

**Shanksville-Stonycreek School District
Shanksville, Pennsylvania**

Audit Report

**For the Year Ended
June 30, 2021**

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List of Report Distribution

December 21, 2021

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, PA 15560-0128

Board Members:

Not later than six months after the fiscal year end, Shanksville-Stonycreek School District must distribute the audit report as follows:

One (1) copy to: Department of Education
Bureau of Budget and Fiscal Management
333 Market Street
Harrisburg, PA 17126-0333

Sincerely,

Kotzan CPA & Associates, P.C.



Independent Auditors' Report

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, PA 15560-0128

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 Shanksville-Stonycreek School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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.

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, business-type activities, each major fund, and the aggregate remaining fund information of the Shanksville-Stonycreek School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – GASB Statement No. 84, *Fiduciary Activities*

As discussed in Note 23 to the financial statements, Shanksville-Stonycreek School District implemented GASB Statement No. 84, *Fiduciary Activities* effective July 1, 2020. Implementation resulted in a restatement of net position of the fiduciary activities, effective July 1, 2020. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restatement of Prior Year

As discussed in Note 23 to the financial statements, Shanksville-Stonycreek School District restated the fund balance and net position of the general fund and governmental activities, respectively, and the net position of the business-type activities to correct for an understatement of interfund balances. The restatement affects both the fund financial statements and the government-wide financial statements. Our opinion is not modified with respect to this matter.

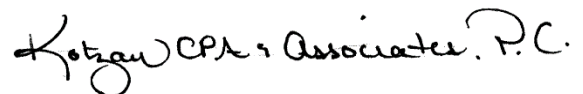
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and OPEB information, and budgetary comparison information on pages 5-18; pages 65-67; and page 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of Shanksville-Stonycreek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 21, 2021

Management's Discussion and Analysis

Shanksville-Stonycreek School District

2020-2021

The Management's Discussion and Analysis (MD&A) of the Shanksville-Stonycreek School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent auditor's transmittal letter and notes to the financial statements to enhance their understanding of the district's financial performance. Certain comparative information between the current year and prior year is required to be presented.

This discussion and analysis is part of the required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 requires certain comparative information to be presented between the current and the prior year and is detailed herein accordingly.

Description of the School District

The Shanksville-Stonycreek School District is nestled along the slopes of the Allegheny Mountains in the central part of Somerset County about eight miles northeast of Somerset, Pennsylvania and 30 miles northwest of Cumberland, Maryland. It is comprised of the township of Stonycreek and the boroughs of Indian Lake and Shanksville. The School District has a population of approximately 2,800 residents.

Much of the land is productively engaged in farming. Lumbering and strip mining are important components of the local economy. The area has vast opportunities for the expansion of tourism and recreation in a multi-seasonal climate. The Flight 93 National Memorial is also part of the district and could have an impact on the local economy as well.

Because of the size of its student population, which is approximately 280 students Pre-K through 12, the District consistently ranks as one of the smallest, single-building districts in the state. The District is the 5th smallest district in the Commonwealth based on student enrollment.

The District employed 64 regular employees through June 30, 2021, with roughly 25 part-time substitutes at any time. The teaching staff consisted of 34 full-time professionals. The District added three (3) additional teaching positions with the use of federal ESSER stimulus funding starting July 1, 2020 due to COVID-19. Teachers in the District are members of the Pennsylvania State Education Association (PSEA) and the Shanksville-Stonycreek Education Association (SSEA), which is the representative bargaining unit. The SSEA contract is due to expire June 30, 2022 but both sides are currently negotiating a new contract.

Financial Highlights

Key financial highlights for the year ending June 30, 2021 are as follows:

- ❖ District-wide net position increased \$699,612
- ❖ Total fund balances of all governmental funds equaled \$5,066,656
- ❖ Unassigned general fund balance equaled \$1,538,497
- ❖ Committed general fund balance equaled \$2,080,000. This amount was committed as follows:
 - ❖ PSERS Retirement \$400,000
 - ❖ Technology Replacement \$230,000
 - ❖ Curriculum Enhancement \$200,000
 - ❖ Post-Employment Benefits \$400,000
 - ❖ Future Capital Improvements \$850,000

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

- ❖ Capital Projects fund balance equaled \$1,427,674
- ❖ Total general fund revenues exceeded budget by \$484,477
- ❖ Total general fund expenses, excluding budgetary reserve, were \$247,196 under budget
- ❖ The District's proprietary fund/business-type activity (cafeteria) had a decrease in net position of \$3,694

Long Term Issues and Commitments

- ❖ Long Term Debt consists of the District's estimated share of the refinanced Series of 2004 area vocational-technical school's general obligation bond. The District's share of the balance outstanding at June 30, 2021 is \$148,661.

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's basic financial statements include two types of statements, which present different views of the District. The first type of statements are the **District-wide Financial Statements** that provide both short-term and long-term information about the District's overall financial status on a full accrual basis of accounting. The remaining statements are **Fund Financial Statements** that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide financial statements.

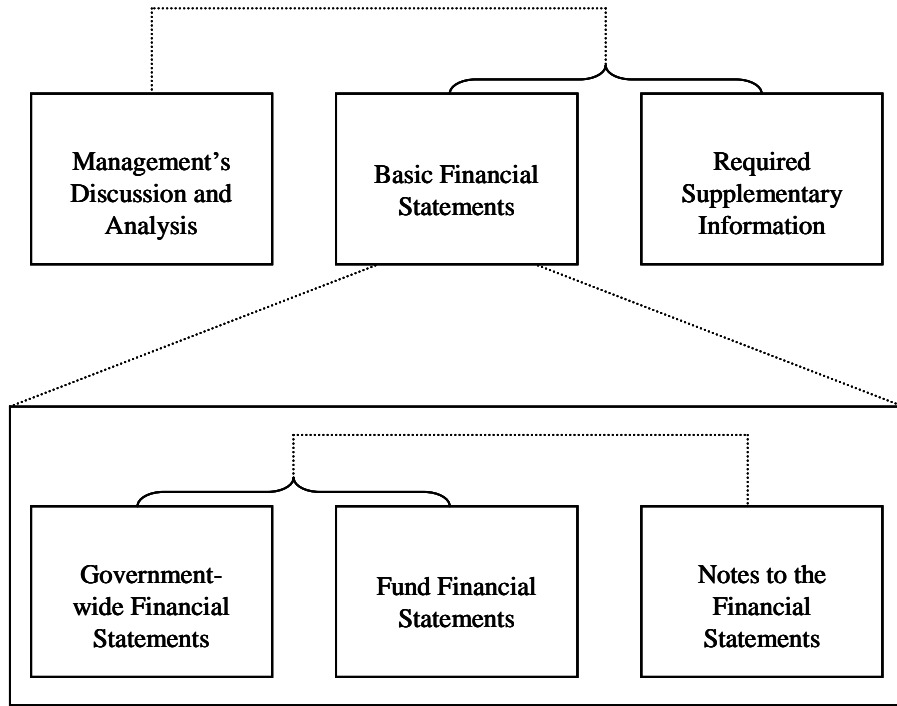
The Governmental fund statements indicate how the District financed its basic services such as regular and special education. Proprietary fund statements offer financial information about activities the District operates like a business, such as its Food Service Program. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. For this School District, these are student activity funds.

The financial statements also include notes that explain some of the information in the statements, and provide more detailed data.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Required components of
Shanksville-Stonycreek School District's
Financial Report



Summary ←————→ Detail

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-2 summarizes the major features of the financial statements, including the portion of the District they cover and the types of information they contain.

Figure A-2
Major Features of Shanksville-Stonycreek School District's
District-wide and Fund Financial Statements

| | District-Wide Statements | Fund Financial Statements | | |
|--|--|--|---|--|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as education, administration and community services | Activities the District operate similar to private business – Food Services | Instances in which the District administers resources on behalf of someone else – student activity funds |
| Required financial statements | Statement of net position Statement of activities | Balance Sheet Statement of revenues, expenditures, and changes in fund balance | Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows | Statement of fiduciary net position Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term |
| Type of inflow-outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

District-Wide Financial Statements

The District-wide financial statements are designed to provide the reader of the District's Annual Financial Report with a broad overview of the financial activities in a manner similar to a private sector business. The District-wide financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The *Statement of Activities* reports the change in net position. Net position – the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health one must also consider additional factors such as changes in enrollment, increases (decreases) to the District's long-term debt, changes in the District's property tax base, changes in the State's funding of educational costs, changes in the economy, and the condition of or need for improvements or expansion to existing school facilities.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid, finance most of these activities. Fixed assets and related debt are also supported by taxes and intergovernmental activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as its food service program.

Fund Financial Statements

The fund financial statements provide detailed information about the School District's operations. The School District is required to provide detailed information for its "major" funds. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs.

The District has three types of funds as follows:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Therefore, the governmental funds statements provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds are the General Fund and the Capital Projects Fund.

Because the focus of fund financial statements is narrower than that of the District-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations for both the Governmental Fund Balance Sheet to Statement of Net Position District-wide and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Proprietary Funds are comprised of the services for which the District charges a fee. Proprietary funds are reported on a full accrual basis of accounting in both the fund financial statements and the District-wide financial statements. A district's *Enterprise Funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, its Food Service Fund.

Fiduciary Funds are the assets that the District serves as the trustee of, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's financial position is a result of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-3 summarizes the assets, liabilities, and net position of the District at June 30, 2021.

Figure A-3
Net Position as of June 30, 2021 - (District-Wide)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total School District</u> | | <u>Total % Change 2020-21</u> |
|---------------------------------------|--------------------------------|------------------------|---------------------------------|--------------------|------------------------------|-----------------------|-------------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | |
| Assets | | | | | | | |
| Current Assets | \$ 6,624,473 | \$ 5,872,047 | \$ 50,784 | \$ 59,893 | \$ 6,675,257 | \$ 5,931,940 | |
| Capital Assets | 3,066,282 | 3,208,722 | 3,754 | 4,817 | 3,070,036 | 3,213,539 | |
| Total Assets | \$ 9,690,755 | \$ 9,080,769 | \$ 54,538 | \$ 64,710 | \$ 9,745,293 | \$ 9,145,479 | 6.56% |
| Deferred Outflows of Resources | \$ 1,903,972 | \$ 1,410,508 | \$ 0 | \$ 0 | \$ 1,903,972 | \$ 1,410,508 | 34.98% |
| Liabilities | | | | | | | |
| Current Liabilities | \$ 946,805 | \$ 942,191 * | \$ 29,698 | \$ 35,901 * | \$ 976,503 | \$ 978,092 | |
| Long-Term Liabilities | 10,898,452 | 10,171,086 | 0 | 275 | 10,898,452 | 10,171,361 | |
| Total Liabilities | \$ 11,845,257 | \$ 11,113,277 * | \$ 29,698 | \$ 36,176 * | \$ 11,874,955 | \$ 11,149,453 | 6.51% |
| Deferred Inflows of Resources | \$ 628,460 | \$ 960,296 | \$ 0 | \$ 0 | \$ 628,460 | \$ 960,296 | -34.56% |
| Net Position | | | | | | | |
| Invested in Capital Assets | \$ 3,066,282 | \$ 3,208,722 | \$ 3,754 | \$ 4,817 | \$ 3,070,036 | \$ 3,213,539 | |
| Restricted | 1,427,674 | 786,426 | 0 | 0 | 1,427,674 | 786,426 | |
| Unrestricted | (5,372,946) | (5,577,444) * | 21,086 | 23,717 * | (5,351,860) | (5,553,727) | |
| Total Net Position | \$ (878,990) | \$ (1,582,296) | \$ 24,840 | \$ 28,534 | \$ (854,150) | \$ (1,553,762) | 45.03% |

* Restated – See Note 23 to the financial statements

Current assets are largely comprised of cash and cash equivalents and investments which represent approximately \$5.4 million at June 30, 2021. Capital assets represent land, buildings and equipment less accumulated depreciation. Current liabilities are comprised primarily of accrued salaries and benefits, payroll deductions and withholdings, and the current portion of long-term liabilities, representing an approximate total of \$975,000 at June 30, 2021. The financial statements reflect deferred inflows and outflows of resources relating to the pension plan and other post-employment benefits as a result of GASBs 68 and 75.

The increase in current assets and deferred outflows of resources, combined with the decrease in deferred inflows of resources and offset by the decrease in capital assets and the increase in long-term liabilities resulted in an increase in net position of approximately \$700,000 in fiscal year 2021.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-4 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2021.

Figure A-4
Changes in Government-wide Net Position
For the Year Ended June 30, 2021

| | Governmental Activities | | Business-type Activities | | Total School District | | Total % Change 2020-21 |
|--------------------------------------|----------------------------|------------------|-----------------------------|----------------|--------------------------|------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Revenues: | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for Services | \$ 3,191 | \$ 6,565 | \$ 37,119 | \$ 79,484 | \$ 40,310 | \$ 86,049 | |
| Operating Grants and Contributions | 1,546,953 | 1,375,473 | 176,797 | 140,417 | 1,723,750 | 1,515,890 | |
| Capital Grants and Contributions | 13,997 | 122,753 | 0 | 0 | 13,997 | 122,753 | |
| Total Program Revenues | <u>1,564,141</u> | <u>1,504,791</u> | <u>213,916</u> | <u>219,901</u> | <u>1,778,057</u> | <u>1,724,692</u> | 3.09% |
| General Revenue: | | | | | | | |
| Property and Other Taxes Levied | 4,034,969 | 3,919,698 | 0 | 0 | 4,034,969 | 3,919,698 | |
| Grants, subsidies, contributions | 1,769,498 | 1,769,479 | 0 | 0 | 1,769,498 | 1,769,479 | |
| Investment Earnings | 7,485 | 73,306 | 29 | 76 | 7,514 | 73,382 | |
| Miscellaneous Income | 4,857 | 2,559 | 0 | 0 | 4,857 | 2,559 | |
| Transfers | (10,266) | (40,197) * | 10,266 | 40,197 * | 0 | 0 | |
| Total General Revenues | <u>5,806,543</u> | <u>5,724,845</u> | <u>10,295</u> | <u>40,273</u> | <u>5,816,838</u> | <u>5,765,118</u> | 0.90% |
| Expenses: | | | | | | | |
| Instruction | 4,116,042 | 3,891,162 | 0 | 0 | 4,116,042 | 3,891,162 | |
| Instructional Student Support | 535,927 | 453,772 | 0 | 0 | 535,927 | 453,772 | |
| Admin and Financial Support Services | 848,831 | 891,359 | 0 | 0 | 848,831 | 891,359 | |
| Operating and Maintenance | | | | | | | |
| of Plant Services | 691,665 | 623,169 | 0 | 0 | 691,665 | 623,169 | |
| Pupil Transportation | 341,111 | 329,007 | 0 | 0 | 341,111 | 329,007 | |
| Student Activities | 127,746 | 118,420 | 0 | 0 | 127,746 | 118,420 | |
| Interest on Long-term Debt | 6,056 | 12,141 | 0 | 0 | 6,056 | 12,141 | |
| Food Service | 0 | 0 | 227,905 | 239,038 | 227,905 | 239,038 | |
| Total Expenses | <u>6,667,378</u> | <u>6,319,030</u> | <u>227,905</u> | <u>239,038</u> | <u>6,895,283</u> | <u>6,558,068</u> | 5.14% |
| Increase (Decrease) in Net Position | \$ 703,306 | \$ 910,606 * | \$ (3,694) | \$ 21,136 * | \$ 699,612 | \$ 931,742 | |

* Restated – See Note 23 to the financial statements.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

The School District experienced an overall increase in net position of \$699,612 for fiscal year 2021, with an increase in both revenues and expenditures compared to the prior year.

The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

| | <u>Total Cost of Services</u> 2021 | <u>Net Cost of Services</u> 2021 | <u>Total Cost of Services</u> 2020 | <u>Net Cost of Services</u> 2020 |
|---------------------------------------|---|---|---|---|
| Program Expenses | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 4,116,042 | \$ 2,878,047 | \$ 3,891,162 | \$ 2,768,091 |
| Instructional student support | 535,927 | 403,182 | 453,772 | 379,562 |
| Administration | 848,831 | 843,398 | 891,359 | 885,393 |
| Maintenance | 691,665 | 615,860 | 623,169 | 500,416 |
| Pupil transportation | 341,111 | 232,139 | 329,007 | 156,781 |
| Student activities | 127,746 | 124,555 | 118,420 | 111,855 |
| Interest and fiscal charges | 6,056 | 6,056 | 12,141 | 12,141 |
| Net program expenses | <u>\$ 6,667,378</u> | 5,103,237 | <u>\$ 6,319,030</u> | 4,814,239 |
| Less: Unrestricted state entitlements | | <u>(1,769,498)</u> | | <u>(1,769,479)</u> |
| Total governmental activities | | <u>\$ 3,333,739</u> | | <u>\$ 3,044,760</u> |
| Business-type activities: | | | | |
| Food service | <u>\$ 227,905</u> | <u>\$ 13,989</u> | <u>\$ 239,038</u> | <u>\$ 19,137</u> |

Governmental Activities

Total net cost of service increased approximately \$290,000 (9.5%) from 2019-2020 to 2020-2021.

Business-Type Activities

The Food Service Fund shows a slight loss for fiscal year 2021, compared to the previous year's net gain, primarily due to the reduction in subsidy provided by the General Fund.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-5 breaks out expenditures by function per the fund financial statements (general fund) with a comparison to the prior year as well as current year budget variances.

Figure A-5
Expenditures by Function - Budget vs. Actual

| <u>Function</u> | <u>Description</u> | <u>Actual 2020-21 Expenses</u> | <u>Actual 2019-20 Expenses</u> | <u>Increase/ (Decrease) From P/Y</u> | <u>2020-21 Budget</u> | <u>(Over)/ Under Budget</u> |
|-----------------|---|--|--|--|---------------------------|-------------------------------------|
| 1100 | Regular Educational Programs | \$3,101,877 | \$ 2,812,325 | \$ 289,552 | \$ 3,114,775 | \$ 12,898 |
| 1200 | Special Programs | 566,861 | 554,873 | 11,988 | 556,175 | (10,686) |
| 1300 | Vocational Education | 271,793 | 294,102 | (22,309) | 330,000 | 58,207 |
| 1400 | Other Instructional Programs | 5,197 | 2,731 | 2,466 | 7,950 | 2,753 |
| 1800 | Pre-kindergarten | 74,736 | 111,996 | (37,260) | 73,000 | (1,736) |
| 2100 | Support Services - Pupil | 135,136 | 143,486 | (8,350) | 141,000 | 5,864 |
| 2200 | Support Services - Instructional Staff | 392,820 | 299,731 | 93,089 | 452,275 | 59,455 |
| 2300 | Support Services - Administration | 535,560 | 535,804 | (244) | 563,625 | 28,065 |
| 2400 | Support Services - Pupil Health | 62,431 | 110,515 | (48,084) | 63,325 | 894 |
| 2500 | Support Services - Business | 226,235 | 218,113 | 8,122 | 224,250 | (1,985) |
| 2600 | Operation and Maintenance | 667,409 | 632,632 | 34,777 | 670,925 | 3,516 |
| 2700 | Student Transportation Services | 330,024 | 314,625 | 15,399 | 329,200 | (824) |
| 2900 | Other Support Services | 2,853 | 2,664 | 189 | 3,500 | 647 |
| 3200 | Student Activities | 121,833 | 110,210 | 11,623 | 184,295 | 62,462 |
| 3300 | Community Services | 1,607 | 2,027 | (420) | 3,790 | 2,183 |
| 3400 | Scholarships and Awards | 1,000 | 2,000 | (1,000) | 0 | (1,000) |
| 5100 | Debt Service | 43,607 | 44,337 | (730) | 48,000 | 4,393 |
| 5200 | Fund Transfers | 717,910 | 967,594 | (249,684) | 740,000 | 22,090 |
| 5900 | Budgetary Reserve | <u>0</u> | <u>0</u> | <u>0</u> | <u>439,610</u> | <u>439,610</u> |
| | Total Expenditures | 7,258,889 | 7,159,765 | 99,124 | 7,945,695 | 686,806 |
| | Revenues/Other financing sources | <u>7,345,074</u> | <u>7,216,786</u> | 128,288 | <u>6,860,597</u> | 484,477 |
| | Net Change | <u>\$ 86,185</u> | <u>\$ 57,021</u> | | <u>\$ (1,085,098)</u> | |

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that total expenditures do not exceed total appropriations. A schedule showing the School District's detail budget amounts compared with amounts actually paid and received is provided in Figure A-5. Significant variances in line items are discussed below.

- A. Total General Fund Revenues exceeded budget by \$484,477.
 1. Budgetary estimate differed significantly in the following areas:
 - a. Local revenues:
 - i. Local revenues in total yielded a surplus of \$377,144 over budget.
 - ii. Real Estate Taxes – Collections yielded \$119,694 over the conservatively budgeted amount with more taxpayers paying within the normal tax collection period.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

- iii. Local Earned Income Taxes – Local EIT tax collection was over budget by \$52,943 for the year even with COVID-19 and tax filing deadlines being extended again.
 - iv. Real Estate Transfer Tax – With an increase in Real Estate transactions, the Real Estate Transfer Tax exceeded the budget by \$90,899. This is almost double the budgeted amount with the current buyer's market.
 - v. PILT (Payment In Lieu of Taxes) - \$6,225 reimbursement from the federal government via the county government was not in the budget. This amount is not expected to continue in future years.
 - vi. IDIEA Reimbursements – A little over \$7,673 was from an increase in special education reimbursement through the IDIEA program.
 - vii. Prior Year Refunds – Unexpected refunds from prior year expenditures totaled \$5,877.
- b. State Revenues:
- i. State Revenues are \$126,429 over budget in total with most of that coming from a very conservative budgeted amount for Basic Education Subsidy.
- c. Federal Revenues:
- i. Federal Revenues were \$19,096 under budget even with the continued influx of federal stimulus dollars that the state passed through to the District and the federal stimulus dollars we received directly from the federal government. This amount will continue to be higher than normal over the next three (3) years as the District continues to spend these stimulus dollars wisely.
- B. Total General Fund Expenditures, excluding transfers and budgetary reserve, were under budget by \$225,106.
- 1. The reduction of General Fund Expenditures, along with the increase in revenues, yielded an increase of \$86,185 in fund balance after a transfer of \$700,000 was made to Capital Reserve Fund by the Board.
 - 2. The budget variances in figure A-5 are the result of only one set of budgetary transfers approved by the Board mid-year. Most of the budget overage was still in Budgetary Reserve for emergency purposes.
 - 3. Salaries were under budget \$91,639.
 - a. This was accomplished even though we added one additional custodial position for COVID-related cleaning during the school day and provided an unbudgeted summer program through the use of federal stimulus dollars.
 - 4. All services were under budget by \$73,218.
 - a. The District utilized less professional, maintenance, and other contract services creating a savings. This was a result of doing some of the work internally along with cost reductions.

Revenue – Fund Financials – General Fund

The revenue for the school district comes from local, state, and federal sources. During the 2020-21 fiscal year, \$4,108,539 local funds (56%), \$2,736,844 state funds (37%) and \$499,691 federal funds (7%) were recognized by the general fund.

Local funding is primarily from real estate taxes (\$3,350,394) and earned income taxes (\$302,942). Delinquent taxes in the amount of \$139,709 were collected during the fiscal year.

Basic Education Subsidy of \$1,597,038 makes up 58% of the total grants, subsidies and contributions received from the state.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Other significant receipts for the state include Special Education, \$238,704; Transportation Subsidy, \$108,972; State Property Tax Reduction Allocation, \$172,460; and Revenue for Social Security and Retirement Payments, \$650,059.

Technology

The importance of technology continues to be a part of the District's philosophy and planning. The District continues to replace our more expensive laptop and smart board/projector combinations that were mostly purchased with grant monies years ago with Chromebooks, tablets and smart TVs, creating a mobile learning experience for the teachers, thereby allowing them to move throughout the classroom rather than staying stationary at the front of the class. The District continues to upgrade the classroom technology in general and the overall network infrastructure to allow for more utilization of technology in the classroom.

The new reading and mathematics series purchased for the elementary grades will extensively utilize the classroom technology that continue to be upgraded in the elementary classrooms. Continued planning for STEAM-related curriculum is growing both the elementary and secondary levels. Teachers are embracing our STEAM initiative by implementing new curriculum projects that enforce the STEAM skills and initiatives not just in our science classrooms, but also in our regular classrooms as well.

The District utilized a large portion of its federal stimulus dollars from both the state pass through method and directly from the federal government to expand the 1:1 program to outfit all students in grades 4 through 12 with individual devices to allow for remote learning opportunities as part of the regular classroom day and for virtual learning days. The District also committed to a long-term remote learning management system that the teachers are incorporating into their daily teaching routine, whether in-person or virtual. The District is also investing into new electronic teaching devices to further aid the teachers in their physical and virtual classrooms. Technology will continue to be a main focus of expenditures moving forward.

Capital Assets

Figure A-6 illustrates changes in capital assets, net of depreciation, by asset type.

Figure A-6
Capital Assets Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Total School District | | % Change 2020-21 |
|-------------------------|-------------------------|---------------------|--------------------------|-----------------|-----------------------|---------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Land | \$ 24,792 | \$ 24,792 | \$ 0 | \$ 0 | \$ 24,792 | \$ 24,792 | |
| Site improvements | 5,756 | 6,153 | 0 | 0 | 5,756 | 6,153 | |
| Buildings | 2,877,985 | 3,067,906 | 0 | 0 | 2,877,985 | 3,067,906 | |
| Equipment and furniture | 157,749 | 109,871 | 3,754 | 4,817 | 161,503 | 114,688 | |
| Total | <u>\$ 3,066,282</u> | <u>\$ 3,208,722</u> | <u>\$ 3,754</u> | <u>\$ 4,817</u> | <u>\$ 3,070,036</u> | <u>\$ 3,213,539</u> | -4.47% |

While capital additions for the District in 2020-21 totaled \$74,947, depreciation expense totaled \$218,450 resulting in a decrease in net capital assets over prior year.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Long-Term Debt

Figure A-7 summarizes the change in long-term debt for the year ended June 30, 2021 compared to the year ended June 30, 2020.

Figure A-7
Outstanding Long-Term Debt

| | Total School District | | Total Percentage Change |
|-----------------|--------------------------|------------|-------------------------------|
| | 2021 | 2020 | |
| Technology Debt | \$ 148,661 | \$ 186,213 | -20.17% |
| Total | \$ 148,661 | \$ 186,213 | -20.17% |

Currently Known Facts, Decisions or Conditions

The School District does not expect significant growth in the near future given the residential nature of the local economy. Continued strain on the economy at the local, state and federal levels will have an effect on our revenue. The School District held the line on property taxes for 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21 and for a seventh year in 2021-22.

The District continues to monitor the staff size in comparison to the student population in order to provide the best education possible while remaining fiscally responsible. However, the District thought it best to maintain smaller class sizes in the elementary grade levels to continue to aid in COVID mitigation. The District added three (3) temporary teaching positions that are funded through federal stimulus dollars for the next three (3) fiscal years. With anticipated retirements in the upcoming years, the District plans on offering full-time positions to these temporary teachers first.

As state funding continues to decrease or be completely eliminated, the School District is evaluating the programs to determine whether or not to continue the program with local dollars. Programs like Dual Enrollment and Intervention services are being maintained at some level by local dollars since they have proven to be a benefit to the academic process in the District. The District did start a new FFA program starting in 2018-19 with over 20 students participating in the program's first year. Even with a change in the teaching position for this program, the program continues to grow and add new curriculum options for students.

The District made its final debt service payment for the 2001 renovation project in September 2019. The only debt remaining for the District is the SCTC debt that still has 5 more years of payments left. In lieu of the debt service payment in 2020-21, the District did make a comparable designation to the Capital Reserve Fund.

The District has begun to evaluate the status of key components of the District's property. Sections of roof for the entire property varies in age from the 1980s to 2001. A second evaluation of the roof that was made by the roof rubber manufacturer resulted in even more positive results. The roof, even with various sections being of different age, is in good shape overall. There is the need for some seam maintenance, but the rubber has a good 10+ years of life left.

The parking lot has not been treated or maintained since it was installed in 2001. The District is looking at options in repairing areas needing it and prolonging the life of the parking lot by applying a new finish coat of asphalt utilizing the existing asphalt as a base coat.

The District replaced a large number of key components in the cafeteria kitchen at the beginning of 2021-2022 with new, more modern options that are creating even more efficiencies in the cafeteria with less electrical usage and quicker cooking times. This purchase was funded through Capital Reserve.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

The District also had all of the sidewalks evaluated for ADA compliance. Repairs estimated to be around \$17,000 in cost has also been added to our planning list.

All of these capital projects and others not mentioned are being compiled into the District's long-term plan of maintaining and upgrading without having to incur any more long-term debt. The District is continuing to monitor the list of these projects while trying to determine the priority of order as well as the funding source for each project. Any COVID-related projects are being considered to be funded through federal stimulus dollars if allowable.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have any questions about this report or need additional information, contact the Business Office, Shanksville-Stonycreek School District.

BASIC FINANCIAL STATEMENTS

Shanksville-Stonycreek School District
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| Assets | | | |
| Current assets: | | | |
| Cash and equivalents | \$ 2,382,534 | \$ 18,192 | \$ 2,400,726 |
| Investments | 2,992,000 | 0 | 2,992,000 |
| Taxes receivable | 724,514 | 0 | 724,514 |
| Intergovernmental receivables | 502,449 | 22,484 | 524,933 |
| Other receivables | 2,491 | 948 | 3,439 |
| Inventories | 15,253 | 9,160 | 24,413 |
| Prepaid expenses | 5,232 | 0 | 5,232 |
| Total current assets | 6,624,473 | 50,784 | 6,675,257 |
| Noncurrent assets: | | | |
| Land | 24,792 | 0 | 24,792 |
| Depreciable capital assets, net | 3,041,490 | 3,754 | 3,045,244 |
| Total noncurrent assets | 3,066,282 | 3,754 | 3,070,036 |
| Total assets | 9,690,755 | 54,538 | 9,745,293 |
| Deferred Outflows of Resources | | | |
| Defined benefit pension plan | 1,616,382 | 0 | 1,616,382 |
| Other post-employment benefits (OPEB) | 287,590 | 0 | 287,590 |
| Total deferred outflows of resources | 1,903,972 | 0 | 1,903,972 |
| Total assets and deferred outflows of resources | \$ 11,594,727 | \$ 54,538 | \$ 11,649,265 |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| Liabilities | | | |
| Current liabilities: | | | |
| Internal balances | \$ (15,663) | \$ 15,663 | \$ 0 |
| Due to other governments | 13,326 | 0 | 13,326 |
| Accounts payable | 186,826 | 0 | 186,826 |
| Current portion of compensated absences | 24,057 | 161 | 24,218 |
| Accrued salaries and benefits | 385,831 | 4,210 | 390,041 |
| Payroll deductions and withholdings | 314,701 | 0 | 314,701 |
| Unearned revenue | 0 | 9,664 | 9,664 |
| Current portion of long-term liabilities | 37,727 | 0 | 37,727 |
| Total current liabilities | 946,805 | 29,698 | 976,503 |
| Noncurrent liabilities: | | | |
| Long-term portion of compensated absences | 83,518 | 0 | 83,518 |
| Other long-term financing | 110,934 | 0 | 110,934 |
| Net other post-employment benefits (OPEB) | 1,349,000 | 0 | 1,349,000 |
| Net pension liability | 9,355,000 | 0 | 9,355,000 |
| Total noncurrent liabilities | 10,898,452 | 0 | 10,898,452 |
| Total liabilities | 11,845,257 | 29,698 | 11,874,955 |
| Deferred Inflows of Resources | | | |
| Defined benefit pension plan | 486,460 | 0 | 486,460 |
| Other post-employment benefits (OPEB) | 142,000 | 0 | 142,000 |
| Total deferred inflows of resources | 628,460 | 0 | 628,460 |
| Net Position | | | |
| Invested in capital assets | 3,066,282 | 3,754 | 3,070,036 |
| Restricted for: | | | |
| Capital projects | 1,427,674 | 0 | 1,427,674 |
| Unrestricted | (5,372,946) | 21,086 | (5,351,860) |
| Total net position | (878,990) | 24,840 | (854,150) |
| Total liabilities, deferred inflows of resources, and net position | \$ 11,594,727 | \$ 54,538 | \$ 11,649,265 |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Activities
For the Year Ended June 30, 2021

| | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | | |
|--|---------------------|-------------------------|---------------------------------------|--|----------------------------|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 4,116,042 | \$ 0 | \$ 1,237,995 | \$ 0 | \$ (2,878,047) | \$ 0 | \$ (2,878,047) |
| Instructional student support | 535,927 | 0 | 132,745 | 0 | (403,182) | 0 | (403,182) |
| Administration and financial support | 848,831 | 0 | 5,433 | 0 | (843,398) | 0 | (843,398) |
| Operations and maintenance of plant | 691,665 | 0 | 61,808 | 13,997 | (615,860) | 0 | (615,860) |
| Pupil transportation | 341,111 | 0 | 108,972 | 0 | (232,139) | 0 | (232,139) |
| Student activities | 127,746 | 3,191 | 0 | 0 | (124,555) | 0 | (124,555) |
| Interest on long-term debt | <u>6,056</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(6,056)</u> | <u>0</u> | <u>(6,056)</u> |
| Total governmental activities | 6,667,378 | 3,191 | 1,546,953 | 13,997 | (5,103,237) | 0 | (5,103,237) |
| Business-Type Activities: | | | | | | | |
| Food service | <u>227,905</u> | <u>37,119</u> | <u>176,797</u> | <u>0</u> | <u>0</u> | <u>(13,989)</u> | <u>(13,989)</u> |
| Total primary government | <u>\$ 6,895,283</u> | <u>\$ 40,310</u> | <u>\$ 1,723,750</u> | <u>\$ 13,997</u> | <u>(5,103,237)</u> | <u>(13,989)</u> | <u>(5,117,226)</u> |
| General Revenues: | | | | | | | |
| Taxes levied | | | | | 4,034,969 | 0 | 4,034,969 |
| Grants, subsidies and contributions, not restricted | | | | | 1,769,498 | 0 | 1,769,498 |
| Investment earnings | | | | | 7,485 | 29 | 7,514 |
| Miscellaneous | | | | | 4,857 | 0 | 4,857 |
| Transfers between governmental, business-type activities | | | | | <u>(10,266)</u> | <u>10,266</u> | <u>0</u> |
| Total general revenues | | | | | <u>5,806,543</u> | <u>10,295</u> | <u>5,816,838</u> |
| Change in net position | | | | | 703,306 | (3,694) | 699,612 |
| Net position, beginning of year, restated | | | | | <u>(1,582,296)</u> | <u>28,534</u> | <u>(1,553,762)</u> |
| Net position, end of year | | | | | <u>\$ (878,990)</u> | <u>\$ 24,840</u> | <u>\$ (854,150)</u> |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Balance Sheet
Governmental Funds
June 30, 2021

| | General Fund | Major Fund Capital Projects Fund | Total Governmental Funds |
|---|-------------------------|--|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,362,929 | \$ 1,019,605 | \$ 2,382,534 |
| Investments | 2,496,000 | 496,000 | 2,992,000 |
| Taxes receivable | 724,514 | 0 | 724,514 |
| Due from other funds | 79,939 | 0 | 79,939 |
| Due from other governments | 502,449 | 0 | 502,449 |
| Other receivables | 2,491 | 0 | 2,491 |
| Inventories | 15,253 | 0 | 15,253 |
| Prepaid expenses | <u>5,232</u> | <u>0</u> | <u>5,232</u> |
| Total assets | 5,188,807 | 1,515,605 | 6,704,412 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 5,188,807</u> | <u>\$ 1,515,605</u> | <u>\$ 6,704,412</u> |
| Liabilities | | | |
| Due to other funds | \$ 0 | \$ 64,276 | \$ 64,276 |
| Due to other governments | 13,326 | 0 | 13,326 |
| Accounts payable | 163,171 | 23,655 | 186,826 |
| Accrued salaries and benefits | 385,831 | 0 | 385,831 |
| Payroll deductions and withholding | <u>314,701</u> | <u>0</u> | <u>314,701</u> |
| Total liabilities | <u>877,029</u> | <u>87,931</u> | <u>964,960</u> |
| Deferred Inflows of Resources | | | |
| Delinquent taxes receivable | <u>672,796</u> | <u>0</u> | <u>672,796</u> |
| Total deferred inflows of resources | <u>672,796</u> | <u>0</u> | <u>672,796</u> |
| Fund Balance | | | |
| Nonspendable | 20,485 | 0 | 20,485 |
| Restricted | 0 | 1,427,674 | 1,427,674 |
| Committed | 2,080,000 | 0 | 2,080,000 |
| Unassigned | <u>1,538,497</u> | <u>0</u> | <u>1,538,497</u> |
| Total fund balance | <u>3,638,982</u> | <u>1,427,674</u> | <u>5,066,656</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 5,188,807</u> | <u>\$ 1,515,605</u> | <u>\$ 6,704,412</u> |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2021

| | |
|--|-------------------------------|
| Total fund balance – governmental funds | \$ 5,066,656 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$11,059,801 and the accumulated depreciation is \$7,993,519. | |
| | 3,066,282 |
| Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore, are recorded as deferred inflows of resources in the funds. | |
| | 672,796 |
| Long-term liabilities 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: | |
| Compensated absences | \$ (107,575) |
| Technology Center debt | (148,661) |
| OPEB obligation | (1,349,000) |
| Net pension liability | <u>(9,355,000)</u> |
| | (10,960,236) |
| Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds. | |
| Deferred outflows related to pensions | \$1,616,382 |
| Deferred inflows related to pensions | (486,460) |
| Deferred outflows related to OPEB | 287,590 |
| Deferred inflows related to OPEB | <u>(142,000)</u> |
| | <u>1,275,512</u> |
| Net position of governmental activities | <u>\$(878,990)</u> |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | General Fund | Major Fund Capital Projects Fund | Total Governmental Funds |
|--|---------------------|--|--------------------------------|
| Revenues | | | |
| Local sources | \$ 4,108,539 | \$ 110 | \$ 4,108,649 |
| State sources | 2,736,844 | 0 | 2,736,844 |
| Federal sources | <u>499,691</u> | <u>0</u> | <u>499,691</u> |
| Total revenues | <u>7,345,074</u> | <u>110</u> | <u>7,345,184</u> |
| Expenditures | | | |
| Instruction | 4,020,464 | 0 | 4,020,464 |
| Support services | 2,352,468 | 66,506 | 2,418,974 |
| Non-instructional services | 124,440 | 0 | 124,440 |
| Debt service (principal and interest) | <u>43,607</u> | <u>0</u> | <u>43,607</u> |
| Total expenditures | <u>6,540,979</u> | <u>66,506</u> | <u>6,607,485</u> |
| Excess of revenues over (under) expenditures | <u>804,095</u> | <u>(66,396)</u> | <u>737,699</u> |
| Other financing sources (uses) | | | |
| Interfund transfers | <u>(717,910)</u> | <u>707,644</u> | <u>(10,266)</u> |
| Total other financing sources (uses) | <u>(717,910)</u> | <u>707,644</u> | <u>(10,266)</u> |
| Net change in fund balance | 86,185 | 641,248 | 727,433 |
| Fund balance, beginning of year, restated | <u>3,552,797</u> | <u>786,426</u> | <u>4,339,223</u> |
| Fund balance, end of year | <u>\$ 3,638,982</u> | <u>\$ 1,427,674</u> | <u>\$ 5,066,656</u> |

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

Total net change in fund balance – governmental funds \$ 727,433

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 74,947 | |
| Depreciation expense | <u>(217,387)</u> | (142,440) |

Because some property taxes will not be collected for several months after the District’s year end, they are not considered as “available” revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year. 36,907

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amount earned. The liability for compensated absences decreased by this amount this year. 8,555

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

| | | |
|--------------------------------|------------------|--------|
| District pension contributions | \$ 923,160 | |
| Pension expense | <u>(882,211)</u> | 40,949 |

Governmental funds report District payments for other post-employment benefits (OPEB) in the year such benefits are used. However, OPEB expense, which is the change in the net OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the statement of activities.

| | | |
|--------------------------------|-----------------|---------|
| District OPEB benefit payments | \$ 77,590 | |
| OPEB expense | <u>(83,239)</u> | (5,649) |

**Shanksville-Stonycreek School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

The principal payments on long-term debt consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. This is the amount of principal payments made on Technology Center debt in 2020-21.

37,551

Change in net position of governmental activities

\$ 703,306

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Net Position
Proprietary Fund
June 30, 2021

| | <u>Food Service</u> |
|--|---------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 18,192 |
| Due from other governments | 22,484 |
| Other receivables | 948 |
| Inventory | 9,160 |
| Total current assets | 50,784 |
| Noncurrent assets: | |
| Machinery and equipment, net | 3,754 |
| Total noncurrent assets | 3,754 |
| Total assets | 54,538 |
| Deferred Outflows of Resources | |
| Total assets and deferred outflows of resources | 0 |
| Liabilities | |
| Current liabilities: | |
| Due to other funds | \$ 15,663 |
| Accrued salaries and benefits | 4,210 |
| Unearned revenue | 9,664 |
| Current portion of compensated absences | 161 |
| Total current liabilities | 29,698 |
| Total liabilities | 29,698 |
| Deferred Inflows of Resources | |
| Total liabilities, deferred inflows of resources, and net position | 0 |
| Net Position | |
| Invested in capital assets | 3,754 |
| Unrestricted | 21,086 |
| Total net position | 24,840 |
| Total liabilities, deferred inflows of resources, and net position | \$ 54,538 |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

| | <u>Food Service</u> |
|---|---------------------|
| Operating revenues | |
| Food service revenue | \$ 37,119 |
| | |
| Total operating revenues | <u>37,119</u> |
| Operating expenses | |
| Salaries | 71,922 |
| Employee benefits | 56,458 |
| Purchased property services | 3,012 |
| Supplies | 94,019 |
| Depreciation | 1,063 |
| Dues and fees | <u>1,431</u> |
| | |
| Total operating expenses | <u>227,905</u> |
| | |
| Operating income (loss) | <u>(190,786)</u> |
| Nonoperating revenues (expenses) | |
| Earnings on investments | 29 |
| State sources | 19,915 |
| Federal sources | <u>156,882</u> |
| | |
| Total nonoperating revenues (expenses) | <u>176,826</u> |
| | |
| Income (loss) before transfers | <u>(13,960)</u> |
| Contributions and transfers | |
| Transfers in (out) | <u>10,266</u> |
| | |
| Change in net position | (3,694) |
| | |
| Total net position, beginning of year, restated | <u>28,534</u> |
| | |
| Total net position, end of year | <u>\$ 24,840</u> |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

| | Food Service |
|---|--------------|
| Cash flows from operating activities | |
| Cash received from users | \$ 36,618 |
| Cash payments to employees for services | (71,921) |
| Cash payments to suppliers for goods and services | (150,633) |
| Net cash provided by (used for) operating activities | (185,936) |
| Cash flows from non-capital financing activities | |
| State sources | 20,046 |
| Federal sources | 156,117 |
| Transfers in | 7,204 |
| Net cash provided by (used for) non-capital financing activities | 183,367 |
| Cash flows from investing activities | |
| Earnings on investments | 29 |
| Net cash provided by (used for) investing activities | 29 |
| Net increase (decrease) in cash and cash equivalents | (2,540) |
| Cash and cash equivalents, beginning of year | 20,732 |
| Cash and cash equivalents, end of year | \$ 18,192 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (190,786) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 1,063 |
| (Increase) decrease in other receivables | 163 |
| (Increase) decrease in inventories | 4,287 |
| Increase (decrease) in accrued salaries/benefits | 1 |
| Increase (decrease) in unearned revenue | (664) |
| Total adjustments | 4,850 |
| Net cash provided by (used for) operating activities | \$ (185,936) |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

| | <u>Custodial Fund</u> |
|---|-----------------------|
| Assets | |
| Cash and cash equivalents | \$ 66,473 |
| Total assets | 66,473 |
| Deferred Outflows of Resources | 0 |
| Total assets and deferred outflows of resources | \$ 66,473 |
| Liabilities | |
| Other current liabilities | \$ 609 |
| Total liabilities | 609 |
| Deferred Inflows of Resources | 0 |
| Net Position | |
| Restricted for student organizations | 65,864 |
| Total net position | 65,864 |
| Total liabilities, deferred inflows of resources, and net position | \$ 66,473 |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | Custodial Fund |
|---|----------------|
| Additions: | |
| Gifts and contributions | \$ 1,697 |
| Interest income | 120 |
| Fundraising | 62,886 |
| Total additions | 64,703 |
| Deductions: | |
| Events and supplies | 60,959 |
| Total deductions | 60,959 |
| Change in net position | 3,744 |
| Net position, beginning of year, restated | 62,120 |
| Net position, end of year | \$ 65,864 |

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

1. Description of School District and Reporting Entity

The Shanksville-Stonycreek School District is a Local Education Agency of the fourth class, governed by a nine-member publicly elected board, located in Somerset County, Pennsylvania. The District provides educational services to approximately 330 students from Shanksville Borough, Indian Lake Borough and Stonycreek Township. The District's facility is contained within one building. The District also participates in a local area vocational/technical school with various other districts.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Shanksville-Stonycreek School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

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

Capital Projects Fund – Accounts for financial resources restricted for the acquisition, construction, renovation and deferred maintenance of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type. The School District's custodial fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2L, and deferred inflows/outflows of resources in Note 2M.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2021.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments include long-term certificates of deposit held by Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF), and the funds held by PLGIT in a fixed term investment portfolio (PLGIT Term). Similar to checking and savings accounts, non-negotiable certificates of deposit and PLGIT Term are not subject to fair value or the aforementioned fair value level disclosures.

Although included in cash and cash equivalents on the District's financial statements, the District also invests in pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). These funds represent investments held in 2a7-like pools. Portfolio securities are valued at amortized cost, which approximates market value. PLGIT and PSDLAF portfolios act like money market mutual funds, in that their objective is to maintain a stable net asset value of \$1.00 per share. The District reports these funds at the pool's share price. These funds are further discussed in Note 3.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid expense at June 30, 2021 consists of the remaining balance of an advance payment on a 6-year subscription for consumable textbooks (\$5,232).

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

H. Inventory

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.

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as an expenditure when purchased; however, an estimated value of inventories (\$15,253) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute “available spending resources” even though they are a component of net current assets.

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 are valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2021 are reported as unearned revenue.

I. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of four thousand (\$4,000) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Site Improvements | 15 - 20 years |
| Buildings and Improvements | 20 - 50 years |
| Furniture and Equipment | 3 - 20 years |

J. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities (or fiduciary funds) are reported in the government-wide financial statements as “internal balances.” In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

All receivables are determined to be collectible, and no allowance has been established.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

K Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

L. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

M. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred outflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred outflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

No deferred outflows of resources affect the fund financial statements in the current year.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The deferred inflows of resources reported on the District’s statement of net position include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred inflow, they may be amortized to expense over 5 years, or over the average

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

remaining service lives of employees. See further detail on deferred inflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

In the District’s governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$672,796).

N. Fund Balance Classification

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are in nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School board or by an official or body to which the School Board delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2021, fund balance components, other than unassigned, consist of the following:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| General Fund: | | | |
| Inventory | \$ 15,253 | \$ 0 | \$ 0 |
| Prepaid expenses | 5,232 | 0 | 0 |
| Future retirement costs | 0 | 0 | 400,000 |
| Technology replacement | 0 | 0 | 230,000 |
| Curriculum enhancement | 0 | 0 | 200,000 |
| Post-employment benefits | 0 | 0 | 400,000 |
| Future capital improvements | 0 | 0 | 850,000 |
| Capital Projects Fund | <u>0</u> | <u>1,427,674</u> | <u>0</u> |
| Total | <u>\$ 20,485</u> | <u>\$ 1,427,674</u> | <u>\$ 2,080,000</u> |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the Business Manager and/or Superintendent as delegated by the School Board.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

O. Net Position

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

The government-wide statement of net position reports \$1,427,674 of restricted net position, which is restricted by enabling legislation for Capital Projects.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Multi-Employer Benefit Plans

Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing, multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

Other Post-Employment Benefits (OPEB)

The Public School Employees Retirement System (PSERS) provides a health insurance premium assistance program, which is a governmental cost-sharing, multiple employer OPEB plan for all eligible District retirees who qualify and elect to participate. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net OPEB liability. The Standard further requires the District to recognize OPEB expense and report deferred outflows of resources and deferred

Shanksville-Stonycreek School District
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inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows and inflows of resources related to OPEB.

For purposes of measuring the aforementioned net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

3. Cash and Cash Equivalents and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) 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.

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

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$300. The market values of deposits are equal to the cost of the deposits. Cash and cash equivalents further include pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF), further discussed below.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

PLGIT ensures that it will not place deposits with any single issuing institution if the largest participant's pro-rata share of such deposits exceeds insurance limits unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, PSDLAF funds and PLGIT "liquid portfolios" meet the requirements of investments held in 2a7-like pools, and accordingly, portfolio securities are valued at amortized cost, which approximates market value. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Investments in PSDLAF and certain PLGIT portfolios are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of principal or interest. However, other PLGIT portfolios, although liquid, impose penalties for withdrawals prior to initial holding periods of 30 days or for exceeding limits on the number of withdrawals per month. Another has a 7-day wait time, in the case of premature redemptions, in addition to a premature redemption penalty.

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District's deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2021, \$669,123 of the District's bank balance of \$2,161,123 was exposed to custodial risk as:

| | |
|---|------------|
| Uninsured and uncollateralized | \$ 0 |
| Collateralized with securities held by the pledging financial institution | 0 |
| Uninsured and collateral held by the pledging bank's trust department not in the District's name | 669,123 |
| Total | \$ 669,123 |

Reconciliation to Financial Statements

| | |
|---|--------------|
| Uninsured amount above | \$ 669,123 |
| Add: Insured amount | 1,492,000 |
| Less: Outstanding checks | (36,163) |
| Carrying amount - bank balances | 2,124,960 |
| Plus: Petty cash | 300 |
| Deposits in investment pool considered cash equivalents | 1,333,939 |
| Less: Certificates of deposit considered investments | (992,000) |
| Total cash per financial statements | \$ 2,467,199 |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Investments

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

| <u>Investment</u> | <u>Maturity</u> | <u>Value</u> |
|--------------------------------------|-----------------|---------------------|
| PA School District Liquid Asset Fund | N/A | \$ 376,811 |
| PA Local Government Investment Trust | N/A | 957,128 |
| PLGIT Term Investment Portfolio | 6 months | 2,000,000 |
| PLGIT - Certificate of Deposit | 12 months | 248,000 |
| PSDLAF - Certificates of Deposit | 11-12 months | <u>744,000</u> |
| Total | | <u>\$ 4,325,939</u> |

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to those authorized by State statutes. However, the District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2021, the District's investments were rated as:

| <u>Investment</u> | <u>Standard & Poor's</u> |
|--------------------------------------|------------------------------|
| PA Local Government Trust | AAAm |
| PA School District Liquid Asset Fund | AAAm |

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

| | |
|---|---------------------|
| Total investments above | \$ 4,325,939 |
| Less: Deposits in investment pool considered cash equivalents | <u>(1,333,939)</u> |
| Total investments per financial statements | <u>\$ 2,992,000</u> |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Township of Stonycreek and the Boroughs of Indian Lake and Shanksville. The tax on real estate for public school purposes for fiscal 2021 was 37.04 mills (\$37.04 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations (\$94,936,186) of property are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

| | |
|--------------------------|-----------------------|
| July 1 | - Levy Date |
| July 1 – September 30 | - 2% Discount Period |
| October 1 – November 30 | - Face Payment Period |
| December 1 - December 31 | - 5% Penalty Period |
| January 15 | - Lien Date |

5. Taxes Receivable

The elected tax collectors are required to return any uncollected real estate taxes to the county’s tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2021 is \$724,514. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2021:

| | |
|--|-------------------|
| Delinquent real estate | \$ 26,709 |
| Realty transfer tax | 17,615 |
| Earned income taxes | <u>7,394</u> |
| Uncollected taxes recognized as revenue (received within 60 days) | 51,718 |
| Real estate tax-deferred inflow of resources | <u>672,796</u> |
| Total taxes receivable | <u>\$ 724,514</u> |

6. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue in the food service fund (\$9,664) represents credits on student cafeteria accounts (\$6,377) and donated commodities inventory on hand (\$3,287) at June 30, 2021.

Shanksville-Stonycreek School District
Notes to Financial Statements
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7. Due From Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2021, the following amounts are due from other governmental units:

| <u>Due From</u> | <u>General Fund</u> | <u>Proprietary Fund</u> |
|-----------------|---------------------|-------------------------|
| Federal | \$ 296,981 | \$ 21,618 |
| State | 205,468 | 866 |
| Local | <u>0</u> | <u>0</u> |
| | <u>\$ 502,449</u> | <u>\$ 22,484</u> |

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 24,792 | \$ 0 | \$ 0 | \$ 24,792 |
| Total capital assets, not being depreciated | <u>24,792</u> | <u>0</u> | <u>0</u> | <u>24,792</u> |
| Capital assets, being depreciated: | | | | |
| Site improvements | 847,969 | 0 | 0 | 847,969 |
| Buildings and improvements | 8,977,060 | 0 | 0 | 8,977,060 |
| Furniture and equipment | <u>1,135,033</u> | <u>74,947</u> | <u>0</u> | <u>1,209,980</u> |
| Total capital assets, being depreciated | <u>10,960,062</u> | <u>74,947</u> | <u>0</u> | <u>11,035,009</u> |
| Less accumulated depreciation: | | | | |
| Site improvements | 841,816 | 397 | 0 | 842,213 |
| Buildings and improvements | 5,909,154 | 189,921 | 0 | 6,099,075 |
| Furniture and equipment | <u>1,025,162</u> | <u>27,069</u> | <u>0</u> | <u>1,052,231</u> |
| Total accumulated depreciation | <u>7,776,132</u> | <u>217,387</u> | <u>0</u> | <u>7,993,519</u> |
| Total capital assets, being depreciated, net | <u>3,183,930</u> | <u>(142,440)</u> | <u>0</u> | <u>3,041,490</u> |
| Governmental activities capital assets, net | <u>\$ 3,208,722</u> | <u>\$ (142,440)</u> | <u>\$ 0</u> | <u>\$ 3,066,282</u> |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|------------|------------|-------------------|
| Business-Type Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 241,249 | \$ 0 | \$ 0 | \$ 241,249 |
| Total capital assets, being depreciated | 241,249 | 0 | 0 | 241,249 |
| Less accumulated depreciation: | | | | |
| Equipment | 236,432 | 1,063 | 0 | 237,495 |
| Total accumulated depreciation | 236,432 | 1,063 | 0 | 237,495 |
| Business-type activities capital assets, net | \$ 4,817 | \$ (1,063) | \$ 0 | \$ 3,754 |

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

Governmental Activities:

| | |
|--|------------|
| Instruction | \$ 134,563 |
| Instruction support | 17,391 |
| Administration and finance | 27,608 |
| Operation and maintenance of plant | 22,608 |
| Pupil transportation | 11,087 |
| Student activities | 4,130 |
| Total depreciation expense - governmental activities | \$ 217,387 |

9. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee's Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.psers.state.pa.us.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who became 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 three 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 10 years.

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 PSERS 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.

Shanksville-Stonycreek School District
Notes to Financial Statements
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Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

Members who joined PSERS after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District's contractually required contribution rate, 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. For the fiscal year ended June 30, 2021, the rate of the employer's contribution was 34.51 percent of covered payroll. The 34.51 percent rate is composed of a pension contribution rate of 33.51 percent for pension benefits, 0.82 percent for healthcare insurance premium assistance, and a 0.18 percent for the Act 5 defined contribution plan. Shanksville-Stonycreek School District's contributions to PSERS for the year ending June 30, 2021 were \$950,709. These contributions include \$4,959 to the defined contribution plan for the year ended June 30, 2021.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

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

At June 30, 2021, the District reported a liability of \$9,355,000 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 PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0190%, which was an increase of 0.0004% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$882,211. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 24,000 | \$ 224,000 |
| Changes in assumptions | 0 | 0 |
| Net difference between projected and actual investment earnings | 411,000 | 0 |
| Changes in proportions | 227,000 | 210,000 |
| Difference between employer contributions and proportionate share of total contributions | 31,222 | 52,460 |
| Contributions subsequent to the measurement date | 923,160 | 0 |
| | \$ 1,616,382 | \$ 486,460 |

\$923,160, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

| Year Ended June 30: | |
|------------------------|--------------|
| 2022 | \$ (151,999) |
| 2023 | 87,001 |
| 2024 | 168,001 |
| 2025 | 121,001 |
| 2026 | (999) |
| Thereafter | (16,243) |
| | \$ 206,762 |

**Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021**

Actuarial Assumptions

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

- The Investment Rate of Return was 7.25%.
- The inflation assumption was 2.75%.
- Salary growth at an 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 experience study that was performed for the five-year period ending June 30, 2015.

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

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.

| <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% |
| Infrastructure/MLPs | 6.0% | 5.7% |
| Real estate | 10.0% | 5.5% |
| Risk parity | 8.0% | 3.3% |
| Cash | 6.0% | -1.0% |
| Financing (LIBOR) | <u>-14.0%</u> | -0.7% |
| | <u>100.0%</u> | |

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

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

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 one percentage point lower (6.25%) or one 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 | \$ 11,575,000 | \$ 9,355,000 | \$ 7,475,000 |

Pension Plan Fiduciary Net Position

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

11. Post-employment Benefit Plans – PSERS Health Insurance Premium Assistance Program

Plan Description

PSERS 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 PSERS system can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree; or

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

- Have 15 or more years of service and retired after reaching superannuation age; and
- Participate in the HOP or employer-sponsored health insurance program.

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 rate for the fiscal year ended June 30, 2021 was 0.82% 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 District were \$22,590 for the year ended June 30, 2021.

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

At June 30, 2021 the District reported a liability of \$411,000 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 PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0190%, which was an increase of 0.0004% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$18,239. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 4,000 | \$ 0 |
| Changes in assumptions | 17,000 | 9,000 |
| Net difference between projected and actual investment earnings | 1,000 | 0 |
| Changes in proportions | 14,000 | 22,000 |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | 22,590 | 0 |
| | \$ 58,590 | \$ 31,000 |

Shanksville-Stonycreek School District
Notes to Financial Statements
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\$22,590 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | |
|------------------------|------------|
| 2022 | \$ (1,000) |
| 2023 | (1,000) |
| 2024 | (1,000) |
| 2025 | 1,000 |
| 2026 | 4,000 |
| Thereafter | 3,000 |
| | \$ 5,000 |

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % 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 of 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, 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 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 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.

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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.

| <u>OPEB - Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Cash | 50.3% | -1.0% |
| US Core Fixed Income | 46.5% | -0.1% |
| Non-US Developed Fixed | <u>3.2%</u> | -0.1% |
| | <u>100.0%</u> | |

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 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 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 | \$ 468,000 | \$ 411,000 | \$ 363,000 |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes 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 from the PSERS’ system were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 PSERS 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 District’s net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what the District’s net OPEB liability would be if the healthcare cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share of the net OPEB liability | \$ 410,000 | \$ 411,000 | \$ 411,000 |

OPEB Plan Fiduciary Net Position

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

12. Post-employment Benefit Plan – District Specific Plan

Plan Description

The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the “Plan”) that is used to provide continuation of medical (PPO) and pharmacy benefits to employees who retire from the District. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Eligibility

Age and service requirements for retirement vary by group as shown below. No benefits are provided upon termination of employment if retirement conditions are not met at termination. No benefits are provided to surviving dependents upon death if employee has not retired.

| | |
|-----------|---|
| Teachers: | If hired on or before July 1, 2014, eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43. |
|-----------|---|

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Administrators: Eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.

Support Staff: Eligible to purchase coverage upon retirement after completing 15 years of District service or meeting the requirements of Act 110/43.

Duration of Healthcare Benefits

Teachers: Retiree coverage continues until age 65, death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.

Administrators: Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.

Support Staff: Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier.

Participant Contributions

Teachers: Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,500 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.

Administrators: Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,500 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.

Support Staff: Retiree and/or spouse pay the full premium amount.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

The number of participants as of July 1, 2020, the effective date of the most recent full OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

| | District |
|------------------------------|-----------|
| Active employees | 65 |
| Retired employees | 4 |
| Spouses of retired employees | <u>0</u> |
| Total | <u>69</u> |

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund.

Net OPEB Liability

The District's net OPEB liability of \$938,000 was measured as of June 30, 2020 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2021.

Actuarial Assumptions and Other Inputs

- Discount Rate – 2.16% as of June 30, 2021.
- Healthcare Cost Trend Rates – 6.10% for 2022, decreasing to an ultimate rate of 3.7% by 2075.
- The discount rate was based on the Bond Buyer 20-year Bond GO Index at June 30, 2021.
- Mortality rates are assumed using the RP-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2018 from 2006 base year and projected forward on a generational basis with Scale MP-2018.

Changes in the District's net OPEB liability for the plan for the fiscal year ended June 30, 2021 was as follows:

| | |
|--------------------------|--------------------------|
| Balance at July 1, 2020 | <u>\$ 816,000</u> |
| Service cost | 32,000 |
| Interest | 17,000 |
| Plan changes | 0 |
| Liability gains/losses | 73,000 |
| Changes in assumptions | 55,000 |
| Benefit payments | <u>(55,000)</u> |
| Net changes | <u>122,000</u> |
| Balance at June 30, 2021 | <u><u>\$ 938,000</u></u> |

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability, calculated using the valuation discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate.

| | 1% Decrease 1.16% | Current Rate 2.16% | 1% Increase 3.16% |
|-------------------------------|----------------------|--------------------------|----------------------|
| District's net OPEB liability | \$ 997,000 | \$ 938,000 | \$ 882,000 |

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

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

| | 1% Decrease | Current Rate | 1% Increase |
|-------------------------------|-------------|-----------------|--------------|
| District's net OPEB liability | \$ 874,000 | \$ 938,000 | \$ 1,014,000 |

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$65,000. At June 30, 2021, the District reported deferred outflows and inflows related to OPEB from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 130,000 | \$ 0 |
| Changes in assumptions | 99,000 | 111,000 |
| | \$ 229,000 | \$ 111,000 |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | | |
|------------------------|----|------------|
| 2022 | \$ | 16,000 |
| 2023 | | 16,000 |
| 2024 | | 16,000 |
| 2025 | | 16,000 |
| 2026 | | 11,000 |
| Thereafter | | 43,000 |
| | | \$ 118,000 |

Economic/demographic (gains)/losses and assumption changes are recognized over the average remaining service life for all active and inactive members.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

13. Long-Term Obligations

During the fiscal year ended June 30, 2021, general long-term obligations changed as follows:

| | Other Long-term Financing | Compensated Absences | Total General Long-term Obligations |
|---------------------------------|---------------------------------|-------------------------|---|
| Beginning of year | \$ 186,212 | \$ 116,437 | \$ 302,649 |
| Principal retirement | (37,551) | 0 | (37,551) |
| Changes in compensated absences | <u>0</u> | <u>(8,701)</u> | <u>(8,701)</u> |
| End of year | 148,661 | 107,736 | 256,397 |
| Less: Current portion | <u>(37,727)</u> | <u>(24,218)</u> | <u>(61,945)</u> |
| Long-term liabilities | <u>\$ 110,934</u> | <u>\$ 83,518</u> | <u>\$ 194,452</u> |

Other Long-Term Financing: Somerset County Technology Center

Other long-term liabilities at June 30, 2021 include Shanksville-Stonycreek School District's estimated share of the Series of 2011 General Obligation Note, related to the area vocational-technical school, issued in the principal amount of \$4,825,000. The proceeds of the note were used to refinance the Series 2004 State Public School Building Authority Bonds. This debt service is shared by eight surrounding school districts including Shanksville-Stonycreek School District.

The Series of 2011 Note has a scheduled maturity of May 15, 2025. Interest is payable semi-annually on May 15th and November 15th, commencing on November 15, 2011.

Shanksville-Stonycreek School District's prorated share of the scheduled debt service payments fluctuates based on the estimated market value of the real estate within the District. The Commonwealth of Pennsylvania establishes the annual debt allocation rate. Because of the fluctuating nature of the allocation rate, no schedule of future debt payments is presented. However, the District did recognize an estimated current (\$37,727) and long-term (\$110,934) liability for their estimated share of the future debt service principal payments. These estimates are based on the District's 2020-2021 debt allocation rate of 10.01%. Accordingly, the Shanksville-Stonycreek School District's share of the balance outstanding at June 30, 2021 is \$148,661.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2021. The School District allows all employees to accumulate their unused sick leave. Upon retirement, employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Shanksville-Stonycreek School District at the rate of \$50 per day for professional staff up to a maximum of 120 days and \$15 per day for administrators and support staff up to a maximum of 100 days.

The School District has computed a total liability of \$107,736 at June 30, 2021 with \$107,575 reflected in the General Fund and \$161 reflected in the proprietary fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Long-term financing agreements entered into for governmental activity purposes are liquidated by the general fund. Compensated absences liabilities for governmental activities will be paid by the general fund; whereas those related to business-type activities will be paid by the proprietary fund.

14. Operating Leases

The School District entered into noncancellable operating leases for copiers and a postage meter. Rental expenditures under all operating lease agreements were \$8,208. Future minimum rental payments required under operating leases that have remaining lease terms as of June 30 are as follows:

| Year Ended <u>June 30,</u> | <u>Payment</u> |
|---------------------------------|------------------|
| 2022 | \$ 4,460 |
| 2023 | 1,660 |
| 2024 | 1,660 |
| 2025 | 1,660 |
| 2026 | <u>1,245</u> |
| Total minimum payments required | <u>\$ 10,685</u> |

15. Interfund Transactions

The following is a summary of interfund receivables and payables at June 30, 2021:

| | <u>Receivables</u> | <u>Payables</u> |
|---|--------------------|------------------|
| General Fund (Major Fund) | \$ 64,276 | \$ 0 |
| Capital Projects Fund (Major Fund) | 0 | 64,276 |
| General Fund (Major Fund) | 15,663 | 0 |
| Enterprise Fund - Food Service (Major Fund) | <u>0</u> | <u>15,663</u> |
| | <u>\$ 79,939</u> | <u>\$ 79,939</u> |

The School District often transfers anticipated subsidy revenue from the General Fund to Food Service in advance of receipt. The interfund balance between the General Fund and the Food Service Fund represents subsidy revenue owed to General Fund for the advance of funds, net of subsidy deposited to General Fund not yet transferred to Food Service. The amount owed to General Fund by Capital Projects represents Capital Projects expenditures paid by General Fund.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

Interfund transactions during the year ended June 30, 2021 consisted of the following:

| | <u>Transfer in</u> | <u>Transfer out</u> |
|---|--------------------|---------------------|
| General Fund (Major Fund) | \$ 0 | \$ 707,644 |
| Capital Projects Fund (Major Fund) | 707,644 | 0 |
| | | |
| General Fund (Major Fund) | 0 | 10,266 |
| Enterprise Fund - Food Service (Major Fund) | 10,266 | 0 |
| | | |
| Total | \$ 717,910 | \$ 717,910 |

The School District typically transfers funds each year from the General Fund to the Capital Projects Fund to fund future capital improvements. Further, the General Fund transfers funds to Food Service to assist in subsidizing operating expenditures, as needed.

16. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

17. Self-Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Bedford-Somerset Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the School's deposit into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Shanksville-Stonycreek School District's liability at June 30, 2021, for unpaid claims incurred prior to fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2021, as the District recognizes medical claim expenses as claims are paid.

18. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

19. Related Party Transactions

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Shanksville-Stonycreek School District for the year ended June 30, 2021 for Appalachia Intermediate Unit 8 programs amounted to \$108,256. At June 30, 2021, the District had a balance due to Appalachia IU8 of \$12,161.

Jointly Governed Organization

The School District governs, with seven other school districts, the Somerset County Technology Center. Each district is represented on the Technology Center's school board. Students of the Shanksville-Stonycreek School District have available at the Technology Center courses and curriculums related to the technical training fields. The District's portion of tuition payments for its students attending the Technology Center for fiscal year 2021 amounted to \$271,793.

20. Economic Dependency

Shanksville-Stonycreek School District receives approximately 37% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

21. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2021 totaled \$16,434.

22. Risks and Uncertainties

COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, continues to disrupt school district operations, impacting the District's students, employees, and vendors. Shanksville-Stonycreek School District continues to closely monitor its new sources of government funding and corresponding expenditures that have arisen in response to the pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including future legislation and funding, as well the duration and spread of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in financial position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2021

23. Change in Accounting Principle and Restatement of Net Position and Fund Balance

For the year ended June 30, 2021, the District has implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement establishes criteria for identifying fiduciary activities of all state and local governments based primarily on 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. The statement further provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This change in accounting principle resulted in a prior period restatement as discussed in the Student Activities Funds section below.

Student Activities Funds

In accordance with GASB Statement 84, the District's student activities funds, previously reported as an agency fund, now meet the definition of a custodial fund. As this new guidance changes the recognition of liabilities in fiduciary funds, the District restated the net position of the custodial student activities fund effective July 1, 2020 resulting in an increase in net position of \$62,120.

Interfund Balances

Effective July 1, 2020, the fund balance and net position of the general fund and governmental activities respectively, was restated to correct for an understated interfund receivable (\$18,725). This restatement is reflected on both the fund financial statements and the government-wide financial statements, resulting in an increase in fund balance and net position of \$18,725. A corresponding decrease was recognized in the net position of the business-type activities and proprietary fund.

Shanksville-Stonycreek School District
Required Supplementary Information – Pension Schedules
June 30, 2021

Schedule of Proportionate Share of the Net Pension Liability

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| District's proportion of net pension liability | 0.0190% | 0.0186% | 0.0184% | 0.0202% | 0.0198% | 0.0194% | 0.0196% | 0.0195% |
| District's proportionate share of net pension liability | \$9,355,000 | \$8,702,000 | \$8,833,000 | \$9,976,000 | \$9,812,000 | \$8,403,000 | \$7,758,000 | \$7,983,000 |
| District's covered-employee payroll* | \$2,670,055 | \$2,570,882 | \$2,478,198 | \$2,683,689 | \$2,568,132 | \$2,497,935 | \$2,504,981 | \$2,506,790 |
| District's proportionate share of net pension liability as percentage of its covered-employee payroll | 350.37% | 338.48% | 356.43% | 371.73% | 382.07% | 336.40% | 309.70% | 318.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.32% | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% | 54.49% |

*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2020 and prior).

Schedule of District Contributions

| | <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 contributions | \$ 923,160 | \$ 883,210 | \$ 828,154 | \$ 774,371 | \$ 710,614 | \$ 670,406 | \$ 495,155 | \$ 388,702 |
| Contributions in relation to the contractually required contributions | <u>(923,160)</u> | <u>(883,210)</u> | <u>(828,154)</u> | <u>(774,371)</u> | <u>(710,614)</u> | <u>(670,406)</u> | <u>(495,155)</u> | <u>(388,702)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered-employee payroll | \$2,754,878 | \$2,670,055 | \$2,570,882 | \$2,478,198 | \$2,683,689 | \$2,568,132 | \$2,497,935 | \$2,504,981 |
| Contributions as a percentage of covered-employee payroll | 33.51% | 33.08% | 32.21% | 31.25% | 26.48% | 26.10% | 19.82% | 15.52% |

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Required Supplementary Information-OPEB Schedules
PSERS Health Insurance Premium Assistance Program
June 30, 2021

Schedule of Proportionate Share of the Net OPEB Liability

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| District's proportion of net OPEB liability | 0.0190% | 0.0186% | 0.0184% | 0.0202% | 0.0198% |
| District's proportionate share of net OPEB liability | \$ 411,000 | \$ 396,000 | \$ 384,000 | \$ 412,000 | \$ 426,000 |
| District's covered-employee payroll* | \$ 2,670,055 | \$ 2,570,882 | \$ 2,478,198 | \$ 2,683,689 | \$ 2,568,132 |
| District's proportionate share of net OPEB liability as percentage of its covered-employee payroll | 15.39% | 15.40% | 15.50% | 15.35% | 16.59% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.69% | 5.56% | 5.56% | 5.73% | 5.47% |

*The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2020 and prior).

Schedule of District Contributions

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contributions | \$ 22,590 | \$ 22,239 | \$ 21,085 | \$ 20,250 | \$ 20,199 |
| Contributions in relation to the contractually required contributions | <u>(22,590)</u> | <u>(22,239)</u> | <u>(21,085)</u> | <u>(20,250)</u> | <u>(20,199)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered-employee payroll | \$ 2,754,878 | \$ 2,670,055 | \$ 2,570,882 | \$ 2,478,198 | \$ 2,683,689 |
| Contributions as a percentage of covered-employee payroll | 0.82% | 0.83% | 0.82% | 0.82% | 0.82% |

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Required Supplementary Information-OPEB Schedules
District Specific Plan
June 30, 2021

Schedule of Changes in District's OPEB liability:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Service cost | \$ 32,000 | \$ 31,000 | \$ 35,000 | \$ 34,000 |
| Interest | 17,000 | 25,000 | 28,000 | 28,000 |
| Plan changes | 0 | 0 | 18,000 | 0 |
| Liability gains/losses | 73,000 | 0 | 105,000 | 0 |
| Changes of assumptions | 55,000 | 67,000 | (163,000) | (12,000) |
| Benefit payments | <u>(55,000)</u> | <u>(50,000)</u> | <u>(30,000)</u> | <u>(45,000)</u> |
| Net change in total OPEB liability | 122,000 | 73,000 | (7,000) | 5,000 |
| Total OPEB liability - beginning | <u>816,000</u> | <u>743,000</u> | <u>750,000</u> | <u>745,000</u> |
| Total OPEB liability - ending | <u>\$ 938,000</u> | <u>\$ 816,000</u> | <u>\$ 743,000</u> | <u>\$ 750,000</u> |
| | | | | |
| Covered payroll | \$ 2,118,475 | \$ 1,937,555 | \$ 1,877,377 | \$ 1,667,198 |
| | | | | |
| District net OPEB liability as a percentage of its covered-employee payroll | 44.28% | 42.11% | 39.58% | 44.99% |

Note: This schedule is intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget Favorable (Unfavorable) |
|---|---------------------|---------------------|--------------------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 3,731,395 | \$ 3,731,395 | \$ 4,108,539 | \$ 377,144 |
| State sources | 2,610,415 | 2,610,415 | 2,736,844 | 126,429 |
| Federal sources | <u>518,787</u> | <u>518,787</u> | <u>499,691</u> | <u>(19,096)</u> |
| Total revenues | <u>6,860,597</u> | <u>6,860,597</u> | <u>7,345,074</u> | <u>484,477</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular programs | 2,985,950 | 3,114,775 | 3,101,877 | 12,898 |
| Special programs | 552,650 | 556,175 | 566,861 | (10,686) |
| Vocational education programs | 330,000 | 330,000 | 271,793 | 58,207 |
| Other instructional programs | 7,450 | 7,950 | 5,197 | 2,753 |
| Higher education programs | 1,000 | 0 | 0 | 0 |
| Pre-kindergarten | 122,600 | 73,000 | 74,736 | (1,736) |
| Support services: | | | | |
| Pupil personnel | 164,600 | 141,000 | 135,136 | 5,864 |
| Instructional staff | 364,750 | 452,275 | 392,820 | 59,455 |
| Administration | 622,875 | 563,625 | 535,560 | 28,065 |
| Pupil health | 86,725 | 63,325 | 62,431 | 894 |
| Business | 238,500 | 224,250 | 226,235 | (1,985) |
| Operation and maintenance of plant | 671,850 | 670,925 | 667,409 | 3,516 |
| Student transportation | 331,200 | 329,200 | 330,024 | (824) |
| Other support services | 5,000 | 3,500 | 2,853 | 647 |
| Operation of noninstructional services: | | | | |
| Student activities | 214,320 | 184,295 | 121,833 | 62,462 |
| Community services | 3,790 | 3,790 | 1,607 | 2,183 |
| Scholarships and awards | 0 | 0 | 1,000 | (1,000) |
| Debt service: | | | | |
| Principal and interest | <u>58,000</u> | <u>48,000</u> | <u>43,607</u> | <u>4,393</u> |
| Total expenditures | <u>6,761,260</u> | <u>6,766,085</u> | <u>6,540,979</u> | <u>225,106</u> |
| Excess (deficiency) of revenues over expenditures | <u>99,337</u> | <u>94,512</u> | <u>804,095</u> | <u>709,583</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (740,000) | (740,000) | (717,910) | 22,090 |
| Budgetary reserve | <u>(444,435)</u> | <u>(439,610)</u> | <u>0</u> | <u>439,610</u> |
| Total other financing sources (uses) | <u>(1,184,435)</u> | <u>(1,179,610)</u> | <u>(717,910)</u> | <u>461,700</u> |
| Net change in fund balance | (1,085,098) | (1,085,098) | 86,185 | 1,171,283 |
| Fund balance, beginning of year, restated | <u>2,963,953</u> | <u>2,963,953</u> | <u>3,552,797</u> | <u>588,844</u> |
| Fund balance, end of year | <u>\$ 1,878,855</u> | <u>\$ 1,878,855</u> | <u>\$ 3,638,982</u> | <u>\$ 1,760,127</u> |

See accompanying notes to basic financial statements.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, Pennsylvania 15560-0128

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 Shanksville-Stonycreek School District as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Shanksville-Stonycreek School District's basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shanksville-Stonycreek School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Shanksville-Stonycreek 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

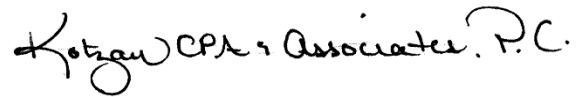
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 21, 2021