



SCHUYLKILL VALLEY
SCHOOL DISTRICT

SCHUYLKILL VALLEY SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Schuylkill Valley School District
Leesport, Pennsylvania**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Schuylkill Valley School District as of June 30, 2020, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and the pension and other postemployment benefit information on pages 77 through 81, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schuylkill Valley School District's basic financial statements. The individual general fund and capital projects fund and combining private purpose trust fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual general fund and capital projects fund and combining private purpose trust fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual general fund and capital projects fund and combining private purpose trust fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 6, 2020**

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2020

The following is a discussion and analysis of the Schuylkill Valley School District's annual financial performance during the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Highlights

- Effective March 16, 2020, the Governor of Pennsylvania closed all K-12 Pennsylvania schools, due to the COVID-19 pandemic, initially for ten days, but then was later extended through the remainder of the 2019-20 school year. In addition, on March 27, 2020, Pennsylvania Act 13 of 2020 was signed into law, which included several provisions, including, but not limited to, continuity of education, waiver of the 180-day school term requirement, required payments to charter schools based on March 13, 2020 enrollment, and required compensation to employees - no more or no less, had the pandemic not occurred. This Act and the requirements within it expired on June 30, 2020. Also in March 2020, the United States Department of Agriculture (USDA) and the Pennsylvania Department of Education's (PDE) Division of Food and Nutrition (DFN) provided waivers that allowed closed schools to serve meals to students through the National School Lunch Program's Seamless Summer Option or Summer Food Service Program, which provides federal subsidies for meals served. The District's business-type activities realized a significant decrease in food service revenue due to the closure.
- The District's net position increased during the 2019-2020 fiscal year. The net position for governmental activities that include the general fund and the capital project fund increased by \$678,160 or 3.5%.
- The net position for business-type activities (food services) increased by \$14,058 or 2.7%.
- General revenues accounted for \$32,663,983 or 80.81% of all governmental and business-type activities. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$7,756,327 or 19.19% of total revenues of \$40,420,310.
- The District had \$38,892,643 in expenses related to governmental activities; only \$6,921,288 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily property taxes, earned income tax, and unrestricted grants and subsidies) of \$32,649,515 were adequate to provide for these programs.
- The District had \$835,449 in expenses related to business-type activities (food service). All of these expenses were covered by charges for services, grants and other revenue totaling \$835,039.
- As of June 30, 2020, the General Fund ending fund balance increased by \$749,915 to \$4,611,741. The major reason for this increase is due to expenditures being under budget by \$1,500,054 which includes purchased services, student transportation, student activities, and tuition, all related to the impact of the pandemic.
- Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statements (GASB) No. 68 and No. 71. Effective July 1, 2018, the district adopted GASB No. 75. As of June 30, 2020, the net pension liability in governmental activities was \$56,823,523 and the food service fund was \$859,477, which is a total decrease of \$1,219,000 from the prior year.

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, the basic financial statements, and required supplementary information. These statements are organized so that the reader can understand Schuylkill Valley School District as an entire entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

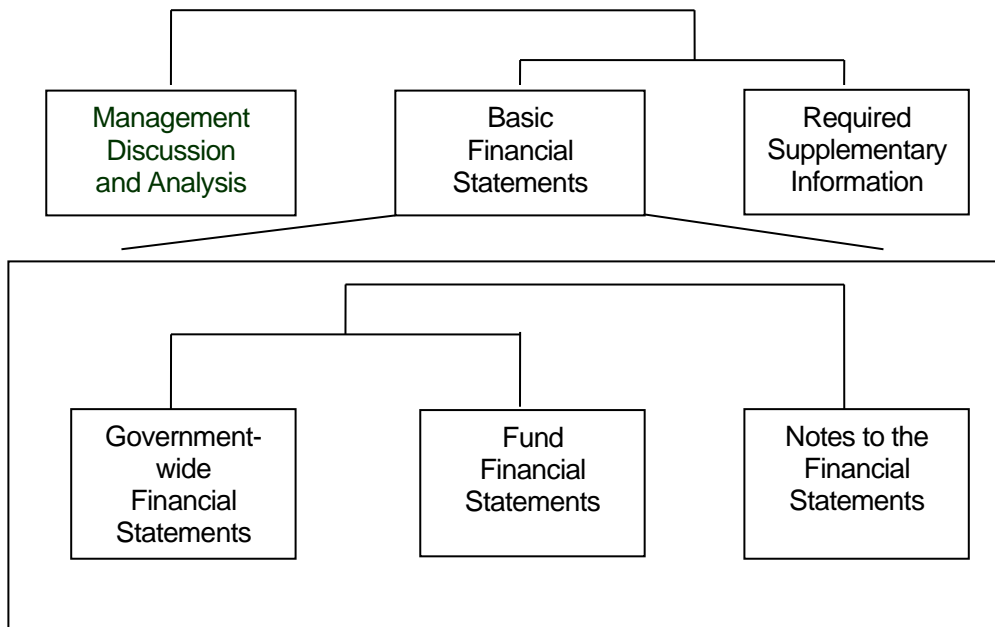
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. The only proprietary fund is Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements also include a statement that further explains and supports the general fund with a comparison of the District's budget for the year.

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

Figure A-1
Required Components of
Schuylkill Valley School District's
Financial Report



Summary<----->Detail

**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2
Major Features of Schuylkill Valley
School District's Government-Wide and Fund Financial Statements**

	Government-wide Statements	Governmental Funds	FUND STATEMENTS 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 operates similar to private business - Food Services	Instances in which the District is the trustee or agent to someone else's resources - Private Purpose Trust and 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, liabilities, and deferred outflows and inflows of resources, both financial and capital, 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, and deferred outflows and inflows of resources, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and 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	Additions and deductions during year, regardless of when cash is received or paid

SCHUYLKILL VALLEY SCHOOL DISTRICT Management's Discussion and Analysis

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government'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 using the accrual basis of accounting. Current year revenue and expenditures are therefore taken into account regardless of when the cash is received or paid.

The statement of net position presents all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position are one way to measure the District's financial health or position; and whether that position is improving or deteriorating.

To assess the overall health of the District, you also need to consider additional non-financial factors such as changes in the District's property tax base and the performance of the students.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods, such as uncollected taxes, and unused vacation leave.

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

- *Governmental activities* - All of the District's basic services such as instruction, maintenance and operation of plant services, and administration are reported under this category. Taxes, state and federal subsidies, and grants finance most of these activities.
- *Business-type activities* - the only business-type activity in the District is food service operations. The sources of funding for operations consist of charges for meal purchases and federal and state subsidies.

Fund Financial Statements

The District's fund financial statements provide more detailed information about the major individual funds of the District, not the District as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories - (1) governmental, (2) proprietary, and (3) fiduciary.

- *Governmental Funds* - Most of the District's activities are reported in governmental funds that focus on how money flows into and out of these funds and the balances left at the year end. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental Fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- *Proprietary Funds* - These funds are used to account for the District activities that are similar to business operations in the private sector and utilize the accrual accounting method. The Food Service Fund is the District's only proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

- *Fiduciary Funds* - The District acts as a trustee or fiduciary for assets that belong to others such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District's government wide financial statements since these assets cannot be used to finance the District's operations.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports financial statements.

Financial Analysis of the District as a Whole

The District's total net position was (\$19,011,587) at June 30, 2020.

Table A-3
Fiscal Year Ended June 30
Net Position

	<u>2020</u>			<u>2019</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Current and other assets	\$ 11,028,594	\$ 290,121	\$ 11,318,715	\$ 10,817,453	\$ 331,075	\$ 11,148,528
Capital Assets	46,384,099	129,049	46,513,148	47,559,701	81,035	47,640,736
Deferred Outflow of Resources	<u>8,019,903</u>	<u>108,555</u>	<u>8,128,458</u>	<u>8,832,730</u>	<u>113,389</u>	<u>8,946,119</u>
Total Assets & Deferred Outflow of Resources	\$ 65,432,596	\$ 527,725	\$ 65,960,321	\$ 67,209,884	\$ 525,499	\$ 67,735,383
Current and other liabilities	7,347,399	51,582	7,398,981	6,855,320	36,914	6,892,234
Long-term liabilities	12,490,228	180	12,490,408	15,365,900	150	15,366,050
Net other postemployment benefit liability	4,837,038	50,121	4,887,159	4,679,559	48,768	4,728,327
Net Pension Liability	56,823,523	859,477	57,683,000	58,030,250	871,750	58,902,000
Deferred Inflow of Resources	<u>2,447,197</u>	<u>65,163</u>	<u>2,512,360</u>	<u>1,469,804</u>	<u>80,773</u>	<u>1,550,577</u>
Total Liabilities & Deferred Inflow of Resources	\$ 83,945,385	\$ 1,026,523	\$ 84,971,908	\$ 86,400,833	\$ 1,038,355	\$ 87,439,188
Net Position						
Net Investment in Capital Assets	\$ 32,338,456	\$ 129,049	\$ 32,467,505	\$ 31,198,093	\$ 81,035	\$ 31,279,128
Restricted	1,305,038	-	1,305,038	1,869,986	-	1,869,986
Unrestricted	<u>(52,156,283)</u>	<u>(627,847)</u>	<u>(52,784,130)</u>	<u>(52,259,028)</u>	<u>(593,891)</u>	<u>(52,852,919)</u>
Total Net Position	\$ (18,512,789)	\$ (498,798)	\$ (19,011,587)	\$ (19,190,949)	\$ (512,856)	\$ (19,703,805)

Most of the District's net position is invested in capital assets (building, lands, and equipment). The remaining net position is a combination of restricted and unrestricted amounts.

The restricted balances are amounts set aside to fund future purchases for capital projects and technology as planned by the District. Over the past few years the Board of Directors and Administration have prudently followed a strategy of transferring funds from the general fund into the capital project fund and technology reserve fund in order to fund capital projects, improvements and technology.

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

The results of this year's operation as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local property taxes and the Basic Education Subsidy provided by the Commonwealth of Pennsylvania.

Table A-4 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

Table A-4
Fiscal Year Ended June 30
Changes in Net Position

	<u>2020</u>			<u>2019</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
REVENUES						
<i>Program Revenues</i>						
Charges for services	\$ 421,376	\$ 327,600	748,976	\$ 529,144	\$ 457,719	986,863
Operating grants and contributions	6,334,588	507,439	6,842,027	6,583,909	490,578	7,074,487
Capital grants and contributions	165,324	-	165,324	164,083	-	164,083
<i>General Revenues</i>						
Property taxes	26,073,784	-	26,073,784	25,143,994	-	25,143,994
Other taxes	2,515,623	-	2,515,623	2,603,744	-	2,603,744
Grants, subsidies, and contributions	3,816,031	-	3,816,031	3,553,880	-	3,553,880
Other	244,077	14,468	258,545	330,062	13,137	343,199
TOTAL REVENUES	\$ 39,570,803	\$ 849,507	\$ 40,420,310	\$ 38,908,816	\$ 961,434	\$ 39,870,250
EXPENSES						
Instruction	24,420,164	-	24,420,164	24,255,816	-	24,255,816
Instructional student support	2,408,238	-	2,408,238	2,303,005	-	2,303,005
Administrative and financial support	4,068,169	-	4,068,169	3,732,489	-	3,732,489
Operation & maintenance						
of plant services	2,373,015	-	2,373,015	2,271,020	-	2,271,020
Pupil transportation	1,815,019	-	1,815,019	1,911,278	-	1,911,278
Student activities	1,137,850	-	1,137,850	1,257,276	-	1,257,276
Community services	14,903	-	14,903	19,973	-	19,973
Interest on long-term debt	520,004	-	520,004	597,549	-	597,549
Unallocated depreciation	2,135,281	-	2,135,281	2,124,033	-	2,124,033
Food services	-	835,449	835,449	-	831,444	831,444
TOTAL EXPENSES	38,892,643	835,449	39,728,092	38,472,439	831,444	39,303,883
Increase (decrease) in Net Position	678,160	14,058	692,218	436,377	129,990	566,367
Net Position - Beginning of Year	(19,190,949)	(512,856)	(19,703,805)	(19,627,326)	(642,846)	(20,270,172)
Net Position - End of Year	\$ (18,512,789)	\$ (498,798)	\$ (19,011,587)	\$ (19,190,949)	\$ (512,856)	\$ (19,703,805)

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Tables A-5 and A-6 show the cost of the District's functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, interest, depreciation, and food service as well as each program's net cost (total cost less revenues generated by the functions). These tables also show the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-5
Fiscal Year Ended June 30
Governmental Activities

Functions/Programs	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 24,420,164	\$ 19,662,368	\$ 24,255,816	\$ 19,199,042
Instructional student support	2,408,238	2,136,709	2,303,005	2,051,398
Administrative	4,068,169	3,699,578	3,732,489	3,370,789
Operation and maintenance	2,373,015	2,110,807	2,271,020	2,078,656
Pupil transportation	1,815,019	933,282	1,911,278	909,531
Student activities	1,137,850	926,179	1,257,276	1,013,024
Community services	14,903	12,471	19,973	15,364
Interest-long-term debt	520,004	354,680	597,549	433,466
Unallocated depreciation	2,135,281	2,135,281	2,124,033	2,124,033
Total governmental activities	\$ 38,892,643	31,971,355	\$ 38,472,439	31,195,303
Less: Unrestricted grants, subsidies		3,816,031		3,553,880
Total needs from local taxes and other revenues		\$ 28,155,324		\$ 27,641,423

Table A-6 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-6
Fiscal Year ended June 30
Business-type Activities

Functions/Programs	2020		2019	
	Total Cost of Services	Net Cost (Contribution) of Services	Total Cost of Services	Net Cost (Contribution) of Services
Food services	<u>\$ 835,449</u>	\$ 410	<u>\$ 831,444</u>	\$ (116,853)
Investment earnings		(3,220)		(2,946)
Miscellaneous revenue		(5,320)		-
Transfers		(5,928)		(10,191)
Total business-type activities		\$ (14,058)		\$ (129,990)

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

The District Funds

At June 30, 2020, the District governmental funds reported a combined fund balance of \$5,916,779, which is a decrease of \$134,396, or 2.2%, from the prior fiscal year. This decrease reflects completion of projects in the capital project and technology reserve funds.

General Fund Budget

The District's budget for fiscal year 2019-2020 anticipated that expenditures would exceed anticipated revenues by \$638,884 and reduce the existing fund balance by that amount; the actual results show revenues exceeding expenditures and other financing sources (uses) by \$749,915. A statement showing a budget to actual comparison is provided as part of the required supplementary information.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the District had investments of \$46,513,148 in capital investments after depreciation costs. Capital investments include land, buildings and building improvements, furniture and equipment, site improvements, and construction in progress. Total depreciation expense for the year amounted to \$2,150,019.

Table A-7
Fiscal Year ended June 30
Capital Assets-net of depreciation

	<u>2020</u>			<u>2019</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Land	\$ 286,722	\$ -	\$ 286,722	\$ 286,722	\$ -	\$ 286,722
Site improvements	4,480,514	-	4,480,514	4,682,776	-	4,682,776
Building and building improv.	38,837,522	-	38,837,522	40,453,900	-	40,453,900
Furniture and equipment	2,000,586	129,049	2,129,635	2,026,555	81,035	2,107,590
Construction in progress	778,755	-	778,755	109,748	-	109,748
TOTAL	\$ 46,384,099	\$ 129,049	\$ 46,513,148	\$ 47,559,701	\$ 81,035	\$ 47,640,736

More detailed information regarding the District's capital assets is included in the notes to the basic financial statements.

**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

Debt Administration

At June 30, 2020, the District had \$13,485,000 in general obligation bonds. This represents a decrease of \$2,575,000 from the prior year.

**Table A-8
Outstanding Debt**

	2020	2019
General Obligation Bonds		
Series - October, 2014	\$ 9,900,000	\$ 12,470,000
Series - March, 2017	3,585,000	3,590,000
TOTAL	\$ 13,485,000	\$ 16,060,000

Other long-term obligations include accrued retirement benefits and the long term portion of pension liability and compensated absences. More detailed information about our long-term liabilities is included in the notes to the basic financial statements.

Factors bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future growth.

- The local property tax continues to bear a disproportionate responsibility to fund public education. With the enactment of Act 1, the legislature has attempted to address this issue. The Act calls for a reduction in property taxes through an allocation of gaming revenue to each School District. Schuylkill Valley's share for the 2019-20 year is \$591,387 which gave all approved homestead taxpayers a reduction of \$156.40 on their real estate property taxes. The amount for 2020-2021 is estimated at \$589,995, which will provide all approved homestead taxpayers a reduction of \$161.39 on their real estate property taxes.
- Another major provision of Act 1 is that all school districts are limited in their ability to raise real estate millage rates. All districts will have to seek voter approval through a referendum for any tax increase that exceeds an annually determined "index". This index is the average of the State-wide Average Weekly Wage (SAWW) and the Employment Cost Index for Elementary and Secondary Education (ECI), with some adjustments made based on each District's aid ratio. Schuylkill Valley's adjusted index for 2019-20 was 2.8%. The adjusted index for 2020-21 is 3.2%.
- The District anticipates rising health premiums in the ensuing fiscal year as industry indicators report increases in the 5 - 8% range.
- The Pennsylvania School Employees Retirement System (PSERS) continues to reset the percentage of payroll that school districts must pay as the actuarial projections based on required investment returns are analyzed. The rate for 2019-2020 was 34.29% with rates projected to continue to climb into the future. The projected rate for 2020-2021 is 34.51%; and 2021-2022 is 34.95%.
- The District experienced an overall decrease of \$421,400 in property tax assessment values for tax year 2020. The District did increase real estate tax millage. Total increased projected revenue of approximately \$1,471,033 was estimated due to the increased real estate tax, increased earned income tax, and increased PSERS employer contribution rate.

**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

- The food service program will see significant changes in the 20-21 school year due to all students receiving free breakfast and lunch meals through June 30, 2021. This is the result of the federal government providing additional resources due to the COVID-19 pandemic.
- The potential growth in Cyber Charter School enrollments in the 2020-2021 school year will be doubled as a result of the COVID-19 pandemic.
- On September 16, 2020, the District proceeded a principal amount of \$24,875,000 for the General Obligation 2020 and 2020A Notes. The two Notes will be used for (1) the refunding of the District's outstanding General Obligation 2017 Note (2) the refunding and restructuring of a portion of the District's outstanding General Obligation 2014 Bonds (3) for capital improvement projects of the District and (4) paying the costs and expenses of issuing the 2020 and 2020A Notes.

2020-2021 Budget

The revenue budget for the 2020-2021 year is \$188,104 more than the 2019-2020 budget which represents a .47% increase. The expenditure budget for the 2020-2021 year is \$365,313 more than the budget for 2019-2020, or a .90% increase. The District is anticipating a budget deficit of \$816,093 which is funded by using the unassigned fund balance to balance the 2020-2021 budget. A few new grants are included in the 2020-2021 budget to help support districts during the pandemic. These will be one time revenues that will be used to help offset costs that support student and staff health and safety.

The comparison of revenue and expenditure categories is as follows:

**Table A-9
Budgeted Revenues**

	2020-21	2019-20
Local	74.5%	75.5%
State	24.1%	23.8%
Federal/other	1.4%	0.7%

Budgeted Expenditures		
	2020-21	2019-20
Instruction	61.4%	60.6%
Support Services	27.5%	27.8%
Non-Instruction/community	3.3%	3.3%
Fund transfers/Debt service	7.8%	8.3%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Changming Wang, Business Manager at Schuylkill Valley School District, 929 Lakeshore Drive, Leesport, PA, 19533-8631 (610-916-5448).

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 8,846,523	\$ 254,639	\$ 9,101,162
Internal balances	1,750	(1,750)	-
Taxes receivable, net	783,137	-	783,137
Intergovernmental receivables	1,308,994	10,207	1,319,201
Other receivables	31,371	-	31,371
Inventories	44,170	27,025	71,195
Prepaid expenses	12,649	-	12,649
Capital assets not being depreciated	1,065,477	-	1,065,477
Capital assets, net of accumulated depreciation	45,318,622	129,049	45,447,671
TOTAL ASSETS	57,412,693	419,170	57,831,863
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	292,616	-	292,616
Deferred outflows of resources for pension	7,132,876	102,260	7,235,136
Deferred outflows of resources for other postemployment benefits	594,411	6,295	600,706
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,019,903	108,555	8,128,458
LIABILITIES			
Accounts payable	897,318	312	897,630
Accrued interest	129,545	-	129,545
Accrued salaries and benefits	3,494,185	1,077	3,495,262
Unearned revenues	62,002	50,193	112,195
Noncurrent liabilities due within one year	2,764,349	-	2,764,349
Noncurrent liabilities:			
Bonds and notes payable, net	11,688,259	-	11,688,259
Long-term portion of compensated absences	630,969	180	631,149
Long-term portion of retirement severance	171,000	-	171,000
Net pension liability	56,823,523	859,477	57,683,000
Net other postemployment benefit liabilities	4,837,038	50,121	4,887,159
TOTAL LIABILITIES	81,498,188	961,360	82,459,548
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	2,299,223	63,689	2,362,912
Deferred inflows of resources for other postemployment benefits	147,974	1,474	149,448
TOTAL DEFERRED INFLOWS OF RESOURCES	2,447,197	65,163	2,512,360
NET POSITION			
Net investment in capital assets	32,338,456	129,049	32,467,505
Restricted for capital projects	1,305,038	-	1,305,038
Unrestricted (deficit)	(52,156,283)	(627,847)	(52,784,130)
TOTAL NET POSITION (DEFICIT)	\$ (18,512,789)	\$ (498,798)	\$ (19,011,587)

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
Instruction	\$ 24,420,164	\$ 294,840	\$ 4,462,956	\$ -	\$ (19,662,368)	\$ (19,662,368)
Instructional student support	2,408,238	-	271,529	-	(2,136,709)	(2,136,709)
Administrative and financial support services	4,068,169	-	368,591	-	(3,699,578)	(3,699,578)
Operation and maintenance of plant services	2,373,015	33,960	228,248	-	(2,110,807)	(2,110,807)
Pupil transportation	1,815,019	-	881,737	-	(933,282)	(933,282)
Student activities	1,137,850	92,576	119,095	-	(926,179)	(926,179)
Community services	14,903	-	2,432	-	(12,471)	(12,471)
Interest on long-term debt	520,004	-	-	165,324	(354,680)	(354,680)
Unallocated depreciation expense	2,135,281	-	-	-	(2,135,281)	(2,135,281)
Total Governmental Activities	38,892,643	421,376	6,334,588	165,324	(31,971,355)	(31,971,355)
Business-Type Activities						
Food services	835,449	327,600	507,439	-	-	(410)
Total Primary Government	\$ 39,728,092	\$ 748,976	\$ 6,842,027	\$ 165,324	(31,971,355)	(410)
General Revenues						
Taxes:						
Property taxes					26,073,784	-
Public utility realty, earned income, and mercantile tax					2,515,623	-
Grants, subsidies, and contributions not restricted for a specific program					3,816,031	-
Investment earnings					248,380	3,220
Miscellaneous revenue					1,625	5,320
Transfers					(5,928)	5,928
Total General Revenues and Transfers					32,649,515	14,468
Change in Net Position					678,160	14,058
Net Position (Deficit) - Beginning of Year					(19,190,949)	(512,856)
Net Position (Deficit) - End of Year					\$ (18,512,789)	\$ (498,798)

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 7,026,424	\$ 1,820,099	\$ 8,846,523
Interfund receivable	1,750	100,000	101,750
Taxes receivable	861,068	-	861,068
Intergovernmental receivables	1,308,994	-	1,308,994
Other receivables	31,371	-	31,371
Prepaid expenditures	12,649	-	12,649
	<u>9,242,256</u>	<u>1,920,099</u>	<u>11,162,355</u>
TOTAL ASSETS	\$ 9,242,256	\$ 1,920,099	\$ 11,162,355
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Interfund payable	\$ 100,000	\$ -	\$ 100,000
Accounts payable	282,257	615,061	897,318
Accrued salaries and benefits	3,494,185	-	3,494,185
Unearned revenues	62,002	-	62,002
Retirement incentives	114,349	-	114,349
	<u>4,052,793</u>	<u>615,061</u>	<u>4,667,854</u>
TOTAL LIABILITIES	4,052,793	615,061	4,667,854
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property and per capita taxes	577,722	-	577,722
FUND BALANCES			
Nonspendable	12,649	-	12,649
Restricted	-	1,305,038	1,305,038
Committed for insurance deductible	50,000	-	50,000
Assigned	1,309,626	-	1,309,626
Unassigned	3,239,466	-	3,239,466
	<u>4,611,741</u>	<u>1,305,038</u>	<u>5,916,779</u>
TOTAL FUND BALANCES	4,611,741	1,305,038	5,916,779
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,242,256	\$ 1,920,099	\$ 11,162,355

SCHUYLKILL VALLEY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2020

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,916,779

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 \$79,886,518 and the accumulated depreciation is \$33,502,419. 46,384,099

Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts. 499,791

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and notes payable	\$ (13,485,000)	
Accrued interest on bonds	(129,545)	
Unamortized bond premium	(853,259)	
Deferred charge on bond refunding	292,616	
Long-term portion of compensated absences	(630,969)	
Long-term portion of retirement severance	(171,000)	
	(14,977,157)	(14,977,157)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements. (51,989,870)

The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements. (4,390,601)

The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 44,170

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES \$ (18,512,789)

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	\$ 29,809,856	\$ 29,319	\$ 29,839,175
State sources	9,520,306	-	9,520,306
Federal sources	313,105	-	313,105
	<u>39,643,267</u>	<u>29,319</u>	<u>39,672,586</u>
TOTAL REVENUES	39,643,267	29,319	39,672,586
EXPENDITURES			
Current:			
Instructional services	23,855,886	117,504	23,973,390
Support services	10,645,492	849,604	11,495,096
Operation of noninstructional services	1,115,733	46,522	1,162,255
Debt service:			
Principal	2,575,000	-	2,575,000
Interest	601,060	-	601,060
Refund of prior year revenue	106	-	106
	<u>38,793,277</u>	<u>1,013,630</u>	<u>39,806,907</u>
TOTAL EXPENDITURES	38,793,277	1,013,630	39,806,907
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	849,990	(984,311)	(134,321)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	5,853	-	5,853
Transfers in	-	100,000	100,000
Transfers out	(105,928)	-	(105,928)
	<u>(100,075)</u>	<u>100,000</u>	<u>(75)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(100,075)	100,000	(75)
NET CHANGE IN FUND BALANCES	749,915	(884,311)	(134,396)
FUND BALANCES - BEGINNING OF YEAR	<u>3,861,826</u>	<u>2,189,349</u>	<u>6,051,175</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 4,611,741</u></u>	<u><u>\$ 1,305,038</u></u>	<u><u>\$ 5,916,779</u></u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (134,396)**

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.

Capital outlays	\$ 963,907	
Less: net disposal of capital assets	(4,228)	
Less: depreciation expense	<u>(2,135,281)</u>	(1,175,602)

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.

(97,480)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of bond and note principal	2,575,000	
Amortization of bond premium	227,536	
Amortization of deferred charge on bond refunding	<u>(167,208)</u>	2,635,328

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

20,728

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	3,536	
Retirement incentives	(5,400)	
Net pension liability and related deferred outflows and inflows	(439,394)	
Net OPEB liability and related deferred outflows and inflows	<u>(134,370)</u>	(575,628)

In the statement of activities, inventory is reflected on the consumption method.

5,210

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 678,160**

SCHUYLKILL VALLEY SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2020

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 254,639
Intergovernmental receivables	10,207
Inventories	27,025
TOTAL CURRENT ASSETS	291,871
NONCURRENT ASSETS	
Furniture and equipment, net	129,049
TOTAL ASSETS	420,920
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	102,260
Deferred outflows of resources for other postemployment benefits	6,295
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,555
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	312
Interfund payables	1,750
Accrued salaries and benefits	1,077
Unearned revenues	50,193
TOTAL CURRENT LIABILITIES	53,332
NONCURRENT LIABILITIES	
Compensated absences	180
Net pension liability	859,477
Net other postemployment benefit liabilities	50,121
TOTAL LIABILITIES	963,110
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	63,689
Deferred inflows of resources for other postemployment benefits	1,474
TOTAL DEFERRED INFLOWS OF RESOURCES	65,163
NET POSITION	
Investment in capital assets	129,049
Unrestricted (deficit)	(627,847)
TOTAL NET POSITION (DEFICIT)	\$ (498,798)

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	<u>Enterprise Fund Food Service</u>
OPERATING REVENUES	
Food service revenue	\$ 327,600
TOTAL OPERATING REVENUES	<u>327,600</u>
OPERATING EXPENSES	
Salaries	286,635
Employee benefits	221,458
Pension and OPEB valuation adjustments	(21,696)
Other purchased services	165
Supplies	316,334
Depreciation	14,738
Other operating expenses	<u>17,815</u>
TOTAL OPERATING EXPENSES	<u>835,449</u>
OPERATING LOSS	(507,849)
NONOPERATING REVENUES	
Earnings on investments	3,220
State sources	77,954
Federal sources	429,485
Gain on sale of equipment	<u>5,320</u>
TOTAL NONOPERATING REVENUES	<u>515,979</u>
INCOME BEFORE TRANSFERS	8,130
TRANSFERS IN	<u>5,928</u>
CHANGE IN NET POSITION	14,058
NET POSITION (DEFICIT) - BEGINNING OF YEAR	<u>(512,856)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (498,798)</u></u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	\$ 395,484
Payments to employees for services	(506,986)
Payments to suppliers for goods and services	(238,490)
Payments for other operating expenses	(17,815)
	(367,807)
NET CASH USED FOR OPERATING ACTIVITIES	(367,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	77,573
Federal sources	347,670
Transfers in	5,928
	431,171
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	431,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of equipment	7,452
Acquisition of equipment	(64,884)
	(57,432)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(57,432)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	3,220
	3,220
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,152
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	245,487
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 254,639

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
 PROPRIETARY FUND

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating loss	\$ (507,849)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	14,738
Donated commodities used	71,989
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Interfund receivables	54,133
Other receivables	472
Inventories	3,958
Deferred outflows of resources for pension	5,550
Deferred outflows of resources for other postemployment benefits	(716)
Accounts payable	312
Interfund payable	1,750
Accrued salaries and benefits	1,077
Other current liabilities	13,279
Compensated absences	30
Net pension liability	(12,273)
Net other postemployment benefit liabilities	1,353
Deferred inflows of resources for pension	(15,352)
Deferred inflows of resources for other postemployment benefits	(258)
Total adjustments	140,042
NET CASH USED FOR OPERATING ACTIVITIES	\$ (367,807)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$71,989 of commodities from the U.S. Department of Agriculture.

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	Private Purpose Trust Funds	Agency Funds (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 266,656	\$ 153,388
TOTAL ASSETS	266,656	<u>\$ 153,388</u>
LIABILITIES		
CURRENT LIABILITIES		
Other current liabilities	4,250	\$ 153,388
TOTAL LIABILITIES	4,250	<u>\$ 153,388</u>
NET POSITION HELD IN TRUST	<u>\$ 262,406</u>	

SCHUYLKILL VALLEY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Private Purpose Trust Funds
ADDITIONS	
Contributions	\$ 16,881
Earnings on investments	4,554
TOTAL ADDITIONS	21,435
DEDUCTIONS	
Instructional services	300
Operation of noninstructional services	12,950
TOTAL DEDUCTIONS	13,250
CHANGE IN NET POSITION	8,185
NET POSITION - BEGINNING OF YEAR	254,221
NET POSITION - END OF YEAR	\$ 262,406

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Schuylkill Valley School District ("School District" or "District") is located in Berks County, Pennsylvania. The District's tax base consists of Bern Township, Centre Township, Ontelaunee Township, Centerport Borough, and Leesport Borough. Schuylkill Valley School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such district between the ages of six and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the School District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career and Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of school directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The Capital Projects Component is maintained in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent.

The Technology Reserve Component receives resources from the General Fund to pay for future technological advances in computer hardware and software.

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

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

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

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 30 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and state subsidies are considered nonoperating revenues as no exchange transaction occurs.

The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized cost if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

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 of the governmental funds, consisting principally of textbooks and instructional supplies, utilize the purchase method; that is, they are charged to expenditures when purchased.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2020, consist of the following:

<u>Governmental Activities</u>	
Classroom and office supplies	<u>\$ 44,170</u>
 <u>Enterprise Fund</u>	
Purchased food	\$ 14,690
Supplies	5,330
Donated commodities	<u>7,005</u>
 Total Enterprise Fund	 <u>\$ 27,025</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated fair value at the date of donation.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

The District generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20 - 50
Site improvements	20 - 50
Furniture and equipment	5 - 20

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2020.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days based on employment agreements. Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund statements. Accumulated vacation, personal and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation, personal or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

9. Retirement Severance and Incentives

The District provides a retirement severance to teachers based on years of service in the District. The severance payment ranges from \$1,800 to \$3,600.

For the year ended June 30, 2019, the District offered an early retirement incentive for employees with a minimum of 30 years of service who provided their intent to retire before June 30, 2019. Those employees who qualified are permitted to stay on the District-sponsored medical insurance at a cost of 20% of the premium for up to 24 months. There was no early retirement incentive offered for the year ended June 30, 2020.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources - property taxes and per capita taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pensions relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

15. Fund Balance Policies and Flow Assumptions

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

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

The District will strive to maintain an unassigned general fund balance not more than 8% of the budgeted expenditures for that fiscal year set by board resolution.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy states that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts for unrestricted fund balances used.

G. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District had no material violations of finance related legal and contractual provisions.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2020, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* created the following deficiency in net position as of June 30, 2020:

	<u>Food Service Fund</u>
Net position before effects of GASB statements noted below	\$ 367,408
Cumulative effect of GASB statement Nos. 68 and 71	(820,906)
Cumulative effect of GASB statement No. 75	<u>(45,300)</u>
Ending net position (deficit)	<u>\$ (498,798)</u>

The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

NOTE 3 - CASH AND INVESTMENTS

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2020, is as follows:

Petty cash	\$ 1,645
Demand deposit accounts	4,695,562
Bank certificates of deposit	249,300
Pooled cash and investments	<u>4,574,699</u>
	<u>\$ 9,521,206</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2020, the carrying amount of the District's deposits was \$4,944,862 and the bank balance was \$5,199,759. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$4,949,759 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly. Included in the custodial credit risk for deposits are certificate of deposits totaling \$249,300.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

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

	Maturities	Fair Value	Carrying Value
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 2,900,000	\$ 2,900,000
Certificate of Deposit	1 year	240,000	240,000
MAX Account Balance		1,434,699	1,434,699
Total PSDLAF			4,574,699
Bank certificates of deposit	1-2 years		249,300
Total pooled cash and investments			\$ 4,823,999

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$4,574,699 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of the District’s deposits was in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDLAF Full Flex Pool and Certificate of Deposit, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

As of June 30, 2020, the entire PSDLAF book balance of \$4,574,699 and bank certificate of deposit book balance of \$249,300 are considered to be cash equivalents for presentation on the government-wide and fund financial statements.

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. The District's investments that are subject to interest rate risk are included in the table previously listed.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the District's investments were rated as:

<u>Investments</u>	<u>Standard & Poor's</u>
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk

The District does not have a policy that would limit the amount they may invest in any one issuer. The fiduciary fund's investments are in certificates of deposit at one local bank.

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 the possession of an outside party. The District has no investments subject to custodial credit risk.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$959,603,400. In accordance with Act 1 of 2006, the District received \$591,387 in property tax reduction funds for the 2019/2020 fiscal year. The District tax rate for the year ended June 30, 2020, was 27.82 mills (\$27.82 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date - All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 30 days was recognized as revenue and the balance reported as unavailable revenue under deferred inflows of resources in the fund financial statements.

The balances at June 30, 2020, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	\$ 629,005	\$ 10,010	\$ 618,995	\$ 128,498	\$ 500,507
Transfer tax	28,771	-	28,771	28,771	-
Per capita tax	77,293	67,921	9,372	78	77,215
Earned income tax	125,999	-	125,999	125,999	-
	\$ 861,068	\$ 77,931	\$ 783,137	\$ 283,346	\$ 577,722

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - TAX ABATEMENTS

The District negotiates property tax abatement agreements on an individual basis. The District has one Local Economic Revitalization Tax Assistance Act (LERTA) agreement as of June 30, 2020. The LERTA program authorized local taxing authorities to exempt property taxes of new construction in deteriorated areas of economically depressed communities and improvements to certain deteriorated individual, commercial, and other business property. The LERTA was negotiated in accordance with Pennsylvania Assembly Act No. 76 of 1977, as amended, and exempts from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within the Township of Bern's designated deteriorated area. Any property owner undertaking improvements within a deteriorated area may apply and receive from the District an exemption from School District real property taxes due to the increased or additional assessed valuation attributable to those improvements.

The exemption is limited to a period of seven years using the following schedule:

<u>Year</u>	<u>% of Eligible Assessment Abated</u>
1	100%
2	95%
3	90%
4	85%
5	60%
6	60%
7	60%

As of June 30, 2020, the District has a memorandum of understanding with one entity under the LERTA program. The purpose of the abatement was to enhance the economic use of the tax parcel and create other positive impacts on the business prosperity and economic welfare of the District, such as business expansion, economic development, and stimulated employment. For the year ended June 30, 2020, the foregone real estate tax revenue as a result of the LERTA tax abatement was \$102,931.

The District has not made any commitments as part of the agreement other than to reduce taxes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2020:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Food Service</u>
Commonwealth of Pennsylvania:		
Retirement	\$ 1,012,065	\$ -
Social Security	220,081	-
National School Lunch/Breakfast Program	-	381
Berks County Intermediate Unit - Special Education	15,823	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	55,258	-
Supporting Effective Instruction State Grant	3,460	-
English Language Acquisition State Grants	2,307	-
COVID-19 National School Lunch/Breakfast Program	-	9,826
TOTAL	<u>\$ 1,308,994</u>	<u>\$ 10,207</u>

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2020:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,750	\$ 100,000
Capital projects	100,000	-
Enterprise Fund - Food Service	-	1,750
	<u>\$ 101,750</u>	<u>\$ 101,750</u>

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made. All will be paid within one year.

SCHUYLKILL VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 105,928
Capital projects	100,000	-
Enterprise Fund - Food Service	5,928	-
	\$ 105,928	\$ 105,928

Transfers were made to comply with food service fund regulations and to reserve for future capital needs.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 286,722	\$ -	\$ -	\$ 286,722
Construction in progress	109,748	669,007	-	778,755
Totals not being depreciated	<u>396,470</u>	<u>669,007</u>	<u>-</u>	<u>1,065,477</u>
Capital assets being depreciated:				
Buildings and building improvements	66,609,146	-	-	66,609,146
Site improvements	8,128,644	63,371	-	8,192,015
Furniture and equipment	3,830,634	231,529	(42,283)	4,019,880
Totals being depreciated	<u>78,568,424</u>	<u>294,900</u>	<u>(42,283)</u>	<u>78,821,041</u>
Less accumulated depreciation for:				
Buildings and building improvements	26,155,246	1,616,378	-	27,771,624
Site improvements	3,445,868	265,633	-	3,711,501
Furniture and equipment	1,804,079	253,270	(38,055)	2,019,294
Total accumulated depreciation	<u>31,405,193</u>	<u>2,135,281</u>	<u>(38,055)</u>	<u>33,502,419</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>47,163,231</u>	<u>(1,840,381)</u>	<u>(4,228)</u>	<u>45,318,622</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 47,559,701</u>	<u>\$ (1,171,374)</u>	<u>\$ (4,228)</u>	<u>\$ 46,384,099</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 321,066	\$ 64,884	\$ (21,325)	\$ 364,625
Less accumulated depreciation for:				
Furniture and equipment	<u>240,031</u>	<u>14,738</u>	<u>(19,193)</u>	<u>235,576</u>
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 81,035</u>	<u>\$ 50,146</u>	<u>\$ (2,132)</u>	<u>\$ 129,049</u>

Depreciation expense of \$2,135,281 in governmental activities was unallocated for the year ended June 30, 2020.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - LONG-TERM LIABILITIES

The District issues general obligation bonds and notes to provide resources for major capital improvements. The bonds and notes are direct obligations issued on a pledge of the full faith and credit of the District as well as their general taxing authority. The District's general obligation notes are direct borrowings.

Bonds and notes payable are as follows at June 30, 2020:

General Obligation Note - Series of 2017:

The District is liable for general obligation notes dated March 7, 2017. The bank is making advances of proceeds of the note to the District upon request, with an aggregate amount of advances not to exceed \$3,600,000. Interest is payable semi-annually on April 1 and October 1. The note bears interest at a fixed rate of 2.27%. The balance matures on April 1, 2025. The total available amount of the loan has been drawn down. The proceeds of this note were used to pay stadium renovation and other capital project costs as well as pay the costs of issuing the note.

\$ 3,585,000

General Obligation Bonds - Series of 2014:

The District is liable for general obligation bonds dated October 1, 2014, in the original principal amount of \$22,530,000. Principal maturities occur on April 1 through the year 2024. Interest is payable semi-annually on October 1 and April 1. Interest rates vary from 1.0% to 5.0%. Proceeds from these bonds were used to advance refund General Obligation Bonds - Series of 2006A and 2006B, as well as to pay debt issuance costs. The District realized a net present value savings of \$1,289,763 as a result of the refunding.

9,900,000

Total Bonds and Notes Payable \$ 13,485,000

The future annual payments required to amortize all bonds and notes payable for the years ending June 30 are as follows:

	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,645,000	\$ 436,800	\$ 5,000	\$ 81,380	\$ 2,650,000	\$ 518,180
2022	2,765,000	317,850	5,000	81,266	2,770,000	399,116
2023	2,895,000	179,600	10,000	81,153	2,905,000	260,753
2024	1,595,000	63,800	1,345,000	80,926	2,940,000	144,726
2025	-	-	2,220,000	50,394	2,220,000	50,394
	<u>\$ 9,900,000</u>	<u>\$ 998,050</u>	<u>\$ 3,585,000</u>	<u>\$ 375,119</u>	<u>\$ 13,485,000</u>	<u>\$ 1,373,169</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

On August 12, 2020, the District issued General Obligation Notes, Series A of 2020 in the original principal amount of \$2,650,000 for the purpose of refunding a portion of the District's outstanding General Obligation Bonds, Series of 2014, and to pay debt issuance costs. The note matures on April 1, 2026. The interest rate is 1.41%.

On August 12, 2020, the District issued General Obligation Notes, Series of 2020 in the original principal amount of \$22,225,000 for the purpose of refunding the District's outstanding General Obligation Note, Series of 2017, for capital improvement projects and to pay debt issuance costs. The notes mature from April 1, 2021, to April 1, 2035. Interest rates range from 2.0% to 4.0%.

Long-term liability balances and activity for the year ended June 30, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 12,470,000	\$ -	\$ 2,570,000	\$ 9,900,000	\$ 2,645,000
Premiums	1,080,795	-	227,536	853,259	-
Net bonds payable	13,550,795	-	2,797,536	10,753,259	2,645,000
Notes payable	3,590,000	-	5,000	3,585,000	5,000
Compensated absences	634,505	-	3,536	630,969	-
Retirement severance and early retirement incentive	395,144	-	109,795	285,349	114,349
Net pension liability	58,030,250	4,243,005	5,449,732	56,823,523	-
Net other postemployment benefit liabilities	4,679,559	353,769	196,290	4,837,038	-
Total Governmental Long-Term Liabilities	<u>\$ 80,880,253</u>	<u>\$ 4,596,774</u>	<u>\$ 8,556,889</u>	<u>\$ 73,330,138</u>	<u>\$ 2,764,349</u>
Business-Type Activities					
Compensated absences	\$ 150	\$ 30	\$ -	\$ 180	\$ -
Net pension liability	871,750	70,083	82,356	859,477	-
Net other postemployment benefit liabilities	48,768	3,450	2,097	50,121	-
Total Business-Type Long-term Liabilities	<u>\$ 920,668</u>	<u>\$ 73,563</u>	<u>\$ 84,453</u>	<u>\$ 909,778</u>	<u>\$ -</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Event of Default

The District's general obligation bonds and notes contain a provision that in the event of default of non-payment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District subsidies and pay any past due amounts directly to the paying agent for payment to the bond holders.

Payments on bonds and notes payable are made by the general fund. The compensated absence liabilities will be liquidated by the general and food service funds. Total interest paid during the year ended June 30, 2020, was \$601,060. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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 become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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 2.0% 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 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% 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 (10 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.

Changes in Benefit Terms

With the passage of Act 5 on June 12, 2017, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions

The contribution policy is set by state statute and requires contributions by active members, employees, and the Commonwealth of Pennsylvania.

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,818,546 for the year ended June 30, 2020.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions continued

Employer Contributions - continued:

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was \$2,987,139.

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

At June 30, 2020, the District reported a liability of \$57,683,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1233%, which was an increase of 0.0006% from its proportion measured as of June 30, 2019.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2020, the District recognized pension expense of \$6,235,865. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 165,000
Difference between expected and actual experience	318,000	1,912,000
Changes in proportions - plan level	374,000	257,000
Changes of assumptions	551,000	-
Changes in proportions - internal	28,912	28,912
Difference between employer contributions and proportionate share of total contributions	144,678	-
Contributions made subsequent to the measurement date	5,818,546	-
	\$ 7,235,136	\$ 2,362,912

The \$5,818,546 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	\$ 393,591
2022	(961,723)
2023	(481,206)
2024	103,016
	\$ (946,322)

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority 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, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended 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 PSERS 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.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 is:

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

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.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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	\$ 71,850,000	\$ 57,683,000	\$ 45,687,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$2,024,130. This amount represents the District’s contractually obligated contributions for wages earned in April 2020 through June 2020.

Pension Reform - Commonwealth of Pennsylvania Act 5 of 2017

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019, and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were \$15,698 for the year ended June 30, 2020.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefits Plan

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2020, are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	\$ 2,622,000	\$ 270,510	\$ 95,000
District OPEB Plan	2,265,159	330,196	54,448
Total	\$ 4,887,159	\$ 600,706	\$ 149,448

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

PSERS is a governmental, cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

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, 2019, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$146,510 for the year ended June 30, 2020.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was \$2,987,139.

At June 30, 2020, the District reported a liability of \$2,622,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1233%, which was an increase of 0.0006% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$128,848. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 87,000	\$ 78,000
Difference between expected and actual experience	15,000	-
Net difference between projected and actual investment earnings	4,000	-
Changes in proportion	18,000	17,000
Contributions made subsequent to the measurement date	146,510	-
	\$ 270,510	\$ 95,000

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$146,510 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	\$	1,000
2022		1,000
2023		-
2024		-
2025		17,000
Thereafter		10,000
		\$ 29,000

Actuarial Assumptions

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates 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.

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 PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

The PSERS Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019, is:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.02%
US Core fixed income	83.1%	1.00%
Non-US developed fixed	3.7%	0.00%
	100.0%	

Discount Rate

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

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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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 in the next section.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2019 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease (Between 4% to 6.50%)</u>	<u>Current Trend Rate (Between 5% to 7.50%)</u>	<u>1% Increase (Between 6% to 8.50%)</u>
District's proportionate share of the net OPEB liability	\$ 2,622,000	\$ 2,622,000	\$ 2,623,000

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 2.79%, as well as what the net OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (1.79%) or one-percentage-point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ 2,987,000	\$ 2,622,000	\$ 2,320,000

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.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS of \$2,024,130, including balances related to pension and OPEB. This amount represents the District’s contractually obligated contributions for wages earned in April 2020 through June 2020.

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Schuylkill Valley School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, and dental insurance for eligible retirees through the District’s health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District’s employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to retirees:

Employees Retired Before January 1, 1999:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
N/A	<u>Coverage</u> Medical, Prescription Drug, and Dental coverage for Retiree and spouse <u>Premium Sharing</u> Retiree pays 100% of the cost	Retiree coverage ends at Retiree’s death and spouse coverage ends at spouse’s death.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

Employees Retired January 1, 1999 and Later:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43	<u>Coverage</u> Medical, Prescription Drug, and Dental coverage for Retiree and spouse <u>Premium Sharing</u> Retiree pays 100% of the cost	Retiree coverage ends at Retiree Medicare age and spouse coverage ends at earlier of Spouse Medicare age, Retiree Medicare age, or Retiree death.

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Superannuation Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service, or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

Employees retired before January 1, 1999, and their spouses are required to enroll in Medicare supplement plan upon reaching Medicare age.

SCHUYLKILL VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Employees Covered by Benefit Terms

At July 1, 2018, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	221
Retired participants	<u>17</u>
Total	<u><u>238</u></u>

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2019, was determined by rolling forward the District's total OPEB liability as of July 1, 2018 to July 1, 2019, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 3.36% - based on the Standards & Poor's Municipal Bond 20 Year High Grade Rate Index at 7/1/19.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 65% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

SCHUYLKILL VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

OPEB Liability - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 2,170,327
Changes for the year:	
Service cost	144,219
Interest	68,045
Changes of assumptions	(59,893)
Benefit payments	(57,539)
Net changes	94,832
Balance at June 30, 2020	\$ 2,265,159

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.98% to 3.36%.

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

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

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
OPEB Plan - Total OPEB liability	\$ 2,425,080	\$ 2,265,159	\$ 2,113,154

SCHUYLKILL VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

OPEB Liability - continued

Changes in the Total OPEB Liability - continued

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB liability	\$ 2,005,040	\$ 2,265,159	\$ 2,573,159

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$235,487. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 89,888	\$ 54,448
Differences between expected and actual experience	157,232	-
Benefit payments made subsequent to the measurement date	83,076	-
	\$ 330,196	\$ 54,448

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

OPEB Liability - continued

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

The \$83,076 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	\$ 23,223
2022	23,223
2023	23,223
2024	23,223
2025	23,223
Thereafter	<u>76,557</u>
	<u>\$ 192,672</u>

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2019/2020 year was \$526,458.

Summary financial information as of June 30, 2019 (the most recent information available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total assets and deferred outflows of resources	\$ 31,545,553
Total liabilities and deferred inflows of resources	<u>30,831,350</u>
Total net position	<u>\$ 714,203</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2019/2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

The District has entered into an agreement for the transportation of students. The Agreement is for the period of July 1, 2017 through June 30, 2022. The contractor provides all equipment, fuel, and labor necessary. The cost for the transportation services is determined on a monthly basis based on actual services provided.

At June 30, 2020, the District has entered into a number of contracts related to school renovation projects. Contracts awarded and commitments outstanding are as follows.

<u>Project</u>	<u>Contract Awarded</u>	<u>Commitment Remaining</u>
Reconstruction of Tennis Courts	\$ 463,995	\$ 231,997
HVAC Upgrade at High School	<u>846,191</u>	<u>435,162</u>
	<u>\$ 1,310,186</u>	<u>\$ 667,159</u>

The District plans to use existing resources in the capital projects fund to satisfy the remaining commitments.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2020, were as follows:

General Fund

The general fund has nonspendable funds of \$12,649, committed funds of \$50,000 for insurance deductibles, assigned funds of \$816,093 for the purpose of balancing the 2020/2021 budget, \$493,533 for Cyber Charter School costs, and unassigned fund balance of \$3,239,466. The commitments were authorized by the board of school directors' motion to set aside resources to fund insurance deductibles.

Capital Projects Fund

The capital projects fund has restricted funds of \$1,305,038 consisting of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as 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 statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2022.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No 61* - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the District's fiscal year ending June 30, 2021.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHUYLKILL VALLEY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2020

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	\$ 30,074,072	\$ 30,074,072	\$ 29,809,856	\$ (264,216)
State sources	9,484,517	9,484,517	9,520,306	35,789
Federal sources	295,858	295,858	313,105	17,247
TOTAL REVENUES	39,854,447	39,854,447	39,643,267	(211,180)
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	17,814,276	17,738,320	17,337,522	400,798
Special programs - elementary/secondary	5,594,410	5,580,861	5,505,210	75,651
Vocational education programs	526,458	526,458	526,458	-
Other instructional programs - elementary/secondary	590,708	590,708	473,574	117,134
Nonpublic school programs	10,000	10,200	13,122	(2,922)
TOTAL INSTRUCTIONAL SERVICES	24,535,852	24,446,547	23,855,886	590,661
SUPPORT SERVICES:				
Students	1,249,365	1,262,715	1,243,947	18,768
Instructional staff	706,450	766,649	772,725	(6,076)
Administration	2,423,049	2,462,376	2,343,195	119,181
Pupil health	396,797	401,527	389,660	11,867
Business	474,736	474,236	479,929	(5,693)
Operation and maintenance of plant	2,522,026	2,494,136	2,332,089	162,047
Student transportation	2,168,696	2,168,696	1,809,189	359,507
Central	1,275,645	1,275,645	1,242,858	32,787
Other	31,812	31,901	31,900	1
TOTAL SUPPORT SERVICES	11,248,576	11,337,881	10,645,492	692,389
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	1,302,522	1,302,522	1,100,424	202,098
Community services	30,288	30,288	15,309	14,979
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,332,810	1,332,810	1,115,733	217,077
DEBT SERVICE PAYMENTS	3,176,093	3,176,093	3,176,060	33
REFUND OF PRIOR YEAR REVENUE	-	-	106	(106)
TOTAL EXPENDITURES	40,293,331	40,293,331	38,793,277	1,500,054
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(438,884)	(438,884)	849,990	1,288,874
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	5,853	5,853
Transfers out	(200,000)	(200,000)	(105,928)	94,072
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	(200,000)	(100,075)	99,925
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (638,884)	\$ (638,884)	749,915	\$ 1,388,799
FUND BALANCE - BEGINNING OF YEAR			3,861,826	
FUND BALANCE - END OF YEAR			\$ 4,611,741	

See note to required supplementary information.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2019/2020 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

Budgetary Compliance

The District's only legally adopted budget is for the general fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2020. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN**

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.1233%	0.1227%	0.1238%	0.1232%	0.1226%	0.1233%	0.1249%
District's proportionate share of the collective net pension liability	\$ 57,683,000	\$ 58,902,000	\$ 61,143,000	\$ 61,054,000	\$ 53,104,000	\$ 48,804,000	\$ 51,130,000
District's covered payroll	\$ 17,001,366	\$ 16,518,055	\$ 16,486,173	\$ 15,954,462	\$ 15,779,846	\$ 15,729,185	\$ 16,033,919
District's proportionate share of the net pension liability as a percentage of its covered payroll	339.28%	356.59%	370.87%	382.68%	336.53%	310.28%	318.89%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms

With the passage of Act 5 Class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions

None.

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

SCHUYLKILL VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 5,818,546	\$ 5,532,088	\$ 5,335,872	\$ 4,832,409	\$ 4,021,594	\$ 3,272,361	\$ 2,542,490	\$ 1,867,624	\$ 1,250,899	\$ 771,309
Contributions in relation to the contractually required contribution	<u>5,818,546</u>	<u>5,532,088</u>	<u>5,335,872</u>	<u>4,832,409</u>	<u>4,021,594</u>	<u>3,272,361</u>	<u>2,542,490</u>	<u>1,867,624</u>	<u>1,250,899</u>	<u>771,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 17,400,454</u>	<u>\$ 17,001,366</u>	<u>\$ 16,518,055</u>	<u>\$ 16,486,173</u>	<u>\$ 15,954,462</u>	<u>\$ 15,779,846</u>	<u>\$ 15,729,185</u>	<u>\$ 16,033,919</u>		
Contributions as a percentage of covered payroll	33.44%	32.54%	32.30%	29.31%	25.21%	20.74%	16.16%	11.65%		

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS -
PSERS OPEB PLAN**

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.1233%	0.1227%	0.1238%	0.1232%
District's proportionate share of the collective net PSERS OPEB liability	\$ 2,622,000	\$ 2,558,000	\$ 2,522,000	\$ 2,654,000
District's covered payroll	\$ 17,001,366	\$ 16,518,055	\$ 16,486,173	\$ 15,954,462
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.42%	15.49%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.56%	5.73%	5.47%

The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2019 measurement date are as follows:

- The discount rate changed from 2.98% to 2.79%.

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

SCHUYLKILL VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 146,510	\$ 140,848	\$ 139,532	\$ 137,360	\$ 135,126	\$ 143,665	\$ 147,782	\$ 139,666	\$ 101,636	\$ 98,727
Contributions in relation to the contractually required contribution	<u>146,510</u>	<u>140,848</u>	<u>139,532</u>	<u>137,360</u>	<u>135,126</u>	<u>143,665</u>	<u>147,782</u>	<u>139,666</u>	<u>101,636</u>	<u>98,727</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,400,454	\$ 17,001,366	\$ 16,518,055	\$ 16,486,173	\$ 15,954,462	\$ 15,779,846	\$ 15,729,185	\$ 16,033,919		
Contributions as a percentage of covered payroll	0.84%	0.83%	0.84%	0.83%	0.85%	0.91%	0.94%	0.87%		

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 144,219	\$ 134,660	\$ 124,704
Interest	68,045	61,093	43,029
Differences between expected and actual experience	-	192,172	-
Changes of assumptions	(59,893)	3,272	119,913
Benefit payments	<u>(57,539)</u>	<u>(83,030)</u>	<u>(62,956)</u>
Net change in total OPEB liability	94,832	308,167	224,690
Total OPEB liability, beginning	<u>2,170,327</u>	<u>1,862,160</u>	<u>1,637,470</u>
Total OPEB liability, ending	<u>\$ 2,265,159</u>	<u>\$ 2,170,327</u>	<u>\$ 1,862,160</u>
Covered Employee Payroll	<u>\$ 15,224,783</u>	<u>\$ 15,224,783</u>	<u>\$ 14,709,398</u>
Total OPEB Liability as a Percentage of Covered Payroll	14.88%	14.26%	12.66%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2018 measurement date are as follows:

- The discount rate changed from 2.98% to 3.36%.

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

SUPPLEMENTARY INFORMATION

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2020

		Budget	Actual	Variance
6000 REVENUES FROM LOCAL SOURCES				
<u>Taxes</u>				
6111	Current real estate taxes	\$ 25,481,146	\$ 25,263,719	\$ (217,427)
6112	Interim real estate taxes	143,500	224,251	80,751
6113	Public utility realty tax	27,300	24,707	(2,593)
6114	Payments in lieu of current taxes	448	448	-
6151	Current Act 511 earned income taxes	2,100,000	2,092,624	(7,376)
6153	Current Act 511 real estate transfer taxes	450,000	397,844	(52,156)
6400	Delinquent taxes (all levies)	616,800	683,294	66,494
	Total	28,819,194	28,686,887	(132,307)
<u>Other</u>				
6510	Earnings on investments	270,000	224,061	(45,939)
6700	Admissions and fees	130,100	92,576	(37,524)
6830	Federal revenue from intermediary sources	322,765	320,252	(2,513)
6910	Rentals	37,000	33,960	(3,040)
6920	Contributions	15,013	7,503	(7,510)
6940	Tuition from patrons	450,000	294,840	(155,160)
6990	Miscellaneous revenue	30,000	149,777	119,777
	Total	1,254,878	1,122,969	(131,909)
	TOTAL REVENUES FROM LOCAL SOURCES	30,074,072	29,809,856	(264,216)
7000 REVENUES FROM STATE SOURCES				
7111	Basic instructional subsidy	3,184,836	2,990,691	(194,145)
7112	State share of social security and Medicare taxes	646,893	576,919	(69,974)
7160	Tuition/court placed institutions	60,000	81,785	21,785
7270	Special education of exceptional pupils	1,022,431	1,021,574	(857)
7310	Transportation	840,000	844,166	4,166
7320	Rental and sinking fund payments	158,000	165,324	7,324
7330	Health services	36,000	37,529	1,529
7340	State property tax reduction allocation	591,387	591,387	-
7361	School safety and security grants	-	69,080	69,080
7505	Ready to learn block grant	-	197,972	197,972
7599	Other state revenue	-	2,391	2,391
7820	State share of retirement	2,944,970	2,941,488	(3,482)
	TOTAL REVENUES FROM STATE SOURCES	9,484,517	9,520,306	35,789

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2020

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8000 REVENUES FROM FEDERAL SOURCES				
8514	Title I	255,858	233,552	(22,306)
8515	Title II	40,000	53,538	13,538
8516	Title III	-	2,307	2,307
8517	Title IV	-	23,708	23,708
TOTAL REVENUES FROM FEDERAL SOURCES		<u>295,858</u>	<u>313,105</u>	<u>17,247</u>
9000 OTHER FINANCING SOURCES				
9400	Proceeds from Sale of Capital Assets	-	5,853	5,853
TOTAL REVENUES AND OTHER FINANCING SOURCES		<u>\$ 39,854,447</u>	<u>\$ 39,649,120</u>	<u>\$ (205,327)</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2020

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1000 INSTRUCTIONAL SERVICES				
1100	Regular programs - elementary/secondary	\$ 17,738,320	\$ 17,337,522	\$ 400,798
1200	Special programs - elementary/secondary	5,580,861	5,505,210	75,651
1300	Vocational education programs	526,458	526,458	-
1400	Other instructional programs - elementary/secondary	590,708	473,574	117,134
1500	Nonpublic school programs	10,200	13,122	(2,922)
	TOTAL INSTRUCTIONAL SERVICES	24,446,547	23,855,886	590,661
2000 SUPPORT SERVICES				
2100	Students	1,262,715	1,243,947	18,768
2200	Instructional staff	766,649	772,725	(6,076)
2300	Administration	2,462,376	2,343,195	119,181
2400	Pupil health	401,527	389,660	11,867
2500	Business	474,236	479,929	(5,693)
2600	Operation and maintenance of plant	2,494,136	2,332,089	162,047
2700	Student transportation	2,168,696	1,809,189	359,507
2800	Central	1,275,645	1,242,858	32,787
2900	Other	31,901	31,900	1
	TOTAL SUPPORT SERVICES	11,337,881	10,645,492	692,389
3000 OPERATION OF NONINSTRUCTIONAL SERVICES				
3200	Student activities	1,302,522	1,100,424	202,098
3300	Community services	30,288	15,309	14,979
	TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,332,810	1,115,733	217,077
5000 OTHER EXPENDITURES AND FINANCING USES				
5110	Debt service -			
	Principal payments	2,575,000	2,575,000	-
	Interest payments	601,093	601,060	33
5130	Refund of prior year revenue	-	106	(106)
5230	Transfers to capital projects	200,000	100,000	100,000
5250	Transfers to proprietary fund	-	5,928	(5,928)
	TOTAL OTHER FINANCING USES	3,376,093	3,282,094	93,999
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 40,493,331	\$ 38,899,205	\$ 1,594,126

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF BALANCE SHEET COMPONENTS - CAPITAL PROJECTS FUND

June 30, 2020

	Capital Projects Component	Technology Reserve Component	Total Capital Projects Fund
ASSETS			
Cash and investments	\$ 1,424,854	\$ 395,245	\$ 1,820,099
Interfund receivable	-	100,000	100,000
TOTAL ASSETS	<u>\$ 1,424,854</u>	<u>\$ 495,245</u>	<u>\$ 1,920,099</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 507,557	\$ 107,504	\$ 615,061
TOTAL LIABILITIES	507,557	107,504	615,061
FUND BALANCES			
Restricted	917,297	387,741	1,305,038
TOTAL FUND BALANCES	<u>917,297</u>	<u>387,741</u>	<u>1,305,038</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,424,854</u>	<u>\$ 495,245</u>	<u>\$ 1,920,099</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND EXPENDITURES COMPONENTS -
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2020

	<u>Capital Projects Component</u>	<u>Technology Reserve Component</u>	<u>Total Capital Projects Fund</u>
REVENUES			
Local sources	\$ 24,449	\$ 4,870	\$ 29,319
TOTAL REVENUES	24,449	4,870	29,319
EXPENDITURES			
Current:			
Instructional services	-	117,504	117,504
Support services	818,440	31,164	849,604
Operation of noninstructional services	46,522	-	46,522
TOTAL EXPENDITURES	864,962	148,668	1,013,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(840,513)	(143,798)	(984,311)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES (USES)	-	100,000	100,000
NET CHANGE IN FUND BALANCES	(840,513)	(43,798)	(884,311)
FUND BALANCES - BEGINNING OF YEAR	1,757,810	431,539	2,189,349
FUND BALANCES - END OF YEAR	<u>\$ 917,297</u>	<u>\$ 387,741</u>	<u>\$ 1,305,038</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION -
 PRIVATE PURPOSE TRUST FUNDS

June 30, 2020

	Rieser Scholarship	Wisniewski Scholarship	Flammer Scholarship	Scolastico Scholarship	Kennedy Scholarship	Rotary Club Scholarship	Bauder Scholarship	Kleffel Scholarship	Grauer Scholarship	PSBA Scholarship	Education Trust Fund	Total Private Purpose Trust Funds
ASSETS												
CURRENT ASSETS												
Cash and investments	\$ 4,377	\$ 17,849	\$ 20,275	\$ 8,626	\$ 22,056	\$ 22,079	\$ 150,422	\$ 6,193	\$ 3,000	\$ 1,250	\$ 10,529	\$ 266,656
TOTAL ASSETS	<u>4,377</u>	<u>17,849</u>	<u>20,275</u>	<u>8,626</u>	<u>22,056</u>	<u>22,079</u>	<u>150,422</u>	<u>6,193</u>	<u>3,000</u>	<u>1,250</u>	<u>10,529</u>	<u>266,656</u>
LIABILITIES												
CURRENT LIABILITIES												
Other current liabilities	-	-	-	-	-	-	-	-	3,000	1,250	-	4,250
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>1,250</u>	<u>-</u>	<u>4,250</u>
NET POSITION HELD IN TRUST	<u>\$ 4,377</u>	<u>\$ 17,849</u>	<u>\$ 20,275</u>	<u>\$ 8,626</u>	<u>\$ 22,056</u>	<u>\$ 22,079</u>	<u>\$ 150,422</u>	<u>\$ 6,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,529</u>	<u>\$ 262,406</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET POSITION -
 PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2020

	Rieser Scholarship	Wisniewski Scholarship	Flammer Scholarship	Scolastico Scholarship	Kennedy Scholarship	Rotary Club Scholarship	Bauder Scholarship	Kleffel Scholarship	Grauer Scholarship	PSBA Scholarship	Education Trust Fund	Total Private Purpose Trust Funds
ADDITIONS												
Contributions	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ 7,806	\$ 4,800	\$ 3,000	\$ 1,250	\$ -	\$ 16,881
Earnings on investments	61	241	277	128	336	13	3,280	98	-	-	120	4,554
TOTAL ADDITIONS	61	241	277	153	336	13	11,086	4,898	3,000	1,250	120	21,435
DEDUCTIONS												
Instructional services	-	-	-	-	-	-	-	-	-	-	300	300
Operation of noninstructional services	200	600	750	50	100	500	2,500	4,000	3,000	1,250	-	12,950
TOTAL DEDUCTIONS	200	600	750	50	100	500	2,500	4,000	3,000	1,250	300	13,250
CHANGE IN NET POSITION	(139)	(359)	(473)	103	236	(487)	8,586	898	-	-	(180)	8,185
NET POSITION - BEGINNING OF YEAR	4,516	18,208	20,748	8,523	21,820	22,566	141,836	5,295	-	-	10,709	254,221
NET POSITION - END OF YEAR	<u>\$ 4,377</u>	<u>\$ 17,849</u>	<u>\$ 20,275</u>	<u>\$ 8,626</u>	<u>\$ 22,056</u>	<u>\$ 22,079</u>	<u>\$ 150,422</u>	<u>\$ 6,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,529</u>	<u>\$ 262,406</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2019	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2020
U.S. Department of Education									
Passed through Commonwealth of Pennsylvania Department of Education:									
Title I Grants to Local Education Agencies	I	84.010	013-20-0375	08/29/19-09/30/20	\$ 233,552	\$ 178,295	\$ -	\$ 233,552	\$ 55,258
Supporting Effective Instruction State Grant	I	84.367	020-19-0375	08/30/18-09/30/19	62,126	12,692	8,414	4,278	-
Supporting Effective Instruction State Grant	I	84.367	020-20-0375	08/29/19-09/30/20	49,260	45,800	-	49,260	3,460
Subtotal - CFDA 84.367						58,492	8,414	53,538	3,460
Student Support and Academic Enrichment Program	I	84.424	144-19-0375	08/30/18-09/30/19	16,955	-	(1,132)	1,132	-
Student Support and Academic Enrichment Program	I	84.424	144-20-0375	08/29/19-09/30/20	22,576	22,576	-	22,576	-
Subtotal - CFDA 84.424						22,576	(1,132)	23,708	-
Passed through Fleetwood Area School District:									
English Language Acquisition State Grants	I	84.365	N/A	08/01/18-06/30/19	2,568	2,568	2,568	-	-
English Language Acquisition State Grants	I	84.365	N/A	08/01/19-06/30/20	2,307	-	-	2,307	2,307
Subtotal - CFDA 84.365						2,568	2,568	2,307	2,307
Special Education Cluster (IDEA)									
Passed through Berks County Intermediate Unit:									
Special Education - Grants to States	I	84.027	N/A	07/01/18-09/30/19	328,044	176,702	176,702	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/19-09/30/20	312,252	296,429	-	312,252	15,823
Subtotal - CFDA 84.027						473,131	176,702	312,252	15,823
Special Education - Preschool Grants	I	84.173	N/A	07/01/19-06/30/20	8,000	8,000	-	8,000	-
Total Special Education Cluster (IDEA)						481,131	176,702	320,252	15,823
TOTAL U.S. DEPARTMENT OF EDUCATION						743,062	186,552	633,357	76,847
U.S. Department of Agriculture									
Child Nutrition Cluster									
Passed through Commonwealth of Pennsylvania Department of Education:									
School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	33,292	-	33,292	-
COVID-19 School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	34,240	-	38,046	3,806
Subtotal - CFDA 10.553						67,532	-	71,338	3,806
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	212,788	-	212,788	-
COVID-19 National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	67,350	-	73,370	6,020
Passed through Commonwealth of Pennsylvania Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	68,181	(10,813)	71,989	(7,005)
Subtotal - CFDA 10.555						348,319	(10,813)	358,147	(985)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						415,851	(10,813)	429,485	2,821
TOTAL FEDERAL AWARDS						\$ 1,158,913	\$ 175,739	\$ 1,062,842	\$ 79,668

I = Indirect source of funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2020.

See notes to schedule of expenditures of federal awards.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the de minimis rate for indirect costs.

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. No ACCESS funding classified as fee-for-service was recognized for the year ended June 30, 2020.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had \$7,005 of food commodity inventory.



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

**To the Board of School Directors
Schuylkill Valley School District
Leesport, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Schuylkill Valley School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Schuylkill Valley School District's basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
November 6, 2020



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

**To the Board of School Directors
Schuylkill Valley School District
Leesport, Pennsylvania**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

Reading, Pennsylvania
November 6, 2020

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? yes X none reported
Type of auditor's report issued on compliance for
major programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a) yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Special Education Cluster</u>	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee? X yes No

SCHUYLKILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were not federal awards findings or questioned costs.



Schuylkill Valley School District

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STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were not federal awards findings or questioned costs.