

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2021

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**INDEPENDENT AUDITORS' REPORT**

Board of School Directors  
Loyalsock Township School District  
Williamsport, Pennsylvania:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Loyalsock Township School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As described in Note 2 to the financial statements, in 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 6, Budgetary Comparison Schedule - General Fund on page 48, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan on page 49, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program on page 50, Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program on page 51, Schedule of the District's Proportionate Share of the Net Pension Liability on page 52, and Schedule of the District's Pension Plan Contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Larson, Kellett & Associates, P.C.*

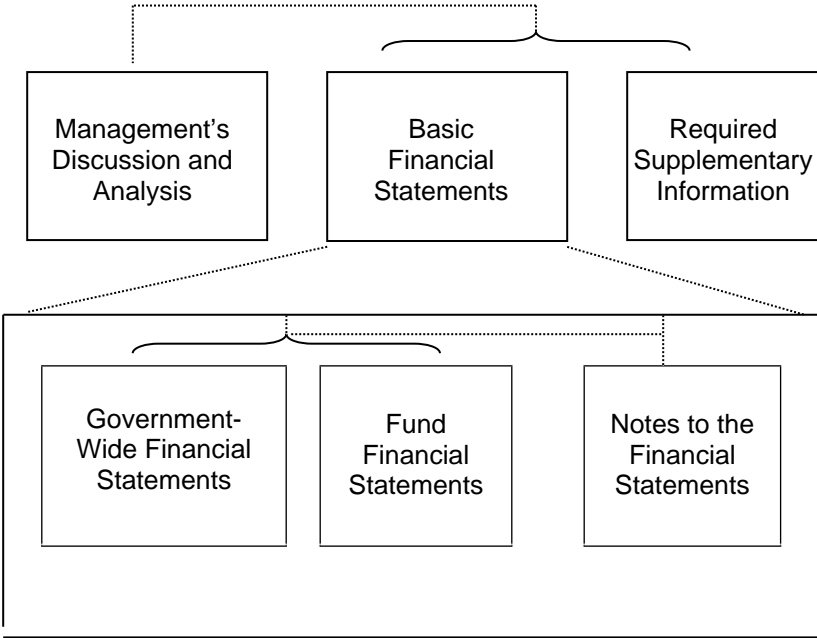
Montoursville, Pennsylvania  
March 30, 2022

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The Management's Discussion and Analysis (MD&A) of the Loyalsock Township School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of the MD&A is to provide user-friendly insight into management's analysis of the District's financial performance as a whole. Readers should also review the independent auditors' report, notes to the basic financial statements, and financial statements to increase their understanding of the District's financial performance.

Figure A-1 shows how the required components of the Financial Section are arranged and relate to one another.

**FIGURE A-1  
Required Components of  
LOYALSOCK TOWNSHIP SCHOOL DISTRICT'S  
Financial Report**



**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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 management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of Loyalsock Township 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 – Scholarship 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 revenues, expenses, and 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/deferred outflows of resources/deferred inflows of resources/liability information	All assets, and deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, and short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities, and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets, deferred outflows, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Analysis of Overall Financial Position and Results of Operations Over the Past Fiscal Year**

**Governmental Activities** - On **June 30, 2021**, the District's total net position from governmental activities was \$(9,074,728). At year end, the District's total net position of Governmental Activities increased by approximately \$2,672,000 from the previous year end.

The District continued to experience increases in the costs for regular instruction, healthcare, retirement and special education instruction. Healthcare increases and projected retirement rate increases to the Pennsylvania School Employees Retirement System (PSERS) continue to be a long term concern for the District. The Board of School Directors was able to balance the budget without increasing real estate taxes as the final millage rate remained 14.67 mills, (\$14.67 on each \$1,000 assessment) to the taxpayers.

**Business - Type Activities** - Food Service had total net position of \$(108,682) as of **June 30, 2021**. At year end, the District's total net position of the business-type activities increased by approximately \$119,000 from the previous year end.

- The General Fund did not make any transfers to the Food Service Fund.

Table 1 summarizes the assets, liabilities, and net position of the District at **June 30, 2021**, and June 30, 2020

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current assets	\$ 11,371,023	\$ 684,324	\$ 12,055,347	\$ 10,624,523	\$ 594,363	\$ 11,218,886
Capital assets, net	27,415,509	162,800	27,578,309	28,203,339	132,521	28,335,860
Total assets	<u>\$ 38,786,532</u>	<u>\$ 847,124</u>	<u>\$ 39,633,656</u>	<u>\$ 38,827,862</u>	<u>\$ 726,884</u>	<u>\$ 39,554,746</u>
Deferred outflows of resources	<u>\$ 5,592,765</u>	<u>\$ 150,908</u>	<u>\$ 5,743,673</u>	<u>\$ 4,556,605</u>	<u>\$ 121,687</u>	<u>\$ 4,678,292</u>
<b>Liabilities</b>						
Current liabilities	\$ 5,426,640	\$ 48,140	\$ 5,474,780	\$ 5,337,594	\$ 48,522	\$ 5,386,116
Long-term liabilities	46,300,302	1,021,694	47,321,996	47,777,371	976,794	48,754,165
Total liabilities	<u>\$ 51,726,942</u>	<u>\$ 1,069,834</u>	<u>\$ 52,796,776</u>	<u>\$ 53,114,965</u>	<u>\$ 1,025,316</u>	<u>\$ 54,140,281</u>
Deferred inflows of resources	<u>\$ 1,727,083</u>	<u>\$ 36,880</u>	<u>\$ 1,763,963</u>	<u>\$ 2,015,933</u>	<u>\$ 51,255</u>	<u>\$ 2,067,188</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 14,988,159	\$ 162,800	\$ 15,150,959	\$ 13,763,222	\$ 131,940	\$ 13,895,162
Restricted for capital projects	856,868		856,868	907,255		907,255
Unrestricted (deficit)	(24,919,755)	(271,482)	(25,191,237)	(26,416,908)	(359,940)	(26,776,848)
Total net position	<u>\$ (9,074,728)</u>	<u>\$ (108,682)</u>	<u>\$ (9,183,410)</u>	<u>\$ (11,746,431)</u>	<u>\$ (228,000)</u>	<u>\$ (11,974,431)</u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Table 2 summarizes the revenues, expenses, and change in net position of the District for the years ended June 30, 2021 and 2020.

<b>Table 2</b>						
<b>Change in Net Position</b>						
<b>Fiscal Years Ended June 30, 2021 and 2020</b>						
<b>(Government-Wide)</b>						
	<b>2021</b>			<b>2020</b>		
	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
Program Revenues:						
Charges for services	\$ 194,426	\$ 122,630	\$ 317,056	\$ 300,747	\$ 392,742	\$ 693,489
Operating grants and contributions	4,681,817	899,150	5,580,967	4,526,429	573,735	5,100,164
General Revenues:						
Property taxes	10,893,462		10,893,462	10,831,313		10,831,313
Local earned income taxes levied	4,008,236		4,008,236	3,289,123		3,289,123
Real estate transfer tax	617,265		617,265	652,777		652,777
Other taxes levied	491,829		491,829	370,304		370,304
Grants and entitlements	4,190,834		4,190,834	3,790,102		3,790,102
Investment earnings	26,083	1,017	27,100	181,121	10,064	191,185
Miscellaneous	31,299		31,299	60,625		60,625
<b>Total Revenues</b>	<b>25,135,251</b>	<b>1,022,797</b>	<b>26,158,048</b>	<b>24,002,541</b>	<b>976,541</b>	<b>24,979,082</b>
Program Expenses:						
Instruction	13,326,956		13,326,956	13,707,800		13,707,800
Support Services:						
Instructional student support services	2,489,029		2,489,029	2,411,371		2,411,371
Administrative and financial services	2,216,269		2,216,269	2,430,226		2,430,226
Operation and maintenance of plant services	3,176,775		3,176,775	3,136,031		3,136,031
Pupil transportation	450,255		450,255	560,729		560,729
Community services	23,031		23,031	27,553		27,553
Student activities	509,413		509,413	509,751		509,751
Depreciation, unallocated	2,776		2,776	19,086		19,086
Interest and amortization on long-term debt	296,444		296,444	412,311		412,311
Food service		903,479	903,479		1,000,037	1,000,037
<b>Total Expenses</b>	<b>22,490,948</b>	<b>903,479</b>	<b>23,394,427</b>	<b>23,214,858</b>	<b>1,000,037</b>	<b>24,214,895</b>
Excess (deficiency) before transfers	2,644,303	119,318	2,763,621	787,683	(23,496)	764,187
Interfund transfers and capital contributions						
Gain (loss) on disposal of capital assets	27,400		27,400	2,150		2,150
<b>Change in Net Position</b>	<b>\$ 2,671,703</b>	<b>\$ 119,318</b>	<b>\$ 2,791,021</b>	<b>\$ 789,833</b>	<b>\$ (23,496)</b>	<b>\$ 766,337</b>

## **Budgetary Variances**

- ◆ Total General Fund Revenues and other financing sources exceeded the final budgeted revenues by approximately \$2,156,000 or 9.16%.
  - Budgetary estimates differed in the following areas:
    - Local revenues - The revenue from local sources exceeded the final budget by approximately \$1,542,000. Budget estimates vary in the following areas:
      - Earned Income Taxes - this amount exceeded our budget estimate by approximately \$808,000 due to the rapid recovery of the economy from the COVID-19 pandemic. GDP returned to its pre-pandemic level in the second quarter of 2021, outpacing expected recovery time.
      - Real Estate Transfer Taxes - approximately \$217,000 over budget as record low mortgage prices created more properties transferred than expected during the 2020-2021 fiscal year.
      - CARES Act Pass Through – resulted in increased revenues of approximately \$317,000 over the final budget.
    - State revenues - The revenue from state sources was more than the final budget by approximately \$194,000. Budget estimates vary in the following areas:
      - Rent and Sinking Fund Payments – resulted in increased revenues of approximately \$109,000 over the final budget.
  - Federal revenues – The revenue from federal sources was less than the final budget by approximately \$89,000. Budget estimates vary in the following areas:
    - ESSER Cares Act Fund – resulted in increased revenues of approximately \$122,000 over the final budget
    - Med Assistance – revenues were less than our final budget by approximately \$225,000 as a result of the district choosing not to withdrawal med assistance money.
- ◆ Total General Fund Expenditures and Other Financing Uses exceeded the final budgeted expenditures by approximately \$682,000 or 2.83%.
  - The District entered into a lease with Apple Computer in 2020. The total cost of the lease was approximately \$483,000 and approximately \$164,000 was paid in the current year. The lease will end in 2022.
  - The majority of the variances in expenditures occurred in the salary and benefits portion of the District's budget. Salaries and benefits are approximately 69% of the District's expenditures.

## **Significant Capital Activity**

During the **2020-2021** school year, the District had the following significant capital activity:

- ◆ The District purchased a cafeteria table at a cost of \$65,750.
- ◆ The District leased iPads from Apple Computer at a cost of \$483,000.
- ◆ The District purchased two buses at a cost of \$121,412.
- ◆ The District purchased a truck at a cost of \$30,000.
- ◆ The construction of the remodeled entrances was completed at a cost of \$166,733.
- ◆ During the 2021-2022 school year, the District will continue to evaluate the need for capital projects. On August 11, 2021 the District issued General Obligation Bonds, Series of 2021 in the amount of \$9,795,000. On February 16, 2022, the District authorized the issuance of General Obligation Bonds, Series of 2022 in the amount of \$9,000,000. The proceeds will be used for building expansion projects.
- ◆ During the 2021-2022 school year, the District will continue the lease arrangement for its property located at 1720 Sycamore Road, Montoursville, PA 17754 with a gas and oil company and will continue to generate approximately \$173,000 in additional revenue.

## **Currently Known Facts, Decisions or Conditions:**

**Governmental Activities** - The District approved a budget that will increase taxes for the 2021-2022 school year. The real estate millage will increase to 15.10 mills. The District continues to benefit from growth and refinancing of bond issues during times of historically low interest rates. As a result of the ongoing COVID-19 Pandemic, local and state revenues are expected to remain the same as previous years or slightly decrease. The District has been receiving federal COVID relief funds to offset these lost revenues. The relief funds will enable Loyalsock Township School District to continue being financially stable and allow the Board of Education and administration continue to provide quality education to our students at an affordable cost to our taxpayers.

The District has settled a contract with the professional staff through June 30, 2022 and our support staff contract has been ratified and is in place through June 30, 2025.

The Public School Employees Retirement System (PSERS) continues to project increased rates in employer contributions over the next several years. The District contributed a rate of 34.51% for the 2020-2021 school year. The rate for the 2021-2022 school year is 34.94%. The rate increases for future years have the potential for a significant impact on the Loyalsock Township School District and all schools in the Commonwealth of Pennsylvania. The District has prepared for the rate increases and has currently committed \$2,595,000 of fund balance for future retirement rate expenditures.

Other than those issues listed in the MD&A or in the notes to the basic financial statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

## **Contacting The District 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 show the Board and administration's accountability for the money it receives. If you have questions regarding this report or wish to request additional financial information, please contact Dan Egly, Business Manager, Loyalsock Township School District, 1605 Four Mile Drive, Williamsport, PA, 17701. (570) 326-6508.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**GOVERNMENT-WIDE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 10,048,550	\$ 637,270	\$ 10,685,820
Taxes receivable, net	224,853		224,853
Other receivables	4,211	2,523	6,734
Due from other governments	1,093,409	40,816	1,134,225
Inventories		3,715	3,715
Total current assets	<u>11,371,023</u>	<u>684,324</u>	<u>12,055,347</u>
<b>NONCURRENT ASSETS,</b>			
Capital assets, net	<u>27,415,509</u>	<u>162,800</u>	<u>27,578,309</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 38,786,532</b></u>	<u><b>\$ 847,124</b></u>	<u><b>\$ 39,633,656</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding debt, net	\$ 155,322		\$ 155,322
Other postemployment benefits - district plan	198,811		198,811
Other postemployment benefits - premium assistance program	167,821	\$ 4,835	172,656
Pensions	<u>5,070,811</u>	<u>146,073</u>	<u>5,216,884</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 5,592,765</b></u>	<u><b>\$ 150,908</b></u>	<u><b>\$ 5,743,673</b></u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Internal balances	\$ (13,466)	\$ 13,466	
Due to other governments	172,706		\$ 172,706
Accounts payable	158,203		158,203
Accrued salaries and benefits	2,422,909	9,118	2,432,027
Accrued interest payable	60,618		60,618
Payroll deductions and withholdings	67,111		67,111
Current portion of noncurrent liabilities	2,495,614		2,495,614
Unearned revenue	53,984	25,556	79,540
Other current liabilities	<u>8,961</u>		<u>8,961</u>
Total current liabilities	<u>5,426,640</u>	<u>48,140</u>	<u>5,474,780</u>
<b>NONCURRENT LIABILITIES:</b>			
Bonds payable, net	9,862,312		9,862,312
Accumulated compensated absences, net	196,315	15,654	211,969
Capital leases, net	164,134		164,134
Total other postemployment benefit liability - district plan	1,153,581		1,153,581
Net other postemployment benefit liability - premium assistance program	1,469,664	42,336	1,512,000
Net pension liability	<u>33,454,296</u>	<u>963,704</u>	<u>34,418,000</u>
Total noncurrent liabilities	<u>46,300,302</u>	<u>1,021,694</u>	<u>47,321,996</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 51,726,942</b></u>	<u><b>\$ 1,069,834</b></u>	<u><b>\$ 52,796,776</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Other postemployment benefits - district plan	\$ 446,812		\$ 446,812
Other postemployment benefits - premium assistance program	65,549	\$ 1,888	67,437
Pensions	<u>1,214,722</u>	<u>34,992</u>	<u>1,249,714</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>\$ 1,727,083</b></u>	<u><b>\$ 36,880</b></u>	<u><b>\$ 1,763,963</b></u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 14,988,159	\$ 162,800	\$ 15,150,959
Restricted for capital projects	856,868		856,868
Unrestricted (deficit)	<u>(24,919,755)</u>	<u>(271,482)</u>	<u>(25,191,237)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (9,074,728)</b></u>	<u><b>\$ (108,682)</b></u>	<u><b>\$ (9,183,410)</b></u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 13,326,956	\$ 16,313	\$ 2,373,999	\$ (10,936,644)		\$ (10,936,644)
Instructional student support services	2,489,029		964,805	(1,524,224)		(1,524,224)
Administrative and financial support services	2,216,269		342,047	(1,874,222)		(1,874,222)
Operation and maintenance of plant services	3,176,775	142,251	302,522	(2,732,002)		(2,732,002)
Pupil transportation	450,255		268,117	(182,138)		(182,138)
Student activities	509,413	34,167	39,378	(435,868)		(435,868)
Community services	23,031	1,695	6,555	(14,781)		(14,781)
Interest and amortization on long-term debt	296,444		384,394	87,950		87,950
Depreciation, unallocated *	<u>2,776</u>			<u>(2,776)</u>		<u>(2,776)</u>
Total governmental activities	22,490,948	194,426	4,681,817	(17,614,705)		(17,614,705)
<b>BUSINESS-TYPE ACTIVITIES,</b>						
Food service	<u>903,479</u>	<u>122,630</u>	<u>899,150</u>		\$ 118,301	<u>118,301</u>
<b>TOTAL</b>	<u>\$ 23,394,427</u>	<u>\$ 317,056</u>	<u>\$ 5,580,967</u>	<u>(17,614,705)</u>	<u>118,301</u>	<u>(17,496,404)</u>
<b>GENERAL REVENUES:</b>						
Property taxes, levied for general purposes				10,893,462		10,893,462
Local earned income taxes levied				4,008,236		4,008,236
Real estate transfer tax				617,265		617,265
Other taxes levied, net				491,829		491,829
Grants and entitlements not restricted to specific programs				4,190,834		4,190,834
Investment earnings				26,083	1,017	27,100
Miscellaneous income				31,299		31,299
Gain on disposition of capital assets				<u>27,400</u>		<u>27,400</u>
Total general revenues				<u>20,286,408</u>	<u>1,017</u>	<u>20,287,425</u>
CHANGE IN NET POSITION				2,671,703	119,318	2,791,021
NET POSITION, BEGINNING				<u>(11,746,431)</u>	<u>(228,000)</u>	<u>(11,974,431)</u>
NET POSITION, ENDING				<u>\$ (9,074,728)</u>	<u>\$ (108,682)</u>	<u>\$ (9,183,410)</u>

\* This amount excludes the depreciation that is included in the direct expenses of the functions presented.

See Notes to the Basic Financial Statements

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 9,116,062	\$ 932,488		\$ 10,048,550
Taxes receivable, net	224,853			224,853
Due from other funds	66,454			66,454
Due from other governments	1,093,409			1,093,409
Other receivables	<u>4,210</u>			<u>4,210</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 10,504,988</b></u>	<u><b>\$ 932,488</b></u>	<u><b>\$</b></u>	<u><b>\$ 11,437,476</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Due to other funds	\$ 52,988			\$ 52,988
Due to other governments	172,706			172,706
Accounts payable	82,582	\$ 75,620		158,202
Accrued salaries and benefits	2,422,909			2,422,909
Payroll deductions and withholdings	67,111			67,111
Unearned revenue	53,984			53,984
Other current liabilities	<u>8,961</u>			<u>8,961</u>
<b>Total liabilities</b>	<u><b>2,861,241</b></u>	<u><b>75,620</b></u>		<u><b>2,936,861</b></u>
<b>DEFERRED INFLOWS OF RESOURCES,</b>				
Unavailable revenue - delinquent property taxes	<u>180,116</u>			<u>180,116</u>
<b>FUND BALANCES:</b>				
Restricted, by law or regulation		856,868		856,868
Committed, for pension and other postemployment benefits	2,995,000			2,995,000
Assigned, for technology purchases	590,274			590,274
Unassigned	<u>3,878,357</u>			<u>3,878,357</u>
<b>Total fund balances</b>	<u><b>7,463,631</b></u>	<u><b>856,868</b></u>		<u><b>8,320,499</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><b>\$ 10,504,988</b></u>	<u><b>\$ 932,488</b></u>	<u><b>\$</b></u>	<u><b>\$ 11,437,476</b></u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

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TOTAL GOVERNMENTAL FUND BALANCES	\$ 8,320,499
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.          These assets consist of:</p>	
Land	1,197,275
Buildings, building improvements and land improvements	44,862,802
Furniture and equipment	11,376,117
Construction in progress	109,239
Accumulated depreciation	(30,129,924)
<p>Deferred losses on refunding bonds are not current financial resources, and therefore, are not reported in the governmental funds balance sheet.</p>	
	155,322
<p>Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.          These liabilities consist of:</p>	
Accrued interest payable	(60,618)
Capital leases	(419,748)
Bonds payable in future years, net	(12,102,312)
Accumulated compensated absences	(196,315)
Total other postemployment benefit liability	(2,623,245)
Net pension liability	(33,454,296)
<p>Deferred inflows and outflows of resources related to other postemployment benefits and pensions are not current financial resources, and therefore are not reported in the governmental funds balance sheet.          These deferrals consist of:</p>	
Other postemployment benefits	(145,729)
Pensions	3,856,089
<p>Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the governmental funds balance sheet.</p>	
	180,116
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (9,074,728)</u></b>



**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>				
Local sources	\$ 17,030,085	\$ 190		\$ 17,030,275
State sources	7,484,677			7,484,677
Federal sources	<u>672,192</u>			<u>672,192</u>
Total revenues	<u>25,186,954</u>	<u>190</u>		<u>25,187,144</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	14,110,213			14,110,213
Support services	7,020,388	171,438		7,191,826
Noninstructional services	546,196			546,196
Capital outlay	32,726	129,139		161,865
Refund of prior year revenues	3,226			3,226
Debt service (principal and interest)	<u>270,380</u>		<u>\$ 2,521,400</u>	<u>2,791,780</u>
Total expenditures	<u>21,983,129</u>	<u>300,577</u>	<u>2,521,400</u>	<u>24,805,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,203,825</u>	<u>(300,387)</u>	<u>(2,521,400)</u>	<u>382,038</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	27,400			27,400
Interfund transfers in		250,000	2,521,400	2,771,400
Interfund transfers out	(2,771,400)			(2,771,400)
Proceeds from extended term financing	<u>482,568</u>			<u>482,568</u>
Total other financing sources (uses)	<u>(2,261,432)</u>	<u>250,000</u>	<u>2,521,400</u>	<u>509,968</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	942,393	(50,387)		892,006
FUND BALANCES, BEGINNING	<u>6,521,238</u>	<u>907,255</u>		<u>7,428,493</u>
FUND BALANCES, ENDING	<u>\$ 7,463,631</u>	<u>\$ 856,868</u>	<u>\$</u>	<u>\$ 8,320,499</u>

See Notes to the Basic Financial Statements

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 892,006
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense, net of deletions, exceeded capital outlays, in the current period.	(787,831)
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds.	(51,893)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,223,732
Repayment of capital lease principal is an expenditure in the governmental funds; however, capital leases entered into during the year increase long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.	(218,663)
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). These expenses consist of:	
Compensated absences and special termination benefits	(7,079)
Other postemployment benefit related costs	617,442
Pension related costs	(3,710)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>7,699</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,671,703</u></b>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	Food Service Fund
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 637,270
Due from other funds	52,988
Due from other governments	40,816
Other receivables	2,523
Inventories	<u>3,715</u>
Total current assets	<u>737,312</u>
<b>NONCURRENT ASSETS,</b>	
Capital assets, net	<u>162,800</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 900,112</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Other postemployment benefits - premium assistance program	\$ 4,835
Pensions	<u>146,073</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 150,908</u></b>
<b>LIABILITIES:</b>	
<b>CURRENT LIABILITIES:</b>	
Accrued salaries and benefits	\$ 9,118
Due to other funds	66,454
Unearned revenue	<u>25,556</u>
Total current liabilities	<u>101,128</u>
<b>NONCURRENT LIABILITIES:</b>	
Accumulated compensated absences, net	15,654
Net other post employment benefit liability - premium assistance program	42,336
Net pension liability	<u>963,704</u>
Total noncurrent liabilities	<u>1,021,694</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,122,822</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Other postemployment benefits - premium assistance program	\$ 1,888
Pensions	<u>34,992</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 36,880</u></b>
<b>NET POSITION:</b>	
Net investment in capital assets	\$ 162,800
Unrestricted (deficit)	<u>(271,482)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (108,682)</u></b>

See Notes to the Basic Financial Statements

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund
OPERATING REVENUES,	
Food service revenue	<u>\$ 122,630</u>
OPERATING EXPENSES:	
Salaries	271,830
Employee benefits	152,855
Purchased property services	2,378
Other purchased services	780
Supplies	434,614
Depreciation	39,031
Dues and fees	1,961
Interest	<u>30</u>
Total operating expenses	<u>903,479</u>
OPERATING LOSS	<u>(780,849)</u>
NONOPERATING REVENUES:	
Earnings on investments	1,017
State sources	79,960
Federal sources	<u>819,190</u>
Total nonoperating revenues	<u>900,167</u>
CHANGE IN NET POSITION	119,318
NET POSITION, BEGINNING	<u>(228,000)</u>
NET POSITION, ENDING	<u>\$ (108,682)</u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from users	\$ 116,649
Payments to suppliers for goods and services	(322,531)
Payments to employees	(432,924)
Payments for other operating expenditures	<u>(1,992)</u>
Net cash used by operating activities	<u>(640,798)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State sources	94,349
Federal sources	<u>691,425</u>
Net cash provided by noncapital financing activities	<u>785,774</u>
<b>CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of equipment	(69,310)
Repayment of obligations under capital leases	<u>(581)</u>
Net cash used by capital and related financing activities	<u>(69,891)</u>
<b>CASH PROVIDED BY INVESTING ACTIVITIES,</b>	
Earnings on investments	<u>1,017</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>76,102</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b><u>561,168</u></b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b><u>\$ 637,270</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	<u>\$ (780,849)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	39,031
Amortization	105,914
Donated commodities	111,460
Change in:	
Other receivable	(400)
Due to/from other funds	(14,916)
Inventories	3,374
Other postemployment benefits - premium assistance program deferred outflows of resources	(2,883)
Pension deferred outflows of resources	(148,472)
Accrued salaries and benefits	5,373
Compensated absences	1,584
Unearned revenue	(5,174)
Net other postemployment benefit liability - premium assistance program	476
Net pension liability	42,840
Other postemployment benefits - premium assistance program deferred inflows of resources	(232)
Pension deferred inflows of resources	<u>2,076</u>
Total adjustments	<u>140,051</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (640,798)</u></b>
<b>NONCASH NONCAPITAL FINANCING ACTIVITIES,</b>	
The District received \$112,273 of food commodities.	

See Notes to the Basic Financial Statements

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

	Scholarship Trust Funds	Custodial Funds
<b>ASSETS:</b>		
Cash	\$ 61,808	\$ 107,687
Other receivable	<u>197</u>	<u>410</u>
 Total assets	 <u>\$ 62,005</u>	 <u>\$ 108,097</u>
 <b>LIABILITIES AND NET POSITION:</b>		
<b>LIABILITIES,</b>		
Accounts payable	<u>          </u>	<u>\$ 18</u>
 <b>NET POSITION:</b>		
Restricted for scholarships	\$ 62,005	
Restricted for student activities	<u>          </u>	<u>108,079</u>
 Total net position	 <u>62,005</u>	 <u>108,079</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <u>\$ 62,005</u>	 <u>\$ 108,097</u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Scholarship Trust Funds	Custodial Funds
<b>ADDITIONS:</b>		
Gifts and contributions	\$ 13,840	
Investment income	44	
Student activities receipts	<u>          </u>	<u>\$ 64,652</u>
Total additions	13,884	64,652
<b>DEDUCTIONS:</b>		
Scholarships awarded	10,450	
Student activities disbursements	<u>          </u>	<u>67,578</u>
Total deductions	<u>10,450</u>	<u>67,578</u>
CHANGE IN NET POSITION	3,434	(2,926)
NET POSITION, BEGINNING, (As restated, See Note 2)	<u>58,571</u>	<u>111,005</u>
NET POSITION, ENDING	<u>\$62,005</u>	<u>\$ 108,079</u>

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES:**

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

**Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criterion for including a potential component unit within the reporting entity is the significance of their operational or financial relationship with the District. Based upon the application of this criterion, the reporting entity will consist solely of the accounts and funds of the District.

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

**General Fund**

This fund is used to account for and report all financial resources not accounted for and reported in another fund. The fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Projects Fund**

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Debt Service Fund**

This fund is used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.



**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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PROPRIETARY FUND

**Enterprise Fund**

This fund (food service fund) is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

**Trust and Custodial Funds**

These funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals. These assets associated with the custodial funds are held for the benefit of student groups where the District does not have administrative or direct financial involvement with the assets and the assets are not derived from the District providing goods or services to the students.

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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extent to which each business segment or government function is self-financing or draws from the general revenues of the District.

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

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if applicable, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for 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 District considers delinquent real estate taxes and derived tax revenues to be available if they are collected within 60 days and 30 days of the end of the fiscal period, respectively. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund is accounted for using the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses which generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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operations. Operating expenses for the proprietary funds include the cost of personal and contracted services, supplies, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting.

**Budgetary Procedures and Budgetary Accounting**

An operating budget is adopted in each year for the general fund on the modified accrual basis of accounting.

At the fund level, actual expenses cannot exceed budgeted appropriations; however, with proper approval of the Board, budgetary transfers can be made. The budgetary comparison schedule presented in this report reflects the final budget authorization, including all amendments and budgetary transfers.

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

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once, in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorized the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.
- Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program by program basis by the state or federal funding agency.
- Capital budgets are not established for capital improvements and capital projects in the capital projects fund. Additionally, all transactions of the capital projects fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.
- The District does not adopt a formal budget for the proprietary fund and debt service fund.

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**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. As of June 30, 2021, the District had no outstanding encumbrances. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the fund financial statements. A reserve for encumbrances is not reported on the government-wide financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and liquid asset funds (Pennsylvania Local Government Investment Trust), carried at cost.

The District pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

**Investments**

For purposes of determining realized gain or loss on sale, the cost of securities sold is determined by using the specific identification method. The fair value of investments is estimated based on bid quotations received from securities dealers.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 (See Note 4).

**Interfund Receivables and Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**Prepaid Expenses**

Prepaid expenses represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

**Inventories**

Proprietary fund food inventories of \$3,715 include \$898 of food commodities donated by the federal government, which are valued at fair value. All other food or supply

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inventories are valued at the lower of cost (first-in, first-out method) or fair value and are expensed as consumed.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

**Taxes Receivable**

Taxes receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion expected to be uncollectible. Taxes which become payable during fiscal year 2021 and are uncollected as of June 30, 2021 are recorded as taxes receivable in the government-wide financial statements, net of amounts estimated to be uncollectible. Management estimates the adequacy of the allowance for uncollectible taxes receivable based upon the historical experience in collecting these taxes. There was no allowance for uncollectible taxes receivable as of June 30, 2021.

**Capital Assets**

Capital assets, which includes land and improvements, buildings and building improvements, furniture and equipment and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. The District defines capital assets as assets which have an original cost of \$2,500 or more and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	20-50 years
Furniture and equipment	5-20 years

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' and business-type activities' statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is expensed over the life of the related debt. Other bond issuance costs are expensed in the period incurred.

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

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**Leasing**

The District leases equipment under capital lease arrangements (See Note 10).

**Bond Premium, Discount and Amortization**

The premiums recognized upon the issuance of the 2015, 2017, and 2020 bonds are being amortized utilizing the straight-line method, over the life of the bonds. The premium has been capitalized and included in bonds payable in the accompanying statement of net position. The premium included in amortization expense included in the statement of activities amounted to \$83,406 for the year ended June 30, 2021.

**Loss on Refinancing and Amortization**

The loss recognized on the refinancing of Series 2010, 2012A, and 2014 bonds is being amortized utilizing the straight-line method over the life of the bonds. The loss has been capitalized as a deferred outflow of resources in the accompanying statement of net position. Amortization expense included in the statement of activities amounted to \$64,673 for the year ended June 30, 2021.

**Fund Equity**

In the governmental fund financial statements, the fund balance amounts are classified based on the level of constraint placed upon funds, as follows:

- *Nonspendable* - fund balance that cannot be spent because it is not in spendable form such as inventories, prepaids and long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned).
- *Restricted* - fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - fund balance includes amounts that can be used only for the specific purposes determined by formal action of the Board of School Directors.
- *Assigned* - fund balance includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The finance committee of the Board of School Directors has the authority to assign a fund balance.
- *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Unrestricted net position for proprietary funds represent the net position available for future distribution.

The District has formally adopted a minimum fund balance policy for the general fund. The policy states that if the unassigned general fund balance is below six percent of budgeted expenditures, the Board must use any available fund balance first to re-

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establish unassigned fund balance back to six percent of the budgeted expenditures for that fiscal year when any of these amounts are available for expenditure.

**Fund Balance Flow Assumptions**

The District's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

**Net Position**

In the government-wide financial statements, net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings or deferred inflows of resources used for the acquisition, construction or improvement of those assets and increased by any related deferred outflows of resources.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used.

**Pensions**

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

**Other Postemployment Benefits (OPEB)**

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

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (i.e. expense) until that time.

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In addition to liabilities, the statement of net position and governmental funds balance sheet report a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time.

**Net Position Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose with both restricted and unrestricted resources. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**

The District's financial instruments consist of cash and cash equivalents, investments, taxes and other receivables, accounts payable and noncurrent liabilities. The carrying value of these financial instruments approximates their fair values at June 30, 2021.

**Cash Flows**

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

**2. RESTATEMENT - ADOPTION OF GASB STATEMENT NO. 84:**

Effective July 1, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement 84 is to establish criteria for identifying fiduciary activities based on whether the government controls the assets of the activity and the beneficiaries with whom a relationship exists. Activities that meet the criteria should be reported as fiduciary funds in the basic financial statements and include a statement of fiduciary net position and a statement of revenues, expenses and changes in fiduciary net position. The District reclassified its agency funds as custodial funds and restated beginning net position for the custodial funds by reclassifying certain liabilities due to student groups as net position - restricted for student activities. The District now presents a statement of revenues, expenses and changes in fiduciary net position for its custodial funds.

The cumulative effect of the restatement of beginning net position is summarized below:

Fiduciary Activities:  
Custodial Funds:  
Net position, as previously reported



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GASB Statement No. 84:  
 Restricted for student activities \$111,005

Net position, as restated \$111,005

**3. CASH AND CASH EQUIVALENTS:**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk.

As of June 30, 2021, \$9,480,444 of the District's bank balance of \$9,730,444 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution \$9,480,444

**Reconciliation to Financial Statements**

Collateralized with securities held by the pledging financial institution amount above	\$ 9,480,444
Plus insured amount	250,000
Less outstanding checks	<u>(107,528)</u>
Carrying amount	9,622,916
Plus petty cash	169
Plus pooled cash equivalents in:	
General Fund	264,571
Capital Projects Fund	932,488
Food Service Fund	<u>35,171</u>

Total cash and cash equivalents per financial statements \$10,855,315

**4. INVESTMENTS:**

State statutes authorize the District to invest in obligations of the U.S. treasury, agencies and instrumentalities of the U.S. government, deposits in savings accounts, certificates of deposit, the Pennsylvania Local Government Investment Trust (PLGIT), 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.

As of June 30, 2021, investments consist of the following:

<u>Description</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PLGIT	N/A	<u>\$1,232,230</u>	<u>      </u>	<u>\$1,232,230</u>	<u>      </u>

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PLGIT is a common law trust organized to provide Pennsylvania school districts with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Shares may be withdrawn at any time. Portfolio securities are valued at amortized cost, which approximates fair value as of June 30, 2021. PLGIT may invest in any securities authorized by Section 440.1 of the Pennsylvania School Code. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

**Interest Rate Risk**

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

**Credit Risk**

The District does not have a formal investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2021, the investments were rated as follows:

<u>Description</u>	<u>Standard &amp; Poor's</u>
PLGIT	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. The District has no investments subject to concentration of credit risk.

**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.

**Reconciliation to Financial Statements**

Total investments above	\$ 1,232,230
Less deposit in investments pool considered cash equivalents	<u>(1,232,230)</u>
Total investments per financial statements	<u>\$ _____</u>

**5. REAL ESTATE TAXES:**

The tax on real estate, as levied by the School Board, was 14.67 mills (\$14.67 per \$1,000 of assessed valuation) for fiscal year 2021. The original assessed value at July 1, 2020, upon which the 2021 levy was based, was \$768,406,200. Assessed valuations of property are determined by Lycoming County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

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July 1	Levy Date
July 1 - August 31	2% Discount Period
September 1 - October 31	Face Payment Period
November 1 - December 31	10% Penalty Period
January 1	Lien Date

Current tax collections for the year ended June 30, 2021 were 97.78% of the tax levy. Estimated collectible delinquent real estate taxes at June 30, 2021 amounted to \$224,853.

**6. INTERFUND BALANCES:**

As of June 30, 2021, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 66,454	\$ 52,988
Food Service Fund	<u>52,988</u>	<u>66,454</u>
Total	<u>\$119,442</u>	<u>\$119,442</u>

**7. DUE FROM OTHER GOVERNMENTS:**

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

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal	\$ 62,381	\$39,394	\$ 101,775
State	522,119	1,422	523,541
Local	<u>508,909</u>	<u>          </u>	<u>508,909</u>
Total	<u>\$1,093,409</u>	<u>\$40,816</u>	<u>\$1,134,225</u>

**8. CAPITAL ASSETS:**

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,197,275			\$ 1,197,275
Construction in progress	<u>133,289</u>	<u>\$ 142,685</u>	<u>\$(166,735)</u>	<u>109,239</u>
Total capital assets, not being depreciated	<u>1,330,564</u>	<u>142,685</u>	<u>(166,735)</u>	<u>1,306,514</u>

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	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Capital assets, being depreciated:				
Land improvements	\$ 2,707,662			\$ 2,707,662
Buildings and building improvements	41,968,507	\$ 186,633		42,155,140
Furniture and equipment	<u>10,820,070</u>	<u>677,409</u>	<u>\$(121,362)</u>	<u>11,376,117</u>
Total capital assets, being depreciated	<u>55,496,239</u>	<u>864,042</u>	<u>(121,362)</u>	<u>56,238,919</u>
Less accumulated depreciation:				
Land improvements	(1,050,144)	(126,232)		(1,176,376)
Buildings and building improvements	(18,033,852)	(1,118,927)		(19,152,779)
Furniture and equipment	<u>(9,539,468)</u>	<u>(382,663)</u>	<u>121,362</u>	<u>(9,800,769)</u>
Total accumulated depreciation	<u>(28,623,464)</u>	<u>(1,627,822)</u>	<u>121,362</u>	<u>(30,129,924)</u>
Total capital assets, being depreciated, net	<u>\$ 26,872,775</u>	<u>\$ (763,780)</u>	<u>_____</u>	<u>\$ 26,108,995</u>
Governmental activities capital assets, net	<u>\$ 28,203,339</u>	<u>\$ (621,095)</u>	<u>\$(166,735)</u>	<u>\$ 27,415,509</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 844,442	\$ 69,310		\$ 913,752
Accumulated depreciation	<u>(711,921)</u>	<u>(39,031)</u>	<u>_____</u>	<u>(750,952)</u>
Total capital assets, being depreciated, net	<u>132,521</u>	<u>30,279</u>	<u>_____</u>	<u>162,800</u>
Business-type activities capital assets, net	<u>\$ 132,521</u>	<u>\$ 30,279</u>	<u>\$ _____</u>	<u>\$ 162,800</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 134,384
Instructional student support services	101,284
Administrative and financial support services	37,701
Operation and maintenance of plant services	1,271,687
Pupil transportation	79,991
Depreciation, unallocated	<u>2,775</u>
Total	<u>\$1,627,822</u>

**9. COMPENSATED ABSENCES:**

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay. Most District employees are credited with twelve sick days and three personal leave days annually. However, the accumulation of personal days is not compensated upon termination or retirement. At the time of retirement, eligible Act 93 support personnel, education professionals, and education support professionals are entitled to benefits at varying rates based on

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unused sick leave. In estimating the sick leave liability, the District determined employees who currently are eligible to receive benefits as well as other employees who are expected to become eligible in the future to receive such payments. At June 30, 2021, the estimated liability for accumulated compensated absences was \$211,969.

**10. NONCURRENT LIABILITIES:**

The following is a summary of changes in governmental and business-type activities noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental Activities, General obligation bonds payable	\$13,880,000		\$2,205,000		\$11,675,000	\$2,240,000
Plus net deferred bond premium (discount)	<u>510,718</u>			<u>\$83,406</u>	<u>427,312</u>	
Total	14,390,718		2,205,000	83,406	12,102,312	2,240,000
Capital leases	201,085	\$ 482,567	263,904		419,748	255,614
Compensated absences	189,236	40,286	33,207		196,315	
Total OPEB liability	1,881,313		727,732		1,153,581	
Net OPEB liability	1,453,140	16,524			1,469,664	
Net pension liability	<u>31,967,136</u>	<u>1,487,160</u>			<u>33,454,296</u>	
Total	<u>\$50,082,628</u>	<u>\$2,026,537</u>	<u>\$3,229,843</u>	<u>\$83,406</u>	<u>\$48,795,916</u>	<u>\$2,495,614</u>
	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Business-Type Activities, Capital lease	\$ 581		\$ 581			
Compensated absences	14,070	\$ 1,974	390		\$ 15,654	
Net OPEB liability	41,860	476			42,336	
Net pension liability	<u>920,864</u>	<u>42,840</u>			<u>963,704</u>	
Total	<u>\$ 977,375</u>	<u>\$ 45,290</u>	<u>\$ 971</u>	<u>\$</u>	<u>\$ 1,021,694</u>	<u>\$</u>

General obligation bonds payable at June 30, 2021 are comprised of the following:

Series of 2017, due in varying installments through April 2024, with interest rates ranging from 2.0% to 3.0% per annum.	\$ 6,865,000
Series of 2020, due in varying installments through May 2027, with interest rates ranging from 3.0% to 4.0% per annum.	<u>4,810,000</u>
Total	11,675,000

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Less amount due in one year	\$ 2,240,000
Plus deferred bond premium, net	<u>427,312</u>
Noncurrent portion of general obligation bonds payable	<u>\$ 9,862,312</u>

The annual requirements to amortize general obligation bonds payable at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,240,000	\$291,950	\$ 2,531,950
2023	2,300,000	236,850	2,536,850
2024	2,340,000	190,750	2,530,750
2025	1,990,000	143,850	2,133,850
2026	2,045,000	84,150	2,129,150
2027-2031	<u>760,000</u>	<u>22,800</u>	<u>782,800</u>
Total	<u>\$11,675,000</u>	<u>\$970,350</u>	<u>\$12,645,350</u>

The District leases equipment under the terms of capital leases. The economic substance of the leases is that the District is financing the acquisition of the equipment through these leases. The following is an analysis of equipment leased under capital leases included in capital assets as of June 30, 2021:

	<u>Governmental Activities</u>
Equipment	\$ 793,661
Accumulated depreciation	<u>(229,757)</u>
Equipment, net	<u>\$ 563,904</u>

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2021:

	<u>Governmental Activities</u>
2022	\$264,340
2023	165,918
2024	1,380
2025	<u>690</u>
Total	432,328
Less amounts representing interest	<u>12,580</u>
Present value of future minimum lease payments	<u>\$419,748</u>

The interest rates on the capitalized leases range from 1.75% to 26.41% and are imputed based on the lessor's implicit rate of return.

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The total interest expense related to governmental activities and business-type activities for the year ended June 30, 2021 amounted to \$296,444 and \$30, respectively. No interest expense was capitalized during the year ended June 30, 2021.

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB):**

**Single Employer Defined Benefit OPEB Plan**

Plan Description

The District's OPEB include a single employer defined benefit plan that provides postretirement healthcare benefits. The School Board has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Teachers and administrative retirees who retire with at least 35 years of public school service in Pennsylvania are eligible to receive benefits up to age 65. Teachers and administrative employees who were members of PSERS prior to July 1, 2011, may also qualify by retiring with 30 years of public school service in Pennsylvania once they have attained the age of 60 or have attained the age of 62 with 1 year of public school service in Pennsylvania. The employee also shall have completed 15 years of service with the District. Retired professional employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage.

Benefits Provided

The plan provides post-retirement medical, prescription drug, dental, and vision benefits. The cost of such benefits coverage for retirees and spouses is determined by the contract provisions at the time of retirement.

Employees Covered by the Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Active participants	164
Retired participants	<u>19</u>
Total	<u>183</u>

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amounts vary depending on classification and years of service with the District. The District paid premiums of

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approximately \$26,000 for the fiscal year ended June 30, 2021. The retiree contributions made by plan members were approximately \$85,000 for the fiscal year ended June 30, 2021.

**Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported a total OPEB liability of \$1,153,581. The total OPEB liability was measured as of July 1, 2020, and determined by an actuarial valuation as of July 1, 2020.

The District's change in its total OPEB liability for the year ended June 30, 2021 was as follows:

	<u>Total OPEB Liability</u>
Balance as of July 1, 2020 (based on measurement date of July 1, 2019)	<u>\$1,881,313</u>
Changes for the year:	
Service cost	124,309
Interest	66,133
Changes of benefit terms	(697,350)
Differences between expected and actual experience	(249,115)
Changes of assumptions	97,272
Benefit payments	<u>(68,981)</u>
Net change	<u>(727,732)</u>
Balance as of June 30, 2021 (based on measurement date of July 1, 2020)	<u>\$1,153,581</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$533,498 in the government-wide statement of activities, governmental activities.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$128,226	\$182,749
Differences between expected and actual experience		264,063
Benefit payments subsequent to the measurement date	<u>70,585</u>	<u>          </u>
Total	<u>\$198,811</u>	<u>\$446,812</u>



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\$70,585 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$26,589
2023	26,591
2024	26,590
2025	26,591
2026	26,589
Thereafter	185,636

**Actuarial Assumptions**

The total OPEB liability at July 1, 2020 was determined by rolling forward the plan's total OPEB liability at July 1, 2019 to July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 1.86% - S&P municipal bond 20-year high grade rate index at July 1, 2020. The discount rate changed from 3.36% to 1.86%.
- Salary growth - 2.5% cost of living adjustment, plus 1% real wage growth; and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Percent of eligible retirees electing coverage - 90% of those receiving and 50% of all other employees are assumed to elect health coverage.
- Percent married at retirement - 10% of employees; previously, assumed 20%.
- Healthcare cost trends - 5.5% in 2020 through 2023, gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

	1% <u>Decrease</u>	Current Trend Rate	1% <u>Increase</u>
Total OPEB liability (in thousands)	\$1,037	\$1,154	\$1,294

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

The following presents the total OPEB liability, calculated using the discount rate of 1.86%, as well as what the total OPEB liability would be if it were calculated using a

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discount rate that is 1-percentage point lower (0.86%) or 1-percentage point higher (2.86%) than the current rate:

	1% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1% Increase <u>2.86%</u>
Total OPEB liability (in thousands)	\$1,230	\$1,154	\$1,081

**Multiple Employer Cost-Sharing Defined Benefit OPEB Plan**

Health Insurance Premium Assistance Program

PSERS (System) provides Premium Assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program (HOP). As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health

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insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

**Employer Contributions**

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$82,349 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,512,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0700%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense in the government-wide statement of activities as follows:

Governmental activities	\$66,684
Business-type activities	<u>1,921</u>
<b>Total</b>	<b><u>\$68,605</u></b>

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,917	
Changes in assumptions	61,636	\$33,183
Net difference between projected and actual investment earnings	2,611	
Changes in proportion	12,143	34,071
Difference between employer contributions and proportionate share of total contributions		183
Contributions subsequent to the measurement date	<u>82,349</u>	<u>          </u>
<b>Total</b>	<b><u>\$172,656</u></b>	<b><u>\$67,437</u></b>

\$82,349 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a

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reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$(2,117)
2023	(2,497)
2024	(2,830)
2025	14,885
2026	11,472
2027	3,957

**Actuarial Assumptions**

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

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%
  - Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method: Amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
US core fixed income	46.5%	(0.1%)
Non-US developed fixed	<u>3.2%</u>	(0.1%)
Total	<u>100.0%</u>	

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

**Discount Rate**

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2020, retirees premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than

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the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1%</u> <u>Decrease</u>	Current Trend <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,512	\$1,512	\$1,513

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

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

	<u>1%</u> <u>Decrease</u> <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	<u>1%</u> <u>Increase</u> <u>3.66%</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,724	\$1,512	\$1,337

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS comprehensive annual financial report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

Payables to the OPEB Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to OPEB of \$19,696. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021. The balance was paid in September 2021.

**12. PENSION BENEFITS:**

Plan Description

PSERS (System) is a governmental cost-sharing multi-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

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

#### Benefits Provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

#### Member Contributions

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for

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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 fiscal year ended June 30, 2021 was 33.51% 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 \$3,383,353 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$34,418,000 for its proportionate share of the net pension liability in the government-wide statement of net position. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.0699%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense in the government-wide statement of activities as follows:

Governmental activities	\$3,292,329
Business-type activities	<u>94,841</u>
<b>Total</b>	<b><u>\$3,387,170</u></b>

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 90,038	\$ 824,914
Changes in assumptions		



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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$1,512,629	
Changes in proportion	189,000	\$ 424,800
Difference between employer contributions and proportionate share of total contributions	41,863	
Contributions subsequent to the measurement date	<u>3,383,354</u>	<u>                    </u>
Total	<u>\$5,216,884</u>	<u>\$1,249,714</u>

\$3,383,354 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$(392,777)
2023	121,577
2024	405,647
2025	449,369

**Actuarial Assumptions**

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

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

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

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

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

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Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	<u>(14.0%)</u>	(0.7%)
<b>Total</b>	<u><b>100.0%</b></u>	

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

**Discount Rate**

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

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

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District’s proportionate share of the net pension liability (in thousands)	\$42,582	\$34,418	\$27,502

**Pension Plan Fiduciary Net Position**

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

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Payables to the Pension Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension of \$809,206. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021. The balance was paid in September 2021.

**13. RISKS, UNCERTAINTIES, AND CONCENTRATIONS OF CREDIT RISK:**

**Risks and Uncertainties**

As a result of the COVID-19 pandemic, economic uncertainties have arisen which could negatively impact revenues and changes in net position.

Management assessed the impacts of the pandemic on the estimates and assumptions that affect reported amounts and related disclosures. If economic conditions caused by the pandemic do not improve, the District's financial condition, cash flows and changes in net position may be impacted.

**Concentration of Credit Risk**

The District provides education and related services to the residents of Loyalsock Township, Pennsylvania. Its service area is located within the geographic boundaries of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

**14. CONTINGENCIES:**

**Grants**

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. It is the opinion of management that requests for reimbursements, if any, by either state or federal governments based on subsequent audits will not be material in relation to the District's financial statements as of June 30, 2021.

**Litigation**

The District is subject to claims arising out of its normal operations. In the opinion of management, after review and consultation with counsel, any proceedings that may be assessed will not have a material adverse effect on the financial position of the District or results of its operations.

**Risk Management**

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural

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disasters. It is the policy of the District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance.

**15. JOINT VENTURES:**

The District and other surrounding educational institutions created a joint venture, the Lycoming County Insurance Consortium Pooled Trust (Trust). The District self-insures through the Trust for certain health care benefits provided to current and former employees. The Trust has purchased an excess policy which covers employee health benefit claims in excess of \$375,000. Claims are recognized as an expense when paid (cash basis) which is not materially different from the accrual basis. For the year ended June 30, 2021, the District made payments for health care benefit claims of approximately \$2,181,000 to the Trust. Audited financial statements of the Trust are available.

The District and other surrounding educational institutions created a jointly governed organization, the Lycoming Career and Technology Center (Center), to provide vocational and technical education for students of the participating school districts. The governing board of the Center is comprised of a director from each participating school district. For the year ended June 30, 2021, the District paid approximately \$203,000 to the Center. Audited financial statements of the Center are available.

**16. SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through March 30, 2022, which is the date the financial statements were available to be issued.

On August 11, 2021, the District issued General Obligation Bonds, Series of 2021 in the amount of \$9,795,000. The Bonds are payable in varying installments through May 2036 with 2.0% interest per annum. The Bond proceeds will be used for capital projects.

In 2022, the District awarded contracts for the Schick Elementary School and Loyalsock Township High School/Middle School buildings renovation project in the amount of approximately \$15,228,000.

**17. RECENT ACCOUNTING PRONOUNCEMENTS:**

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires a lessee to recognize in the financial statements a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This statement also requires a lessor to recognize a lease receivable and a deferred inflow of resources for the lease term. Short-term leases (12 months or less) are recognized as outflows or inflows of resources based on the payment provisions of the lease contract. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which delayed the effective date of this statement by eighteen months. This statement is effective for fiscal years beginning after June 15, 2021. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest cost incurred before the end of a construction period to be recognized as an expense, in the period incurred in financial statements prepared using the economic resources measurement focus. Such interest cost should not be capitalized as part of the historical cost of a capital asset. Such interest cost should be recognized as an expenditure on a basis consistent with governmental fund accounting principles in financial statements prepared using the current financial resources measurement focus. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which delayed the effective date of this statement by one year. This statement is effective for fiscal years beginning after December 15, 2020. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Pay Arrangements*. This statement provides accounting and financial report guidance for public-private and public-public partnership arrangements (PPPs) and availability pay arrangements (APAs). This statement is effective for fiscal year beginning after June 15, 2022. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes accounting and financial reporting guidance for subscription-based information technology arrangements. This statement requires government end users to record a right-to-use subscription asset and corresponding subscription liability for these arrangements. This statement also requires additional disclosures in the financial statements. This statement is effective for fiscal year beginning after June 15, 2022. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit (PCU), except for certain pension and OPEB fiduciary component units, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This statement also changes the financial reporting requirements for employer sponsors of Section 457 plans. This statement is effective (1) immediately for guidance related to PCUs and (2) for fiscal years beginning after June 15, 2021 for Section 457 plans. The District determined adoption of the additional PCU guidance did not have a significant effect on the financial statements. The District has not determined the effect, if any, on the financial statements due to adoption of the Section 457 plan provisions of this statement.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual
	Original	Final	Budgetary Basis
<b>REVENUES:</b>			
Local sources	\$ 15,488,500	\$ 15,488,500	\$ 17,030,085
State sources	7,290,943	7,290,943	7,484,677
Federal sources	<u>761,385</u>	<u>761,385</u>	<u>672,192</u>
Total revenues	<u>23,540,828</u>	<u>23,540,828</u>	<u>25,186,954</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	13,756,682	13,756,682	14,110,213
Support services	7,122,778	7,122,778	7,020,388
Noninstructional services	646,970	646,970	546,196
Capital outlay			32,726
Refund of prior year revenues			3,226
Debt service (principal and interest)	<u>25,000</u>	<u>25,000</u>	<u>270,380</u>
Total expenditures	<u>21,551,430</u>	<u>21,551,430</u>	<u>21,983,129</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,989,398</u>	<u>1,989,398</u>	<u>3,203,825</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets			27,400
Interfund transfers out	(2,521,400)	(2,521,400)	(2,771,400)
Proceeds from extended term financing			<u>482,568</u>
Total other financing uses, net	<u>(2,521,400)</u>	<u>(2,521,400)</u>	<u>(2,261,432)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(532,002)	(532,002)	942,393
FUND BALANCE, BEGINNING	<u>5,325,500</u>	<u>5,325,500</u>	<u>6,521,238</u>
FUND BALANCE, ENDING	<u>\$ 4,793,498</u>	<u>\$ 4,793,498</u>	<u>\$ 7,463,631</u>

See Notes to the Basic Financial Statements

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**DISTRICT PLAN**  
**LAST 10 YEARS\***  
(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>TOTAL OPEB LIABILITY:</b>				
Service cost	\$ 124	\$ 125	\$ 83	\$ 80
Interest	66	57	42	31
Changes of benefit terms	(697)		699	
Difference between expected and actual experience	(249)		(42)	
Changes of assumptions	97	(51)	(182)	60
Benefit payments	<u>(69)</u>	<u>(73)</u>	<u>(61)</u>	<u>(75)</u>
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>(728)</b>	<b>58</b>	<b>539</b>	<b>96</b>
<b>TOTAL OPEB LIABILITY, BEGINNING</b>	<u><b>1,881</b></u>	<u><b>1,823</b></u>	<u><b>1,284</b></u>	<u><b>1,188</b></u>
<b>TOTAL OPEB LIABILITY, ENDING</b>	<u><b>\$ 1,153</b></u>	<u><b>\$ 1,881</b></u>	<u><b>\$ 1,823</b></u>	<u><b>\$ 1,284</b></u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u><b>\$ 9,328</b></u>	<u><b>\$ 8,714</b></u>	<u><b>\$ 8,714</b></u>	<u><b>\$ 8,254</b></u>
<b>TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<b>12.36%</b>	<b>21.59%</b>	<b>20.92%</b>	<b>15.56%</b>

Notes to Schedule:

\* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the total OPEB liability, which is July 1 of the current fiscal year.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2020:

Discount rate decreased from 3.36% to 1.86%

The marriage assumption at retirement decreased from 20% to 10%.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2020:

Administrators subsidy increased for a 4 year period until 2023. Administrative support subsidy ends June 30, 2021

Teachers have subsidy until 2021, after that pay full premium.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2019:

Discount rate increased from 2.98% to 3.36%.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2018:

The subsidy provided for teachers was updated and applies to future retirees. The subsidy for administrators is now assumed to apply to future retirees.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2018:

Discount rate decreased from 3.13% to 2.98%.

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2017:

Discount rate increased from 2.49% to 3.13%.

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OTHER POSTEMPLOMENT BENEFITS LIABILITY**  
**PREMIUM ASSISTANCE PROGRAM**  
**LAST 10 YEARS\***  
(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability (asset)	0.0700%	0.0703%	0.0695%	0.0702%
District's proportionate share of the net OPEB liability (asset)	\$ 1,512	\$ 1,495	\$ 1,449	\$ 1,430
District's covered-employee payroll	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.38%	15.41%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

Notes to Schedule:

\* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the net OPEB liability, which is June 30 of the immediately preceding fiscal year.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2020:  
Discount rate decreased from 2.79% to 2.66%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2019:  
Discount rate decreased from 2.98% to 2.79%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2018:  
Discount rate decreased from 3.13% to 2.98%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2017:  
Discount rate increased from 2.71% to 3.13%.



**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OTHER POSTEMPLOYMENT BENEFITS PLAN CONTRIBUTIONS**  
**PREMIUM ASSISTANCE PROGRAM**  
**LAST TEN YEARS\***  
(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 82	\$ 83	\$ 80	\$ 77	\$ 77
Contributions in relation to the contractually required contribution	<u>82</u>	<u>83</u>	<u>80</u>	<u>77</u>	<u>77</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$10,043	\$ 9,828	\$9,701	\$9,358	\$ 9,340
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.82%	0.82%	0.82%

Notes to Schedule:

\* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**LAST 10 YEARS\***

(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability (asset)	0.0699%	0.0703%	0.0695%	0.0702%	0.0724%	0.0716%	0.0709%
District's proportionate share of the net pension liability (asset)	\$ 34,418	\$32,888	\$ 33,363	\$ 34,671	\$ 35,879	\$ 31,014	\$ 28,063
District's covered-employee payroll	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340	\$ 9,382	\$ 9,215	\$ 9,046
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	350.20%	339.02%	356.52%	371.21%	382.42%	336.56%	310.23%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Notes to Schedule:

\* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is June 30 of the immediately preceding fiscal year.

Pension plan employer proportion and employer proportionate share:

Pension plan proportionate share is calculated utilizing the District's one-year reported contributions as it relates to the total one-year reported contributions for all employers. Prior to the year ended June 30, 2020, the pension plan proportionate share was calculated utilizing the District's one-year reported covered payroll as it related to the total one-year reported covered payroll for employers.

Changes of 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.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS**  
**LAST 10 YEARS\***

(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 3,365	\$ 3,290	\$ 3,161	\$ 2,972	\$ 2,730	\$ 2,346	\$ 1,844	\$ 1,447
Contributions in relation to the contractually required contribution	<u>3,365</u>	<u>3,290</u>	<u>3,161</u>	<u>2,972</u>	<u>2,730</u>	<u>2,346</u>	<u>1,844</u>	<u>1,447</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 10,043	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340	\$ 9,382	\$ 9,215	\$ 9,046
Contributions as a percentage of covered-employee payroll	33.51%	33.48%	32.58%	31.76%	29.23%	25.01%	20.01%	16.00%

Notes to Schedule:

\* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

GRANTOR/PROGRAM TITLE	Source Code	Federal Assistance Listing Number	Pass-Through Grant Number	Grant Period Beginning/Ending Date	Grant Amount	Total Received For The Year	Accrued (Unearned) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2021	Passed-Through To Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>											
Impact Aid	D	84.041	N/A	07/01/20-06/30/21	N/A	\$ 5,108	—	\$ 5,108	\$ 5,108	—	—
Passed through the Pennsylvania Department of Education:											
Title I - Grants to Local Educational Agencies	I	84.010	13-200234	07/01/19-09/30/20	\$ 273,268	109,030	\$ 90,768	18,262	18,262	—	—
Title I - Grants to Local Educational Agencies	I	84.010	13-210234	09/23/20-09/30/21	259,709	197,680	—	259,709	259,709	\$ 62,029	—
Total Title I - Grants to Local Educational Agencies						<u>306,710</u>	<u>90,768</u>	<u>277,971</u>	<u>277,971</u>	<u>62,029</u>	—
Title II - Supporting Effective Instruction State Grants	I	84.367	20-200234	07/01/19-09/30/20	39,377	363	—	363	363	—	—
Title II - Supporting Effective Instruction State Grants	I	84.367	20-210234	09/23/20-09/30/21	39,964	39,612	—	39,964	39,964	352	—
Total Title II - Supporting Effective Instruction State Grants						<u>39,975</u>	<u>—</u>	<u>40,327</u>	<u>40,327</u>	<u>352</u>	—
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-200234	07/01/19-09/30/20	21,873	14,582	(7,291)	21,873	21,873	—	—
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-210234	09/23/20-09/30/21	20,673	20,673	—	20,673	20,673	—	—
Total Title IV - Student Support and Academic Enrichment Program						<u>35,255</u>	<u>(7,291)</u>	<u>42,546</u>	<u>42,546</u>	—	—
COVID-19 Education Stabilization Fund	I	84.425	200-200234	03/13/20-09/30/21	223,885	223,885	101,500	122,385	122,385	—	—
COVID-19 SECIM	I	84.027	252-200234	07/01/20-9/30/21	5,000	5,000	—	5,000	5,000	—	—
Passed through BLaST Intermediate Unit #17:											
IDEA ESEA Title VI	I	84.027	N/A	07/01/19-09/30/20	N/A	66,380	66,380	—	—	—	—
IDEA ESEA Title VI	I	84.027	N/A	07/01/20-09/30/21	N/A	200,490	—	277,465	277,465	76,975	—
Total IDEA ESEA Title IV						<u>271,870</u>	<u>66,380</u>	<u>282,465</u>	<u>282,465</u>	<u>76,975</u>	—
IDEA Special Education - Preschool Grants	I	84.173	N/A	07/01/20-06/30/21	N/A	2,436	—	2,436	2,436	—	—
Total Special Education (IDEA) Cluster						<u>274,306</u>	<u>66,380</u>	<u>284,901</u>	<u>284,901</u>	<u>76,975</u>	—
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<u>885,239</u>	<u>251,357</u>	<u>773,238</u>	<u>773,238</u>	<u>139,356</u>	—
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
Passed through Leader Services:											
Medical Assistance Program	I	93.778	N/A	07/01/20-06/30/21	N/A	940	—	940	940	—	—
Total Medicaid Cluster						<u>940</u>	<u>—</u>	<u>940</u>	<u>940</u>	—	—
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>940</u>	<u>—</u>	<u>940</u>	<u>940</u>	—	—
<b>U.S. DEPARTMENT OF THE TREASURY</b>											
Passed Through Lycoming County:											
COVID-19 Coronavirus Relief Fund	I	21.019	C000073983	03/01/20-12/30/20	317,000	317,000	—	317,000	317,000	—	—
Passed Through Pennsylvania Commission on Crime and Delinquency:											
COVID-19 Coronavirus Relief Fund	I	21.019	2020-CS-01-34226	03/01/20-10/30/20	177,914	177,914	—	177,914	177,914	—	—
Total COVID-19 Coronavirus Relief Fund						<u>494,914</u>	<u>—</u>	<u>494,914</u>	<u>494,914</u>	—	—
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>						<u>494,914</u>	<u>—</u>	<u>494,914</u>	<u>494,914</u>	—	—
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
Team Nutrition Grants	D	10.574	N/A	11/01/11-11/01/15	1,000	—	(1,000)	—	—	(1,000)	—
Passed through the Pennsylvania Department of Education:											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	557,429	14,146	573,194	573,194	29,911	—
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	(a) 112,273	(b) (491)	111,866	(c) 111,866	(d) (898)	—
Total National School Lunch Program						<u>669,702</u>	<u>13,655</u>	<u>685,060</u>	<u>685,060</u>	<u>29,013</u>	—
Passed through the Pennsylvania Department of Education:											
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	133,590	8,943	134,130	134,130	9,483	—
Total Child Nutrition Cluster						<u>803,292</u>	<u>22,598</u>	<u>819,190</u>	<u>819,190</u>	<u>38,496</u>	—
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>803,292</u>	<u>21,598</u>	<u>819,190</u>	<u>819,190</u>	<u>37,496</u>	—
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 2,184,385</u>	<u>\$ 272,955</u>	<u>\$ 2,088,282</u>	<u>\$ 2,088,282</u>	<u>\$ 176,852</u>	<u>\$</u>

SOURCE CODES:  
N/A - Not applicable  
D - Direct Funding  
I - Indirect Funding

FOOTNOTES:  
(a) Total amount of commodities received.  
(b) Beginning inventory at July 1, 2020.  
(c) Total amount of commodities used.  
(d) Ending inventory at June 30, 2021.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**1. BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Loyalsock Township School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the District. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST ALLOCATION PLAN:**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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**

Board of School Directors  
Loyalsock Township School District  
Williamsport, 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, and each major fund, of Loyalsock Township School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2022.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Larson, Kellett & Associates, P.C.*

Montoursville, Pennsylvania  
March 30, 2022



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

Board of School Directors  
Loyalsock Township School District  
Williamsport, Pennsylvania:

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

We have audited Loyalsock Township School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 the 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Basis for Qualified Opinion on COVID-19 Coronavirus Relief Fund**

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019) as described in finding number 2021-005 for Activities Allowed or Unallowed and



Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### **Qualified Opinion on COVID-19 Coronavirus Relief Fund**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019) for the year ended June 30, 2021.

### **Unmodified Opinion on the Other Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

### **Other Matters**

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-004, that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Larson, Kellett & Associates, P.C.*

Montoursville, Pennsylvania  
March 30, 2022

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion.

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to financial statements noted?

yes  no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major federal programs: Qualified opinion for COVID-19 Coronavirus Relief Fund and Unmodified opinion for Child Nutrition Cluster.

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?

yes  no

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
10.553	School Breakfast Program - Child Nutrition Cluster
10.555	National School Lunch Program - Child Nutrition Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS**

2021-001. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

*Criteria:* Uniform Guidance requires the District to prepare a SEFA that meets the minimum schedule requirements.

*Condition:* The following errors and omissions were identified:

- The SEFA did not include the COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019) program, passed through the Pennsylvania Commission on Crime and Delinquency, with expenditures totaling \$177,914.
- The SEFA did not include accrued revenue of \$29,911 as of June 30, 2021 for the National School Lunch Program (Assistance Listing 10.555).
- The SEFA did not include accrued revenue of \$9,483 as of June 30, 2021 for the School Breakfast Program (Assistance Listing 10.553).
- Expenditures on the SEFA were not totaled by Assistance Listing number for the following programs:
  - Title I - Grants to Local Educational Agencies (Assistance Listing 84.010)
  - Title II - Supporting Effective Instruction State Grants (Assistance Listing 84.367)
  - Title IV - Student Support and Academic Enrichment Program (Assistance Listing 84.424)
  - IDEA ESEA Title VI (Assistance Listing 84.027)
- The Assistance Listing number on the SEFA, for COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019), was not correct.
- Pass-through grant numbers on the SEFA were not correct for the following programs:
  - Title I - Grants to Local Educational Agencies (Assistance Listing 84.010)
  - COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019)
- COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019) was incorrectly listed as a U.S. Department of Education program.
- Special Education (IDEA) Cluster (Assistance Listing 84.027 and 84.173) was not identified as a cluster.

*Cause:* The District's internal controls to prepare and review the SEFA did not operate effectively.

*Effect:* Prior to audit adjustment, the SEFA was inaccurate and materially misstated.

*Questioned Costs:* Not applicable.

*Perspective Information:* Not applicable.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The individuals who prepare and review the SEFA should ensure it meets the Uniform Guidance schedule requirements.

*Views of Responsible Officials:* Management agrees with the finding.

*Planned Corrective Action:* See District's corrective action plan.

2021-002. ACCOUNTS PAYABLE

*Criteria:* GAAP requires that the total amount of current liabilities be presented on the balance sheet.

*Condition:* The District's year end closing procedures did not identify Capital Projects Fund and General Fund liabilities in the amounts of \$75,621 and \$19,587, respectively.

*Cause:* The District's procedures are not adequately designed to ensure that the total amount of current liabilities are presented in the financial statements.

*Effect:* Capital Projects Fund accounts payable and expenditures were materially understated. Governmental Activities accounts payable and construction in progress were understated. General Fund accounts payable and expenditures were understated.

*Questioned Costs:* Not applicable.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The District should evaluate contracts, related progress billings and retainage and payments to identify potential year-end liabilities.

*Views of Responsible Officials:* Management agrees with the finding.

*Planned Corrective Action:* See District's corrective action plan.

2021-003. CUSTODIAL FUNDS

*Criteria:* In accordance with GASB Statement No. 84, *Fiduciary Activities*, activities that meet applicable criteria should be reported as fiduciary funds in the basic financial statements and include a statement of fiduciary net position and a statement of revenues, expenses and changes in fiduciary net position. The general ledger chart of accounts should be maintained with appropriate asset, liability, net position, revenue and expense accounts to facilitate generating the information needed to present these basic financial statements.

*Condition:* The fund custodians for the student activities custodial funds maintain a general ledger chart of accounts that includes asset and liability accounts;

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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however, net position, revenue and expense accounts are not maintained. Management performs manual reconciliations at the close of each year to report net position, revenues and expenses for the custodial funds.

*Cause:* Although the District's general ledger accounting system is capable of tracking revenues and expenses separate from assets and liabilities, the fund custodians post cash receipts and cash disbursements for the various activities directly to each student activities liability account.

*Effect:* Without proper use of net position, revenue and expense accounts, intentional or unintentional errors could occur and not be detected and corrected. Student activities receipts and disbursements are overstated by \$1,299 for custodial funds on the statement of revenues of revenues, expenses and changes in fiduciary net position.

*Questioned Costs:* Not applicable.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The fund custodians should utilize the general ledger accounting system to track revenues and expenses separately for each student activity.

*Views of Responsible Officials:* Management agrees with the finding.

*Planned Corrective Action:* See District's corrective action plan.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

U.S. DEPARTMENT OF THE TREASURY  
U.S. DEPARTMENT OF AGRICULTURE

2021-004. COVID-19 Coronavirus Relief Fund - Assistance Listing 21.019 passed through the Pennsylvania Commission on Crime and Delinquency and the County of Lycoming; National School Lunch Program - Assistance Listing 10.555; passed through the Pennsylvania Department of Education and the Pennsylvania Department of Agriculture; School Breakfast Program - Assistance Listing 10.553; passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2021.

*Material weakness:* See deficiency 2021-001 in Section II.

U.S. DEPARTMENT OF THE TREASURY

2021-005. COVID-19 Coronavirus Relief Fund - Assistance Listing 21.019 passed through the County of Lycoming; Grant Period - Year Ended June 30, 2021.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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*Criteria:* The OMB Compliance Supplement 2021 for Assistance Listing 21.019 Coronavirus Relief Fund refers to Federal Register notice 86 FR 4182 (Jan. 15, 2021) which states that “although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments”.

*Condition:* A lost revenue calculation related to athletic events was reimbursed with federal funds passed through the County of Lycoming.

*Cause:* A lost revenue calculation was included on the County of Lycoming Cares Act Needs Assessment and reimbursed by the County of Lycoming.

*Effect:* The District may have to repay the reimbursement.

*Questioned Costs:* \$34,587 was the amount the County of Lycoming reimbursed the District related to the lost revenue calculation.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The District should evaluate the risk of noncompliance with federal statutes and regulations, in addition to the terms and conditions of awards passed through from a subrecipient.

*Views of Responsible Officials:* Management agrees with the finding.

*Planned Corrective Action:* See District's corrective action plan.