes (after consultation with its solicitor) that the adverse outcome, if any, will not have a material effect on the District's financial position as presented in this report. The District carries commercial insurance for risk management.

**NOTE 11 – EQUIPMENT LEASE**

The District signed 60-month non-cancelable leases for twelve copy machines at the buildings and three copiers/printers at the central office in 2018. The annual lease payments are \$37,395 for the copy machines and \$7,955 for the copier/printers.

**NOTE 12 – COMMITMENTS**

The School District has entered into labor agreements with bargaining units and contracts, which expire as follows:

<u>Bargaining Unit</u>	<u>Contract Expires</u>
PENNCREST Area Education Association	August 31, 2022
PENNCREST Area Educational Support Personnel	June 30, 2023
PENNCREST Administrator and Confidential Employee	June 30, 2021, 2022, 2023, respectfully

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description

In addition to the pension benefits described in Note 8, the School District provides post-employment health insurance to retirees as part of its single employer defined benefit plan. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report, and activity of the Plan is reported in the General Fund. The School District has implemented GASB 75 in the year ended June 30, 2018.

Benefits Provided

	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<b><u>I. ADMINISTRATORS</u></b>			
A) Prior Superintendents	No eligibility requirement	<ul style="list-style-type: none"> <li>• <b>Coverage:</b> Medical and Prescription Drug</li> <li>• <b>Premium Sharing:</b> The District will pay the full premium for both the member and dependents. Upon reaching Medicare eligibility, the District will pay the full premiums for Medicare Part A, Medicare Part B, and a Medicare supplemental policy for the member only.</li> <li>• <b>Dependents:</b> Family Included</li> </ul>	<p>Medical and Prescription Drug coverage for the member and dependents until Medicare age.</p> <p>Medicare Part A and Medicare Part B coverage for the member until age 70.</p> <p>Medicare supplemental coverage for the member until age 75.</p>
B) All Other Administrators	Act 110/43	Act 110/43	The member and spouse may both continue coverage until Medicare age.
<b><u>II. TEACHERS</u></b>			
A) Retire after July 1, 2004 (except those retiring under II-B or II-C)	Act 110/43	Act 110/43	Same as I-B
B) Retired under the ERIP package in 2016	N/A Already Retired	<ul style="list-style-type: none"> <li>• <b>Coverage:</b> Medical and Prescription Drug</li> <li>• <b>Premium Sharing:</b> The District will pay the full premium for the member until reaching Medicare eligibility.</li> <li>• <b>Dependents:</b> Spouses not included</li> </ul>	Same as I-B
<b><u>III. ALL OTHER STAFF</u></b>			
	Act 110/43	Act 110/43	Same as I-B

Notes: Act 110/43 Eligibility:

All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

## **NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

### Act 110/43 Coverage and Premium Sharing:

Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

### PSERS Supplement:

A retiree may receive a \$100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:

1. 24.5 years of PSERS service.
2. Upon superannuation retirement with at least 15 years of PSERS service.

### PSERS Superannuation Retirement:

1. Pension Class T-C or T-D: An employee is eligible for 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. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
2. Pension Class T-E or T-F: An employee is eligible for 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. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
3. Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
4. Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

	<u>Covered Employees</u>
Active Participants	350
Vested Former Participants	-
Retired Participants	<u>30</u>
Total	<u><u>380</u></u>

Actuarial Assumptions and Methods

**Interest Rate**

1.86 % Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2018.

**Salary**

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

**Withdrawal**

Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

**Mortality**

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into the table are rates projected generational by the Buck Modified 2016 projection scale to reflect mortality improvement.

**Disability**

No disability was assumed.

## NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

### Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Age	Age 55 & 25 years of service		Superannuation	
	Male	Female	Male	Female
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

### Percent of Eligible Retirees Electing Coverage in Plan

100% of employees eligible for a subsidy and 65% of employees not eligible for a subsidy are assumed to elect coverage.

### Percent Married at Retirement

50% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

### Spouse Age

Wives are assumed to be two years younger than their husbands.

### Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows:

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Age	Medical and Prescription Drug Combined	
	Male	Female
45-49	\$ 6,053	\$ 8,742
50-54	\$ 8,017	\$ 9,880
55-59	\$ 9,764	\$ 10,338
60-64	\$ 12,742	\$ 11,876

Post-65 claims are assured to be equal to the premiums paid for the coverage.

**Retiree Contributions**

Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

**Health Care Cost Trend Rate**

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

**Actuarial Value of Assets**

Equal to the Market Value of Assets.

**Actuarial Cost Method - Entry Age Normal**

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**Participant Data**

Based on census information as of December 2020. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2020-2021 school year.

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Increase</u>	<u>Current Rates</u>	<u>1% Decrease</u>
Net OPEB Liability (Asset)	<u>\$ 3,826,181</u>	<u>\$ 3,435,322</u>	<u>\$ 3,098,708</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Increase</u> <u>(2.86%)</u>	<u>Current Rates</u> <u>(1.86%)</u>	<u>1% Decrease</u> <u>(.86%)</u>
Net OPEB Liability (Asset)	<u>\$ 3,229,017</u>	<u>\$ 3,435,322</u>	<u>\$ 3,648,999</u>

Schedule of Changes in Net OPEB Liability

<u>Total OPEB Liability</u>	<u>General Fund</u>
Fiscal year Ending 6/30/21	
Balance at 7/1/2019	<u>\$ 3,092,449</u>
Service Cost	142,260
Interest	104,684
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	(4,503)
Changes of Assumptions	320,341
Benefit Payments	(219,909)
Other Changes	-
Net Changes	<u>342,873</u>
Balance at 7/1/2020	<u>\$ 3,435,322</u>

The total OPEB liability as of June 30, 2021 was determined by rolling forward the system's total OPEB liability as of June 30, 2020 to June 30, 2021 using actual assumptions previously defined.

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Changes of Assumptions from Previous Measurement Date

**Changes of Assumptions**

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated.

Changes of Benefit Terms from Previous Measurement Date

**Changes of Benefit Terms**

Each year’s loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future. These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

For the year ended June 30, 2021, the School District recognized OPEB expenses of \$258,084. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 197,150
Changes in assumptions	362,467	61,088
Net difference between projected and actual investment earnings	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>176,564</u>	<u>-</u>
	<u>\$ 539,031</u>	<u>\$ 258,238</u>

\$176,564 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Year ended June 30:

2022	\$	11,140
2023		11,140
2024		11,140
2025		11,140
2026		11,140
Thereafter		48,529
		<hr/>
	\$	104,229
		<hr/>

**NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN**

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of 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 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.

***General Information about the Health Insurance Premium Assistance Program***

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, 2020, 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:

## NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

- 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.

### Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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](http://www.psers.pa.gov).

### Benefits Provided

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, 2020 there were no assumed future benefit increases to participating eligible retirees.

### Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was .82% 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 School District were \$171,911 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$3,211,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was .1486%, which was a decrease of .0008% from its proportion measured as of June 30, 2020.

**NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)**

For the year ended June 30, 2021, the School District recognized OPEB expense of \$68,272. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 48,000	\$ -
Changes in assumptions	184,000	155,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportion	12,000	421,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	171,911	-
	<u>\$ 423,911</u>	<u>\$ 576,000</u>

\$171,911 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 207,000
2023	207,000
2024	(59,000)
2025	(22,000)
2026	<u>(9,000)</u>
	<u>\$ 324,000</u>

Actuarial Assumptions

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

## NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.66% - 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.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% 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 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.

**NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)**

OPEB- Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	-1.0%
U.S. Core Fixed Income	46.5%	-0.1%
Non-U.S. Developed Fixed	3.2%	-0.1%
	100.0%	

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends, as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Dollar Amounts in Thousands		
	1% Decrease	Current Trend Rate	1% Increase
System Net OPEB Liability	\$ 3,210,000	\$ 3,211,000	\$ 3,211,000

**NOTE 14 – OPEB-PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)**

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$ 3,661,000</u>	<u>\$ 3,211,000</u>	<u>\$ 2,838,000</u>

**OPEB plan fiduciary net position**

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

## **Required Supplementary Information**

**PENNCREST SCHOOL DISTRICT**  
**POST - EMPLOYMENT BENEFITS**  
**OTHER THAN PENSION BENEFITS**  
**Schedule of Funding Progress**

The schedule of funding progress for the post-employment health insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2020	\$ -	\$ 3,435,322	\$ 3,435,322	0%	\$ 20,214,200	16.99%
July 1, 2018	-	3,170,439	3,170,439	0%	19,939,436	15.90%
July 1, 2016	-	3,405,423	3,405,423	0%	18,939,228	17.98%

Schedules of Required Supplementary Information  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
**PSERS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	.1488%	.1494%	.1509%	.1504%	0.1646%	0.1677%	0.1636%	0.1699%
School District's proportionate share of the net pension liability (asset)	\$ 73,268,000	\$ 69,893,000	\$ 72,439,000	\$ 74,280,000	\$ 81,571,000	\$ 72,640,000	\$ 64,755,000	\$ 69,551,000
School District's covered employee payroll	\$ 20,861,762	\$ 20,908,113	\$ 22,105,778	\$ 20,323,143	\$ 20,026,524	\$ 21,839,504	\$ 21,573,725	\$ 20,876,184
⊗ School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	351%	334%	327%	365%	407%	333%	300%	333%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50%	54%	57%	54%

Schedules of Required Supplementary Information  
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS  
**PSERS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,136,022	\$ 6,994,672	\$ 6,726,666	\$ 6,435,312	\$ 5,993,484	\$ 5,506,280	\$ 4,535,933	\$ 3,554,289
Contributions in relation to the contractually required contribution	<u>7,136,022</u>	<u>6,994,672</u>	<u>6,726,666</u>	<u>6,435,312</u>	<u>5,993,484</u>	<u>5,506,280</u>	<u>4,535,933</u>	<u>3,554,289</u>
Contribution deficiency (excess)	<u>\$ -</u>							
School District's covered employee payroll	\$ 20,861,762	\$ 20,908,113	\$ 22,105,778	\$ 20,323,143	\$ 20,026,524	\$ 21,839,504	\$ 21,573,725	\$ 20,876,184
Contributions as a percentage of covered employee payroll	34.20%	33.45%	30.42%	31.66%	29.93%	25.21%	21.03%	17.03%

**PENNCREST SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**June 30, 2021**

In 2021, there were no changes in actuarial assumptions from the previous year report that will impact the Required Supplementary Information.

**PENNCREST SCHOOL DISTRICT**

**Postemployment Benefit Plan**

**Fiscal Year Ending June 30, 2021**

**Required Supplementary Information**

Fiscal Year Ending	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 142,260	\$ 144,140	\$ 178,866	\$ 168,462
Interest	104,684	94,863	107,700	83,298
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(4,503)	-	(265,508)	-
Changes of Assumptions	320,341	-	8,683	106,612
Benefit Payments	(219,909)	(74,664)	(264,725)	(283,197)
Other Changes	-	(242,329)	-	-
Net Change	<u>342,873</u>	<u>(77,990)</u>	<u>(234,984)</u>	<u>75,175</u>
Total OPEB Liability-Beginning	<u>3,092,449</u>	<u>3,170,439</u>	<u>3,405,423</u>	<u>3,330,248</u>
 Total OPEB Liability-Ending	 <u>\$ 3,435,322</u>	 <u>\$ 3,092,449</u>	 <u>\$ 3,170,439</u>	 <u>\$ 3,405,423</u>
 Covered-Employee Payroll	 \$ 20,214,200	 \$ 19,939,436	 \$ 19,939,436	 \$ 18,939,228
 Total OPEB Liability as a % of Covered-Employee Payroll	 16.99%	 15.51%	 15.90%	 17.98%

**PENNCREST SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Postemployment Benefits Plan**  
**June 30, 2021**

There were no changes in actuarial assumptions from the prior report that would have a significant impact on the Required Supplementary Information.

The Plan does not have any assets accumulated in a trust that meet the criteria under GASB 75.

**PENNCREST SCHOOL DISTRICT**  
Schedules of Required Supplementary Information  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE**  
**OF THE OPEB PREMIUM ASSISTANCE LIABILITY**  
**PSERS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the OPEB Premium Assistance liability (asset)	.1486%	.1494%	.1509%	.1504%
School District's proportionate share of the OPEB Premium Assistance liability (asset)	\$ 3,211,000	\$ 3,178,000	\$ 3,146,000	\$ 3,064,000
School District's covered employee payroll	\$ 20,861,762	\$ 20,908,113	\$ 22,105,778	\$ 20,323,143
School District's proportionate share of the OPEB Premium Assistance liability (asset) as a percentage of its covered employee payroll	15.39%	15.20%	14.23%	15.07%
Plan fiduciary net position as a percentage of the total OPEB Premium Assistance liability	5.56%	5.56%	5.56%	5.73%

**PENNCREST SCHOOL DISTRICT**  
Schedules of Required Supplementary Information  
**SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS**  
**PSERS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 171,911	\$ 174,272	\$ 174,106	\$ 167,717
Contributions in relation to the contractually required contribution	<u>171,911</u>	<u>(174,272)</u>	<u>(174,106)</u>	<u>(167,717)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	\$ 20,861,762	\$ 20,908,113	\$ 22,105,778	\$ 20,323,143
Contributions as a percentage of covered employee payroll	0.82%	0.83%	0.78%	0.82%

**PENNCREST SCHOOL DISTRICT**  
**Notes to Required Supplementary Information-OPEB Premium Assistance**  
**June 30, 2021**

In 2021, there were no changes in actuarial assumptions that would have a significant impact on the Required Supplementary Information.

**PENNCREST SCHOOL DISTRICT**  
**Combining Schedule-Balance Sheet**  
**Capital Projects Fund**  
**June 30, 2021**

	<u>Construction Fund</u>	<u>Capital Projects Fund</u>	<u>Total Capital Projects Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	<u>\$ 16,056,583</u>	<u>\$ 1,221,542</u>	<u>\$ 17,278,125</u>
Total Assets	<u><u>\$ 16,056,583</u></u>	<u><u>\$ 1,221,542</u></u>	<u><u>\$ 17,278,125</u></u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 2,989,141</u>	<u>\$ 80,235</u>	<u>\$ 3,069,376</u>
Total Liabilities	<u>2,989,141</u>	<u>80,235</u>	<u>3,069,376</u>
<b>FUND BALANCES</b>			
Committed To:			
Facilities, Acquisition, and Improvement	<u>13,067,442</u>	<u>1,141,307</u>	<u>14,208,749</u>
Total Fund Balances	<u>13,067,442</u>	<u>1,141,307</u>	<u>14,208,749</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 16,056,583</u></u>	 <u><u>\$ 1,221,542</u></u>	 <u><u>\$ 17,278,125</u></u>

**PENNCREST SCHOOL DISTRICT**  
**Combining Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Capital Project Funds**  
**For the Year Ended June 30, 2021**

	<u>Construction Fund</u>	<u>Capital Projects Fund</u>	<u>Total Capital Project Funds</u>
<b>REVENUES</b>			
Local Sources	\$ 3,414	\$ 317	\$ 3,731
Total Revenues	<u>3,414</u>	<u>317</u>	<u>3,731</u>
<b>EXPENDITURES</b>			
Facilities Acquisition, Construction, and Improvement Services	6,490,506	690,927	7,181,433
Debt Service	<u>352,723</u>	<u>-</u>	<u>352,723</u>
Total Expenditures	<u>6,843,229</u>	<u>690,927</u>	<u>7,534,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,839,815)</u>	<u>(690,610)</u>	<u>(7,530,425)</u>
<b>Other Financing Sources (Uses)</b>			
Bond Issue Proceeds	19,695,000	-	19,695,000
Bond Issue Premiums	287,925	-	287,925
Bond Issue Discounts	(75,668)	-	(75,668)
Interfund Transfers	<u>-</u>	<u>1,300,000</u>	<u>1,300,000</u>
Total Other Financing Uses	<u>19,907,257</u>	<u>1,300,000</u>	<u>21,207,257</u>
Net Change in Fund Balance	13,067,442	609,390	13,676,832
Fund Balance - July 1, 2020	<u>-</u>	<u>531,917</u>	<u>531,917</u>
Fund Balance - June 30, 2021	<u>\$ 13,067,442</u>	<u>\$ 1,141,307</u>	<u>\$ 14,208,749</u>

**PENNCREST SCHOOL DISTRICT**  
**Combining Balance Sheet-Fiduciary Funds**  
**Custodial Funds**  
**June 30, 2021**

	Cambridge High School	Maplewood High School	Saegertown High School	Total
<b>ASSETS</b>				
Cash - Student Activity	\$ 45,939	\$ 58,282	\$ 30,201	\$ 134,422
<b>LIABILITIES</b>				
Due to Student Groups	268	327	-	595
Total Liabilities	268	327	-	595
<b>NET POSITION</b>				
Held for Student Groups	45,671	57,955	30,201	133,827
Total Net Position	45,671	57,955	30,201	133,827
Total Liabilities and Net Position	\$ 45,939	\$ 58,282	\$ 30,201	\$ 134,422

**PENNCREST SCHOOL DISTRICT**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Year Ended June 30, 2021**

	<u>Cambridge High School</u>	<u>Maplewood High School</u>	<u>Saegertown High School</u>	<u>Total</u>
Additions:				
Fundraising	\$ 24,098	\$ 8,458	\$ 11,700	\$ 44,256
Total Additions	<u>24,098</u>	<u>8,458</u>	<u>11,700</u>	<u>44,256</u>
Deductions:				
Fundraising	<u>22,420</u>	<u>12,314</u>	<u>25,252</u>	<u>59,986</u>
Total Deductions	<u>22,420</u>	<u>12,314</u>	<u>25,252</u>	<u>59,986</u>
Changes in Net Position	1,678	(3,856)	(13,552)	(15,730)
Net Position, July 1, 2020	<u>43,993</u>	<u>61,811</u>	<u>43,753</u>	<u>149,557</u>
Net Position, June 30, 2021	<u>\$ 45,671</u>	<u>\$ 57,955</u>	<u>\$ 30,201</u>	<u>\$ 133,827</u>

**PENNCREST SCHOOL DISTRICT**  
**Combining Schedule of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**June 30, 2021**

	<u>PSD Foundation</u>	<u>Baird Trust Fund</u>	<u>Hanks/ Dorchester Memorial Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash				
Equivalents	\$ 282,968	\$ 10,000	\$ 3,900	\$ 296,868
Investments	-	34,940	-	34,940
Land and Other Assets	146,150	-	-	146,150
	<u>146,150</u>	<u>-</u>	<u>-</u>	<u>146,150</u>
 Total Assets	 \$ 429,118	 \$ 44,940	 \$ 3,900	 \$ 477,958
	<u><u>\$ 429,118</u></u>	<u><u>\$ 44,940</u></u>	<u><u>\$ 3,900</u></u>	<u><u>\$ 477,958</u></u>
 <b>NET POSITION</b>	 <u><u>\$ 429,118</u></u>	 <u><u>\$ 44,940</u></u>	 <u><u>\$ 3,900</u></u>	 <u><u>\$ 477,958</u></u>

**PENNCREST SCHOOL DISTRICT**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2021**

	PSD Foundation	Baird Trust Fund	Hanks/ Dorchester Memorial Fund	Total
Additions:				
Contributions	\$ 5,405	\$ -	\$ -	\$ 5,405
Interest and Dividends	832	513	-	1,345
Unrealized Gain/(Loss) on Investments	-	7,217	-	7,217
<b>Total Additions</b>	<b>6,237</b>	<b>7,730</b>	<b>-</b>	<b>13,967</b>
Deductions:				
Scholarships	8,770	-	-	8,770
Athletic Field Maintenance	-	1,612	-	1,612
Other Expenses	-	-	-	-
<b>Total Deductions</b>	<b>8,770</b>	<b>1,612</b>	<b>-</b>	<b>10,382</b>
Changes in Net Position	(2,533)	6,118	-	3,585
Net Position, July 1, 2020	431,651	38,822	3,900	474,373
Net Position, June 30, 2021	\$ 429,118	\$ 44,940	\$ 3,900	\$ 477,958

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 18,551,457	\$ 18,551,457	\$ 18,910,719	\$ 359,262
State Sources	32,021,703	32,021,703	35,053,648	3,031,945
Federal Sources	1,804,000	1,804,000	2,592,555	788,555
Total Revenues	<u>52,377,160</u>	<u>52,377,160</u>	<u>56,556,922</u>	<u>4,179,762</u>
Expenditures and Other Financing Uses				
Instruction				
Regular Programs	23,857,607	23,857,607	25,054,992	(1,197,385)
Special Education Program	6,849,655	6,849,655	6,486,186	363,469
Vocational Education Programs	1,710,000	1,710,000	1,435,251	274,749
Other Instructional Programs	1,815,762	1,815,762	1,694,823	120,939
Nonpublic School Programs	239,761	239,761	323,516	(83,755)
Total Instruction	<u>34,472,785</u>	<u>34,472,785</u>	<u>34,994,768</u>	<u>(521,983)</u>
Support Services				
Pupil Personnel	1,255,774	1,255,774	1,306,993	(51,219)
Instructional Staff	2,365,452	2,365,452	1,980,669	384,783
Administrative	2,958,545	2,958,545	2,844,987	113,558
Pupil Health	864,864	864,864	712,549	152,315
Business	673,335	673,335	675,352	(2,017)
Operation and Maintenance of				
Plant Services	4,228,743	4,228,743	4,174,628	54,115
Student Transportation Services	4,133,212	4,133,212	3,804,109	329,103
Central	98,727	98,727	94,638	4,089
Other Support Services	55,000	55,000	67,207	(12,207)
Total Support Services	<u>16,633,652</u>	<u>16,633,652</u>	<u>15,661,132</u>	<u>972,520</u>
Operation of Noninstructional Services				
Food Services	-	-	52,054	(52,054)
Student Activities	1,139,237	1,139,237	913,915	225,322
Community Services	15,224	15,224	14,717	507
Total Noninstructional Services	<u>1,154,461</u>	<u>1,154,461</u>	<u>980,686</u>	<u>173,775</u>
Debt Service	244,000	244,000	278,466	(34,466)
Total Expenditures	<u>52,504,898</u>	<u>52,504,898</u>	<u>51,915,052</u>	<u>589,846</u>
Excess of Revenues Over (Under) Expenditures	<u>(127,738)</u>	<u>(127,738)</u>	<u>4,641,870</u>	<u>4,769,608</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	65,000	65,000	111,585	46,585
Refund of Prior Year Expenditures	-	-	211,358	211,358
Interfund Transfers	(1,400,000)	(1,400,000)	(1,300,000)	100,000
Budgetary Reserve	(100,000)	(100,000)	-	100,000
Total Other Financing Sources (Uses)	<u>(1,435,000)</u>	<u>(1,435,000)</u>	<u>(977,057)</u>	<u>457,943</u>
Net Change in Fund Balance	(1,562,738)	(1,562,738)	3,664,813	5,227,551
Fund Balance - July 1, 2020	14,059,353	14,059,353	14,059,353	-
Fund Balance - June 30, 2021	<u>\$ 12,496,615</u>	<u>\$ 12,496,615</u>	<u>\$ 17,724,166</u>	<u>\$ 5,227,551</u>

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

To the Members of the Board  
PENNCREST School District  
Saegertown, 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 the PENNCREST School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the PENNCREST School District's basic financial statements and have issued our report, thereon, dated November 23, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the PENNCREST 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 the PENNCREST School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the PENNCREST 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.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the PENNCREST 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*.

**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.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

November 23, 2021  
Erie, Pennsylvania



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FELIX & GLOEKLER, P. C.

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CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

**Independent Auditor’s Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
The Uniform Guidance**

To the Members of the Board  
PENNCREST School District  
Saegertown, Pennsylvania

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

We have audited PENNCREST 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 PENNCREST School District’s major federal programs for the year ended June 30, 2021. PENNCREST 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of PENNCREST 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PENNCREST School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**Independent Auditor’s Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
The Uniform Guidance  
(Continued)**

We believe that 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 PENNCREST School District’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, PENNCREST 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, 2021.

**Report on Internal Control Over Compliance**

Management of PENNCREST 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 PENNCREST 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PENNCREST 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 the 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.

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
The Uniform Guidance  
(Continued)**

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.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

November 23, 2021  
Erie, Pennsylvania

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards and Certain Nonfederal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u> Beginning      Ending	
<u>U.S. Department of Agriculture</u>					
Passed through PA Dept. of Agriculture					
National School Lunch Program - Donated Commodities	I	10.555	N/A	7/1/2020	6/30/2021
Passed through PA Dept. of Education					
National School Lunch Program	S	N/A	510 & 512	7/1/2019	6/30/2020
National School Lunch Program	I	10.555	362	7/1/2019	6/30/2020
National School Lunch Program	S	N/A	510 & 512	7/1/2020	6/30/2021
National School Lunch Program	I	10.555	362	7/1/2019	6/30/2021
Subtotal					
School Breakfast Program	S	N/A	511 & 513	7/1/2019	6/30/2020
School Breakfast Program	I	10.553	367	7/1/2019	6/30/2020
School Breakfast Program	S	N/A	511 & 513	7/1/2020	6/30/2021
School Breakfast Program	I	10.553	365 & 367	7/1/2020	6/30/2021
Subtotal					
Total Child Nutrition Cluster					
Total U.S. Dept. of Agriculture					

The accompanying notes are an integral part of this schedule.  
Schedule continued on next page.  
\* Denotes cluster total

<u>Accrued/ (Unearned) Revenue at July 1, 2020</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ Unearned) Revenue at June 30, 2021</u>	<u>Passed through to Subrecipients</u>
\$ (4,510)	\$ 85,956	\$ 86,642	\$ 86,642	\$ (3,824)	\$ -
354	354	-	-	-	-
8,852	8,852	-	-	-	-
-	33,236	39,627	39,627	6,391	-
-	881,878	1,046,211	1,046,211	164,333	-
<u>4,696</u>	<u>1,010,276</u>	<u>1,172,480</u>	<u>1,172,480</u>	<u>166,900</u>	<u>-</u>
253	253	-	-	-	-
5,564	5,564	-	-	-	-
-	15,461	18,066	18,066	2,605	-
-	349,423	408,294	408,294	58,871	-
<u>5,817</u>	<u>370,701</u>	<u>426,360</u>	<u>426,360</u>	<u>61,476</u>	<u>-</u>
<u>10,513</u>	<u>1,380,977</u>	<u>1,598,840</u>	<u>1,598,840</u>	<u>228,376</u>	<u>-</u>
<u>10,513</u>	<u>1,380,977</u>	<u>1,598,840</u>	<u>1,598,840</u>	<u>228,376</u>	<u>-</u>

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards and Certain Nonfederal Awards**  
**For the Year Ended June 30, 2021**  
**(Continued)**

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u> Beginning      Ending	
<u>U.S. Department of Education</u>					
Carol M. White Physical Education Program	D	84.215F	N/A	10/1/2017	6/30/2021
Passed through PA Dept. of Education					
Title I, Part A-Improving Basic Programs	I	84.010	013-19-0327	7/1/2018	9/30/2019
Title I, Part A-Improving Basic Programs	I	84.010	013-20-0327	7/1/2019	9/30/2020
Title I, Part A-Improving Basic Programs	I	84.010	013-21-0327	7/1/2020	9/30/2021
Title I, Part D-Delinquent Programs	I	84.010	107-20-0327	7/1/2019	9/30/2020
Title I, Part D-Delinquent Programs	I	84.010	107-21-0327	7/1/2020	9/30/2021
Subtotal					
Title II, Part A-Improving Teacher Quality	I	84.367	020-19-0327	7/1/2018	9/30/2019
Title II, Part A-Improving Teacher Quality	I	84.367	020-20-0327	7/1/2019	9/30/2020
Title II, Part A-Improving Teacher Quality	I	84.367	020-21-0327	7/1/2020	9/30/2021
Title II, Part A-Teachers in the Work Place	I	84.367	220-200327	7/1/2019	9/30/2020
Subtotal					
Title IV, Part A Student Support	I	84.424	144-19-0327	7/1/2019	9/30/2019
Title IV, Part A Student Support	I	84.424	144-200327	7/1/2020	9/30/2020
Title IV, Part A Student Support	I	84.424	144-210327	7/1/2020	9/30/2021
Subtotal					
Elementary & Secondary School Emergency Relief Fund	I	84.425D	200-200327	3/19/2020	9/30/2022
Elementary & Secondary School Emergency Relief Fund	I	84.425D	200-200327	3/19/2020	9/30/2022
Subtotal					
COVID-19 SECIM	I	84.027	252-20-0327	7/1/2020	6/30/2021
Subtotal					

The accompanying notes are an integral part of this schedule.  
Schedule continued on next page.

\* Denotes cluster total

<u>Accrued/ (Unearned) Revenue at July 1, 2020</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ Unearned) Revenue at June 30, 2021</u>	<u>Passed through to Subrecipients</u>
<u>\$ (3,116)</u>	<u>\$ -</u>	<u>\$ 3,116</u>	<u>\$ 3,116</u>	<u>\$ -</u>	<u>\$ -</u>
345,053	345,053	-	-	-	-
72,361	134,872	465,730	465,730	403,219	-
-	429,738	505,540	505,540	75,802	-
(29,631)	191,867	221,498	221,498	-	221,498
<u>-</u>	<u>95,497</u>	<u>63,861</u>	<u>63,861</u>	<u>(31,636)</u>	<u>63,861</u>
<u>387,783</u>	<u>1,197,027</u>	<u>1,256,629</u>	<u>1,256,629</u>	<u>447,385</u>	<u>285,359</u>
6,421	6,421	-	-	-	-
17,422	14,652	-	-	2,770	-
-	102,242	118,882	118,882	16,640	-
<u>(4,546)</u>	<u>6,818</u>	<u>16,618</u>	<u>16,618</u>	<u>5,254</u>	
<u>19,297</u>	<u>130,133</u>	<u>135,500</u>	<u>135,500</u>	<u>24,664</u>	<u>-</u>
(1,967)	-	1,967	1,967	-	-
(11,321)	46,513	57,834	57,834	-	-
<u>-</u>	<u>25,720</u>	<u>41,843</u>	<u>41,843</u>	<u>16,123</u>	<u>-</u>
<u>(13,288)</u>	<u>72,233</u>	<u>101,644</u>	<u>101,644</u>	<u>16,123</u>	<u>-</u>
394,883	451,542	384,577	384,577	327,918	-
<u>-</u>	<u>218,646</u>	<u>19,483</u>	<u>19,483</u>	<u>(199,163)</u>	<u>-</u>
<u>394,883</u>	<u>670,188</u>	<u>404,060</u>	<u>404,060</u>	<u>128,755</u>	<u>-</u>
* -	11,186	22,685	22,685	11,499	-
<u>788,675</u>	<u>2,080,767</u>	<u>1,920,518</u>	<u>1,920,518</u>	<u>628,426</u>	<u>285,359</u>

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards and Certain Nonfederal Awards**  
**For the Year Ended June 30, 2021**  
**(Continued)**

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u> Beginning      Ending	
Passed through Northwest Tri County IU					
IDEA (Section 619 (Preschool))	I	84.027	N/A	7/1/2020	6/30/2021
IDEA Part B	I	84.027	N/A	7/1/2020	6/30/2021
Subtotal					
Total Special Education Cluster					
Total U.S. Department of Education					
<u>U.S. Department of Health and Human Services</u>					
Passed through PA Dept. of Welfare					
Medical Assistance - Administrative Claims	I	93.778	044-007327	7/1/2020	6/30/2021
Subtotal					
Total U.S. Department of Health and Human Services					
Total Federal Assistance					

The accompanying notes are an integral part of this schedule.  
Schedule continued on next page.  
\* Denotes cluster total

<u>Accrued/ (Unearned) Revenue at July 1, 2020</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ Unearned) Revenue at June 30, 2021</u>	<u>Passed through to Subrecipients</u>
\$ -	\$ 4,741	\$ 4,741	\$ 4,741	\$ -	\$ -
-	495,675	495,675	495,675	-	-
<u>-</u>	<u>500,416</u>	<u>500,416</u>	<u>500,416</u>	<u>-</u>	<u>-</u>
* -	511,602	523,101	523,101	11,499	-
<u>785,559</u>	<u>2,581,183</u>	<u>2,424,050</u>	<u>2,424,050</u>	<u>628,426</u>	<u>285,359</u>
-	20,800	20,800	20,800	-	-
-	20,800	20,800	20,800	-	-
-	20,800	20,800	20,800	-	-
<u>\$ 796,072</u>	<u>\$ 3,982,960</u>	<u>\$ 4,043,690</u>	<u>\$ 4,043,690</u>	<u>\$ 856,802</u>	<u>\$ 285,359</u>

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards and Certain Nonfederal Awards**  
**Footnotes and Other Information**  
**For the Year Ended June 30, 2021**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and Certain Non-Federal Awards includes the federal award activity of PENNCREST School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations 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 School District, it is not intended to and does not present the financial position, changes in net position or cash flows of PENNCREST School District.

NOTE 2 – LEGEND

- I = Indirect funding
- S = State funding
- \* = Denotes cluster total

NOTE 3 – SUMMARY OF 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. PENNCREST School District uses the 10-percent de minimis indirect cost rates for certain grants that allow it and has elected not to use the 10-percent de minimis indirect cost rates for all other grants under the Uniform Guidance.

NOTE 4 – FEDERAL EXPENDITURES

The schedule of expenditures of federal awards contains state funding. Federal expenditures total \$3,985,997 as follows:

Total Per Schedule of Federal Awards	\$ 4,043,690
Less: State Expenditures	<u>(57,693)</u>
	<u>\$ 3,985,997</u>

**PENNCREST SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

1. Summary of auditor's results

- (i) Type of report issued on the financial statements: Unmodified opinion.
- (ii) Internal control over financial reporting:
  - Material weakness(es) identified – None.
  - Significant deficiency(ies) identified – None reported.
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Internal control over major federal program:
  - Material weakness(es) identified – None.
  - Significant deficiency(ies) identified – None reported.
- (v) Type of report issued on compliance for major programs:  
Unmodified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported.
- (vii) Major programs:

Title I	84.010
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- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (ix) PENNCREST School District did qualify as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None.

3. Findings and questioned costs for Federal awards

None.

**PENNCREST SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2021**

1. Prior significant deficiencies: None.
2. Prior material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program: None.
3. Known questioned costs greater than \$25,000: None.
4. There were no findings in the prior year.

**PENNCREST SCHOOL DISTRICT**  
**Corrective Action Plan**  
**For the Year Ended June 30, 2021**

Not applicable. There were no current year findings required to be reported.

**PENNCREST SCHOOL DISTRICT**  
**List of Report Distribution**  
**For the Year Ended June 30, 2021**

The following is a listing of all agencies that the audit reports are distributed to:

1. United States Bureau of the Census
2. Commonwealth of Pennsylvania, Bureau of Audits