

**SOUTHERN HUNTINGDON COUNTY
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Southern Huntingdon County School District
Three Springs, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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 positions of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the School adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 84 Fiduciary Activities, as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion & Analysis on pages 4 through 12 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 Southern Huntingdon County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents as Supplementary Information, is presented for purposes of additional analysis and is 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 November 19, 2021, on our consideration of Southern Huntingdon County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Southern Huntingdon County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Boyer & Ritten". The signature is written in a cursive style with a large, sweeping initial 'B' and a long, trailing flourish at the end.

State College, Pennsylvania
November 19, 2021

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT MANAGEMENT’S DISCUSSION & ANALYSIS (MD&A) June 30, 2021

The discussion and analysis of Southern Huntingdon County 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 this discussion and analysis is to look at the District’s financial performance as a whole; readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the District’s financial performance.

Management’s Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in MD&A.

Financial Highlights

Real Estate Tax

For the July 2020 real estate tax levy, the Southern Huntingdon County School Board millage rate remained at 40.26 mills. The District’s net current collection rate for real estate taxes is 89.67%, therefore, approximately \$94,384, for each mill of tax levied was collected in the current year.

Long-Term Debt

No changes noted in refunds or issuance of long-term debt.

Cafeteria Fund

The Cafeteria Fund revenue decreased in the current year. Overall net position for 2020-2021 decreased by \$70,217.

Table A-1 summarizes the major features of the District’s financial statements, including the portions of the District that the statements cover and the types of information that the statements contain. The remainder of this overview section of MD&A explains the structure and contents of the statements.

Table A-1
Major Features of Southern Huntingdon County School District’s
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	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 Service	Activities in which the District is the trustee or agent for someone else’s resources - Scholarship Funds and Activity Funds
<i>Required Financial Information</i>	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Change in Net Position Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
<i>Accounting Basis and Measurement Focus</i>	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
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the 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 the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position indicate whether the District's financial health is improving or deteriorating, respectively.

To assess the overall health of the District, additional non-financial factors, such as changes in the District's property tax base and the performance of students, must be considered.

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

Governmental activities - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and Federal subsidies and grants finance most of these activities.

Business-Type activity - The District operates a food service operation and charges fees to students, staff, and visitors to cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported using an accounting method called modified-accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental-fund statements provide a detailed, short-term view of the District's operations and services it provides. Governmental-fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Proprietary fund - This fund is used to account for the District's activity that is similar to business operations in the private sector, or where the reporting focuses on determining net income, financial position, changes in financial position, and where a significant portion of funding comes through user charges. When the District charges customers for services it provides - whether to outside customers or to other units within the District - these services are generally reported in the proprietary fund. The Food Service Fund is the District's proprietary fund and is the same as the business-type activity reported in the government-wide statements.

Fiduciary funds - The District is the trustee, or fiduciary, for several scholarship funds. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations. The District maintains two fiduciary funds, Combined Scholarship Trust Funds and a Student Activity Fund.

Financial Analysis of the District as a Whole

The District's total net position was (\$3,805,584) at June 30, 2021, which reflects the District's share of PSERS retirement.

Table A-2
As of June 30, 2021 and 2020
Net Position

	Governmental Activities		Business-Type Activity		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Current and other assets	\$ 11,328,369	\$ 11,099,257	\$ (103,175)	\$ (24,938)	\$ 11,225,194	\$ 11,074,319
Capital assets	11,724,052	11,854,357	40,517	15,389	11,764,569	11,869,746
Total assets	23,052,421	22,953,614	(62,658)	(9,549)	22,989,763	22,944,065
Deferred amounts on pension	3,385,833	2,941,833	99,167	101,167	3,485,000	3,043,000
Deferred amounts on OPEB liability	801,794	893,831	3,000	4,000	804,794	897,831
Deferred amounts on refunding debt	349	2,091	-	-	349	2,091
Total deferred outflows of resources	4,187,976	3,837,755	102,167	105,167	4,290,143	3,942,922
Total assets and deferred outflows of resources	\$ 27,240,397	\$ 26,791,369	\$ 39,509	\$ 95,618	\$ 27,279,906	\$ 26,886,987
Current and other liabilities	\$ 1,727,119	\$ 1,750,503	\$ 41,263	\$ 41,580	\$ 1,768,382	\$ 1,792,083
Long-term liabilities	26,748,096	26,806,489	750,781	727,356	27,498,877	27,533,845
Total liabilities	28,475,215	28,556,992	792,044	768,936	29,267,259	29,325,928
Deferred amounts on pension	1,072,778	1,336,778	34,222	43,222	1,107,000	1,380,000
Deferred amounts on OPEB liabilities	709,231	797,149	2,000	2,000	711,231	799,149
Total deferred inflows of resources	1,782,009	2,133,927	36,222	45,222	1,818,231	2,179,149
Net investment in capital assets	10,904,052	10,229,357	40,517	15,389	10,944,569	10,244,746
Restricted	1,994,710	2,443,865	-	-	1,994,710	2,443,865
Unrestricted	(15,915,589)	(16,572,772)	(829,274)	(733,929)	(16,744,863)	(17,306,701)
Total net position	(3,016,827)	(3,899,550)	(788,757)	(718,540)	(3,805,584)	(4,618,090)
Total liabilities, deferred inflows of resources and net position	\$ 27,240,397	\$ 26,791,369	\$ 39,509	\$ 95,618	\$ 27,279,906	\$ 26,886,987

Most of the District's net position is invested in capital assets (land, site improvements, buildings, and equipment) or are restricted for a specific purpose. The restricted balances are amounts set aside to fund future purchases or capital projects as planned by the District.

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

Table A-3 presents information from the Statement of Activities in a different format.

Table A-3
Fiscal Years Ended June 30, 2021 and 2020
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues						
Program revenues						
Charges for services	\$ 65,219	\$ 99,761	\$ 37,021	\$ 207,962	\$ 102,240	\$ 307,723
Operating grants and contributions	5,136,153	4,871,667	545,683	531,383	5,681,836	5,403,050
General revenues						
Property taxes	4,224,893	4,198,456	-	-	4,224,893	4,198,456
Other taxes	942,307	823,106	-	-	942,307	823,106
Grants, subsidies and contributions, not restricted	7,617,490	7,308,966	-	-	7,617,490	7,308,966
Miscellaneous	80,549	265,147	32	1,427	80,581	266,574
Total revenues	18,066,611	17,567,103	582,736	740,772	18,649,347	18,307,875
Expenses						
Instruction	11,034,490	10,901,620	-	-	11,034,490	10,901,620
Instructional student support	1,427,292	1,276,801	-	-	1,427,292	1,276,801
Administration and financial support	1,484,719	1,560,583	-	-	1,484,719	1,560,583
Operation and maint. of plant services	1,695,238	1,629,422	-	-	1,695,238	1,629,422
Pupil transportation	1,271,980	1,392,223	-	-	1,271,980	1,392,223
Student activities	251,248	256,212	-	-	251,248	256,212
Interest on long-term debt	18,921	34,257	-	-	18,921	34,257
Food service	-	-	652,953	805,312	652,953	805,312
Community services	-	78	-	-	-	78
Total expenses	17,183,888	17,051,196	652,953	805,312	17,836,841	17,856,508
Transfers	-	-	-	-	-	-
Changes in net position	\$ 882,723	\$ 515,907	\$ (70,217)	\$ (64,540)	\$ 812,506	\$ 451,367

Tables A-4 and A-5 below present the expenses of both the Governmental Activities and the Business-Type Activities of the District.

Table A-4 presents the District's seven (7) largest functions - instruction, instructional student support, administration and financial support, operation and maintenance of plant services, pupil transportation, student activities, and community services and each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-4
Fiscal Years Ended June 30, 2021 and 2020
Governmental Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/21	6/30/20	6/30/21	6/30/20
Instruction	\$ 11,034,490	\$ 10,901,620	\$ 8,050,508	\$ 7,793,343
Instructional student support	1,427,292	1,276,801	1,040,126	1,096,875
Administration and financial support	1,484,719	1,560,583	1,253,926	1,344,664
Operation and maintenance of plant services	1,695,238	1,629,422	1,254,929	1,270,567
Pupil transportation	1,271,980	1,392,223	171,183	369,001
Student activities	251,248	256,212	192,923	170,983
Interest on long-term debt	18,921	34,257	18,921	34,257
Community services	-	78	-	78
Total governmental activities	\$ 17,183,888	\$ 17,051,196	11,982,516	12,079,768
Less unrestricted grants, subsidies and contributions			(7,617,490)	(7,308,966)
Total needs for grants, taxes and other revenues			\$ 4,365,026	\$ 4,770,802

Table A-5 reflects the activities of the Food Service Program, the only business-type activity of the District.

Table A-5
Fiscal Years Ended June 30, 2021 and 2020
Business-Type Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/21	6/30/20	6/30/21	6/30/20
Food services	\$ 652,953	\$ 805,312	\$ (70,249)	\$ (65,967)
Add: investment earnings			32	1,427
Total business-type activities			\$ (70,217)	\$ (64,540)

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will provide details of the actual results of operations.

The District Funds

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$9,283,784, which reflects an increase of \$316,473, from June 30, 2020. The primary reasons for the increase in fund balance was a decrease in students placed outside the District and decreased operational costs due to remote learning during the COVID-19 pandemic.

General Fund Budget

During the fiscal year, the Board of School Directors did not authorize changes to the original budget to accommodate differences from the original budget to actual expenditures of the District. Therefore, the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund report the same numbers in both original and final budget columns. A schedule showing the District's original and final budgeted amounts compared with amounts actually paid and received is provided in the financial statements.

Table A-6
Fiscal Years Ended June 30, 2021 and 2020
General Fund
Budget Summary

	Original Budget		Final Budget		Variance	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues						
Local	\$ 5,922,804	\$ 5,725,503	\$ 5,922,804	\$ 5,725,503	0.00%	0.00%
State	11,255,525	10,875,365	11,255,525	10,875,365	0.00%	0.00%
Federal	345,494	345,494	345,494	345,494	0.00%	0.00%
Total revenues	17,523,823	16,946,362	17,523,823	16,946,362	0.00%	0.00%
Expenditures						
Instruction	10,690,458	10,744,292	10,690,458	10,744,292	0.00%	0.00%
Support services	6,414,442	6,468,383	6,414,442	6,468,383	0.00%	0.00%
Non-instructional/community	347,421	344,400	347,421	344,400	0.00%	0.00%
Debt service	858,000	1,373,131	858,000	1,373,131	0.00%	0.00%
Transfers	25,000	55,000	25,000	55,000	0.00%	0.00%
Total expenses	18,335,321	18,985,206	18,335,321	18,985,206	0.00%	0.00%
Budgeted use of fund balance	\$ 811,498	\$ 2,038,844	\$ 811,498	\$ 2,038,844	0.00%	0.00%

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the District had \$11,764,569, invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-7
As of June 30, 2021 and 2020
Capital Assets - Net of Depreciation

	Governmental Activities		Business-Type Activity		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Land	\$ 269,649	269,649	\$ -	\$ -	\$ 269,649	\$ 269,649
Site improvements	261,799	290,635	-	-	261,799	290,635
Buildings and improvements	9,722,307	10,081,887	-	-	9,722,307	10,081,887
Furniture and equipment	303,222	440,102	40,517	15,389	343,739	455,491
Construction in process	1,167,075	772,084	-	-	1,167,075	772,084
	<u>\$ 11,724,052</u>	<u>\$ 11,854,357</u>	<u>\$ 40,517</u>	<u>\$ 15,389</u>	<u>\$ 11,764,569</u>	<u>\$ 11,869,746</u>

Debt Administration

During the fiscal year 2015-2016, the District refunded the General Obligation Bonds Series of 2010 with a General Obligation Note Series 2015 from F&M Trust at an interest rate of 1.89% tax fee for a period of five years. As of June 30, 2021, the District had total outstanding bond principal of \$820,000. During the year 2020-2021, the District's outstanding bonds and notes had a net decrease of \$805,000.

Table A-8
As of June 30, 2021 and 2020
Outstanding Debt

	Governmental Activities		Business-Type Activity		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
General Obligation Note Series of 2015	\$ 820,000	\$ 1,625,000	\$ -	\$ -	\$ 820,000	\$ 1,625,000

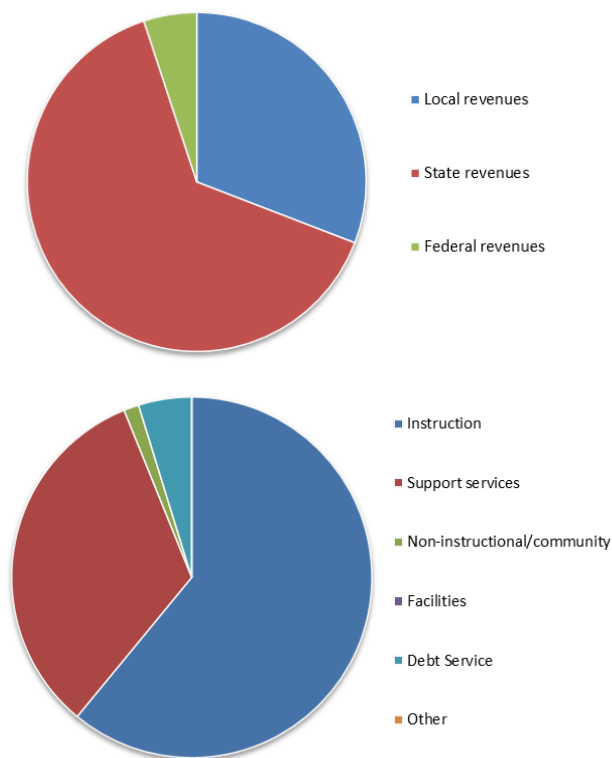
Other obligations include accrued sick and personal leave for specific employees of the District, other post-employment benefits for certain retirees, and net pension liability. More detailed information about our long-term liabilities is included in the Notes to Financial Statements.

Table A-9 reflects the comparisons of revenue and expenditure categories for governmental-fund types by percentages:

Table A-9
Fiscal Years Ended June 30, 2021, 2020, 2019, 2018 and 2017
Revenues and Expenditures

	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Local revenues	30.85%	32.23%	32.69%	32.99%	31.70%
State revenues	64.10%	65.24%	64.72%	63.95%	62.53%
Federal revenues	5.06%	2.53%	2.59%	3.06%	5.77%
Instruction	60.97%	60.24%	60.19%	59.95%	61.13%
Support services	32.90%	33.54%	33.30%	33.46%	32.25%
Non-instructional/community	1.36%	1.40%	1.67%	1.50%	1.94%
Facilities acquisition, construction and improvement	0.00%	0.00%	0.00%	0.00%	0.00%
Debt service	4.77%	4.81%	4.84%	4.68%	4.68%
Other	0.00%	0.00%	0.00%	0.00%	0.00%

2020-2021



Contacting the District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Hillary Lambert, Business Manager, at Southern Huntingdon County School District, 10339 Pogue Road, Three Springs, Pennsylvania 17264.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 5,105,133	\$ 30,666	\$ 5,135,799
Investments	4,523,893	-	4,523,893
Receivables			
Taxes - net of allowance for uncollectibles	560,411	-	560,411
Federal subsidies	157,716	36,628	194,344
State subsidies	597,284	703	597,987
Other	72,385	-	72,385
Internal balances	194,531	(194,531)	-
Inventories	-	23,359	23,359
Prepaid expenses	117,016	-	117,016
Capital Assets			
Land and improvements - net	531,448	-	531,448
Buildings and improvements - net	9,722,307	-	9,722,307
Furniture and equipment - net	303,222	40,517	343,739
Construction-in-progress	1,167,075	-	1,167,075
Total capital assets	11,724,052	40,517	11,764,569
Total assets	23,052,421	(62,658)	22,989,763
Deferred Outflows of Resources			
Deferred amounts on pension liability	3,385,833	99,167	3,485,000
Deferred amounts on OPEB liabilities	801,794	3,000	804,794
Deferred amounts on refunding debt	349	-	349
Total deferred outflows of resources	4,187,976	102,167	4,290,143
Total assets and deferred outflows of resources	\$ 27,240,397	\$ 39,509	\$ 27,279,906

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 284,688	\$ 15,624	\$ 300,312
Deposits payable	-	11,412	11,412
Accrued expenses			
Salaries and benefits	1,378,878	4,296	1,383,174
Payroll withholdings	55,540	-	55,540
Interest	3,875	-	3,875
Unearned revenue	4,138	9,931	14,069
Long-term liabilities			
Due within one year	820,000	-	820,000
Due in more than one year	328,696	1,375	330,071
Net pension liability	22,425,594	716,406	23,142,000
OPEB obligations	3,173,806	33,000	3,206,806
Total long-term liabilities	26,748,096	750,781	27,498,877
Total liabilities	28,475,215	792,044	29,267,259
Deferred Inflows of Resources			
Deferred amounts on pension liability	1,072,778	34,222	1,107,000
Deferred amounts on OPEB liabilities	709,231	2,000	711,231
Total deferred inflows of resources	1,782,009	36,222	1,818,231
Net Position			
Net investment in capital assets	10,904,052	40,517	10,944,569
Restricted for capital projects	1,994,710	-	1,994,710
Unrestricted	(15,915,589)	(829,274)	(16,744,863)
Total net position	(3,016,827)	(788,757)	(3,805,584)
Total liabilities, deferred inflows of resources and net position	\$ 27,240,397	\$ 39,509	\$ 27,279,906

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities							
Instruction	\$ 11,034,490	\$ 47,962	\$ 2,936,020	\$ -	\$ (8,050,508)	\$ -	\$ (8,050,508)
Instructional student support	1,427,292	-	387,166	-	(1,040,126)	-	(1,040,126)
Administration and financial support	1,484,719	-	230,793	-	(1,253,926)	-	(1,253,926)
Operation and maintenance of plant services	1,695,238	1,680	438,629	-	(1,254,929)	-	(1,254,929)
Pupil transportation	1,271,980	-	1,100,797	-	(171,183)	-	(171,183)
Student activities	251,248	15,577	42,748	-	(192,923)	-	(192,923)
Interest on long-term debt	18,921	-	-	-	(18,921)	-	(18,921)
Total governmental activities	17,183,888	65,219	5,136,153	-	(11,982,516)	-	(11,982,516)
Business-Type Activity							
Food service	652,953	37,021	545,683	-	-	(70,249)	(70,249)
Total School District	\$ 17,836,841	\$ 102,240	\$ 5,681,836	\$ -	(11,982,516)	(70,249)	(12,052,765)
General Revenues and Transfers							
Property taxes levied for general purposes, net					4,224,893	-	4,224,893
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net					942,307	-	942,307
Grants, subsidies, and contributions, not restricted					7,617,490	-	7,617,490
Investment earnings					20,904	32	20,936
Miscellaneous income					59,645	-	59,645
Total general revenues and transfers					12,865,239	32	12,865,271
Changes in net position					882,723	(70,217)	812,506
Net Position - July 1, 2020					(3,899,550)	(718,540)	(4,618,090)
Net Position - June 30, 2021					\$ (3,016,827)	\$ (788,757)	\$ (3,805,584)

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General	Capital Projects	Total Governmental Funds
Assets			
Cash	\$ 4,706,164	\$ 398,969	\$ 5,105,133
Investments	2,909,180	1,614,713	4,523,893
Receivables			
Taxes - net of allowance for uncollectibles	560,411	-	560,411
Federal subsidies	157,716	-	157,716
State subsidies	597,284	-	597,284
Other	72,385	-	72,385
Prepaid expenses	117,016	-	117,016
Due from other funds	194,531	-	194,531
Total assets	\$ 9,314,687	\$ 2,013,682	\$ 11,328,369
Liabilities			
Accounts payable	\$ 265,715	\$ 18,972	\$ 284,687
Accrued expenses			
Salaries and benefits	1,378,878	-	1,378,878
Payroll withholdings	55,540	-	55,540
Unearned revenue	4,138	-	4,138
Total liabilities	1,704,271	18,972	1,723,243
Deferred Inflows of Resources			
Delinquent property taxes	321,342	-	321,342
Fund Balances			
Non-spendable	311,547	-	311,547
Restricted			
Capital projects	-	1,994,710	1,994,710
Assigned			
Future capital projects	1,000,000	-	1,000,000
Future retirement increases	2,700,000	-	2,700,000
Future healthcare increases	1,500,000	-	1,500,000
Future technology	200,000	-	200,000
Future instructional materials	200,000	-	200,000
Future food service fund transfer	88,453	-	88,453
Unassigned	1,289,074	-	1,289,074
Total fund balances	7,289,074	1,994,710	9,283,784
Total liabilities, deferred inflows of resources and fund balances	\$ 9,314,687	\$ 2,013,682	\$ 11,328,369

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021**

Total fund balances - governmental funds		\$ 9,283,784
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The total cost of capital assets is \$25,482,302, and the accumulated depreciation is \$13,758,250.		11,724,052
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, they are deferred inflows of resources in the funds.		321,341
The difference between the re-acquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the governmental funds.		349
Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, they are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote detail)		
Deferred inflows		(1,072,778)
Deferred outflows		3,385,833
Deferred inflows and outflows of resources related to OPEB are applicable to future periods, and therefore, they are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote detail)		
Deferred inflows		(709,231)
Deferred outflows		801,794
Long-term liabilities, including bonds payable, compensated absences, and other post-employment benefits, are not due and payable in the current period; therefore, they are not reported as liabilities in the funds.		
These liabilities at year-end consist of:		
	Bonds payable	(820,000)
	Accrued interest	(3,875)
	Compensated absences	(328,696)
	Net pension liability	(22,425,594)
	Other post-employment benefits	(3,173,806)
		<u>(26,751,971)</u>
Total net position - governmental activities		<u><u>\$ (3,016,827)</u></u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2021

	General	Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 5,589,355	\$ 14,991	\$ 5,604,346
State sources	11,613,846	-	11,613,846
Federal sources	916,200	-	916,200
Total revenues	18,119,401	14,991	18,134,392
Expenditures			
Instruction	10,580,905	-	10,580,905
Support services	5,709,413	-	5,709,413
Operation of non-instructional services	235,730	-	235,730
Debt service	827,725	-	827,725
Facilities construction and improvement	-	464,146	464,146
Total expenditures	17,353,773	464,146	17,817,919
Net changes in fund balances	765,628	(449,155)	316,473
Fund Balances - July 1, 2020	6,523,446	2,443,865	8,967,311
Fund Balances - June 30, 2021	<u>\$ 7,289,074</u>	<u>\$ 1,994,710</u>	<u>\$ 9,283,784</u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2021

Net changes in fund balances - governmental funds	\$	316,473
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	495,918	
Less depreciation expense	(626,223)	(130,305)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount.		
		(67,781)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest accrued reflected in the Statement of Activities is shown here.		
		3,804
Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.		
District pension and OPEB contributions		2,151,000
Cost of benefits earned - net of employee contributions (pension expense)		(2,106,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, they are not reported as expenditures in governmental funds.		
Change in compensated absences		(93,074)
Other post-employment benefits (District Plan)		5,348
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of long-term debt	805,000	
Amortization of refunding loss	(1,742)	803,258
Changes in net position - governmental activities	\$	882,723

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Local sources			
Real estate taxes	\$ 4,078,743	\$ 3,799,908	\$ (278,835)
Public utility realty tax	5,675	4,866	(809)
Payments in lieu of taxes	27,836	27,421	(415)
Per capita taxes	31,334	29,048	(2,286)
Earned income tax	700,000	757,032	57,032
Real estate transfer taxes	81,335	146,199	64,864
Delinquent real estate taxes	473,970	465,345	(8,625)
Delinquent per capita taxes	5,100	5,162	62
Earnings on investments	125,000	5,913	(119,087)
Student activities	50,220	15,577	(34,643)
Intermediary sources (pass-through funds)			
IDEA, Part B	210,000	223,597	13,597
Tuition from patrons	60,996	47,962	(13,034)
Rentals	1,970	1,680	(290)
Refunds and other miscellaneous revenue	70,625	59,645	(10,980)
Total revenues from local sources	5,922,804	5,589,355	(333,449)
State sources			
Basic education	7,061,451	7,022,368	(39,083)
Section 1305 and 1306	49,000	150,969	101,969
Vocational education	25,050	30,680	5,630
Special education	799,389	788,762	(10,627)
Transportation	935,000	1,100,662	165,662
Building reimbursement subsidy	261,000	261,940	940
Health services	25,000	20,226	(4,774)
State property tax reduction allocation	286,362	286,362	-
Ready to learn	238,273	241,322	3,049
Social security reimbursement	300,000	308,760	8,760
Retirement reimbursement	1,275,000	1,360,129	85,129
Other grants and subsidies	-	41,666	41,666
Total revenues from state sources	11,255,525	11,613,846	358,321

(Continued)

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues (Continued)			
Federal sources			
Title I - Grants to Local Educational Agencies	273,258	314,071	40,813
Title II - Improvind Teacher Quality	52,141	44,423	(7,718)
Title IV	20,095	19,995	(100)
Medical Assistance Programs	-	2,508	2,508
Education Stabilization Funds	-	535,203	535,203
Total revenues from Federal sources	345,494	916,200	570,706
Total revenues	17,523,823	18,119,401	595,578
Expenditures			
Instruction			
Regular programs	6,984,650	6,959,996	24,654
Special programs	2,505,991	2,428,797	77,194
Vocational educational programs	909,662	909,027	635
Other instructional programs	290,155	283,085	7,070
Total instruction	10,690,458	10,580,905	109,553
Support Services			
Pupil personnel	503,590	509,994	(6,404)
Instructional staff	671,347	655,112	16,235
Administration	1,181,289	1,100,982	80,307
Pupil health	209,726	205,777	3,949
Business	283,791	277,164	6,627
Operation and maintenance of plant services	2,168,659	1,660,098	508,561
Student transportation services	1,383,900	1,271,937	111,963
Central service	2,140	18,462	(16,322)
Other support services	10,000	9,887	113
Total support services	6,414,442	5,709,413	705,029
Operation of Non-instructional Services			
Student activities	347,421	235,730	111,691
Total operation of non-instructional services	347,421	235,730	111,691

(Continued)

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2021**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Debt Service			
Principal	805,000	805,000	-
Interest	53,000	22,725	30,275
	<u>858,000</u>	<u>827,725</u>	<u>30,275</u>
Total expenditures	<u>18,310,321</u>	<u>17,353,773</u>	<u>956,548</u>
Excess (deficiency) of revenues over expenditures	(786,498)	765,628	1,552,126
Other Financing Sources (Uses)			
Operating transfers out	(25,000)	-	25,000
Total other financing uses	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net changes in fund balance	<u>\$ (811,498)</u>	<u>765,628</u>	<u>\$ 1,577,126</u>
Fund Balances - July 1, 2020		6,523,446	
Fund Balances - June 30, 2021		<u>\$ 7,289,074</u>	

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF NET POSITION -
PROPRIETARY FUND - FOOD SERVICE
June 30, 2021**

ASSETS	
Current Assets	
Cash	\$ 30,666
Receivables	
Federal subsidies	36,628
State subsidies	703
Inventories	23,359
Total current assets	<u>91,356</u>
Noncurrent Assets	
Machinery and equipment - net	40,517
Total assets	<u>131,873</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on pension liability	102,167
Total assets and deferred outflows of resources	<u>\$ 234,040</u>
LIABILITIES	
Current Liabilities	
Due to other funds	\$ 194,531
Unearned revenue	21,343
Accounts payable	15,624
Accrued payroll	4,296
Total current liabilities	<u>235,794</u>
Noncurrent Liabilities	
Compensated absences	1,375
OPEB and pension	749,406
Total noncurrent liabilities	750,781
Total liabilities	<u>986,575</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on pension liability	<u>36,222</u>
NET POSITION	
Invested in capital assets	40,517
Unrestricted	(829,274)
Total net position	<u>(788,757)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 234,040</u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2021**

Operating Revenue	
Food service revenue	\$ 37,021
Operating Expenses	
Labor, taxes and benefits	330,345
Management services	88,508
Supplies	25,901
Food and milk	178,989
Donated commodities used	26,702
Depreciation	2,255
Dues and fees	120
Miscellaneous	133
Total operating expenses	652,953
Operating loss	(615,932)
Nonoperating Revenues	
Investment earnings	32
Federal subsidies	467,124
State subsidies	51,857
Value of donated commodities	26,702
Total nonoperating revenues	545,715
Changes in net position	(70,217)
Net Position - July 1, 2020	(718,540)
Net Position - June 30, 2021	\$ (788,757)

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2021**

Cash Flows From Operating Activities	
Cash received from meal sales	\$ 95,261
Cash payments for goods and services	(249,511)
Cash payments to employees for services	(314,576)
Net cash used in operating activities	<u>(468,826)</u>
Cash Flows From Noncapital Financing Activities	
Federal subsidies	467,124
State subsidies	51,857
Net cash provided by noncapital financing activities	<u>518,981</u>
Cash Flows From Investing Activities	
Sale of investments	1,592
Purchase of property, plant and equipment	(27,383)
Investment earnings	32
Net cash used in investing activities	<u>(25,759)</u>
Net increase in cash	24,396
Cash:	
July 1, 2020	6,270
June 30, 2021	<u>\$ 30,666</u>

(Continued)

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE (Continued) Year Ended June 30, 2021

Reconciliation of Operating Loss to Net Cash	
Used in Operating Activities	
Operating loss	\$ (615,932)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,255
Value of donated commodities	26,702
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	60,775
Inventories	(5,459)
Deferred outflows of resources	3,000
(Decrease) increase in:	
Accounts payable	(2,695)
Accrued payroll	(1,656)
Deposits payable	(2,535)
Due to other funds	45,725
Unearned revenue	6,569
Compensated absences	425
OPEB and Pension	23,000
Deferred inflows of resources	(9,000)
Net cash used in operating activities	<u><u>\$ (468,826)</u></u>

Supplemental Disclosure

Noncash noncapital financing activity	
USDA donated commodities received	<u><u>\$ 33,271</u></u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION June 30, 2021

	Combined Scholarship Trust Funds	Activity Fund
ASSETS		
Cash	\$ 27,636	\$ 95,119
Investments	8,353	-
Total assets	<u>\$ 35,989</u>	<u>\$ 95,119</u>
NET POSITION		
Reserved for scholarships and student groups	\$ 35,989	\$ 95,119
Total liabilities and net position	<u>\$ 35,989</u>	<u>\$ 95,119</u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Year Ended June 30, 2021

	Combined Scholarship Trust Funds	Activity Fund
Additions		
Interest	\$ 115	\$ 144
Student activity fundraising	-	165,589
Total additions	<u>115</u>	<u>165,733</u>
Deductions		
Scholarships	1,550	-
Student activity supplies	-	167,110
Total deductions	<u>1,550</u>	<u>167,110</u>
Changes in net position	(1,435)	(1,377)
Net Position - July 1, 2020	37,424	-
Prior period adjustment (Note 1)	-	96,496
Net Position - June 30, 2021	<u>\$ 35,989</u>	<u>\$ 95,119</u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Southern Huntingdon County School District operates three elementary schools and one secondary school in the Three Springs Area. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally elected, nine-member Board form of government.

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

A. Reporting Entity

Southern Huntingdon County School District's financial statements include the operations of all entities for which the School Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Southern Huntingdon County School District is the lowest level of government which has oversight responsibility and control over all activities related to public-school education in the Commonwealth of Pennsylvania. The District receives funding from local, state, and Federal government sources and must comply with the requirements of these funding-source entities. However, the District is not included in any other governmental "reporting entity" since the School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Additionally, the District does not exercise oversight responsibility over any other entities, and consequently, no other entities have been included in the accompanying financial statements.

B. Government-wide and Fund Financial Statements

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

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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

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

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

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

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

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to use resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from local property, earned income and per capita taxes, and state and Federal distributions. Many of the more important activities of the District, including instruction, administration of the District, and certain non-instructional services are accounted for in this fund.

The Capital Projects 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 (other than those financed by proprietary funds).

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

Fiduciary funds are used to account for funds collected on behalf of others which are subsequently disbursed to individuals, private organizations, other governments, and/or other funds. Fiduciary Funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities associated with their activities are reported. Fiduciary Fund equity is classified as net position. Fiduciary funds are reported only at the fund level; therefore, consideration as a major fund is not applicable.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

The District reports the following fiduciary funds:

The District accounts for assets held by the District in a trustee capacity in private-purpose trust funds. These funds account for activities of the various scholarship accounts, the sole purposes of which are to award annual scholarships to deserving students as prescribed by donor stipulations.

The Student Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. The Student Activity Fund is a Custodial Fund which is separate from other custodial funds because of legal requirements. Custodial funds are also accounted for using the modified-accrual basis of accounting.

D. Budgets and Budgetary Accounting

An operating budget, prepared in accordance with the modified-accrual basis of accounting, is adopted for the General Fund prior to the beginning of each fiscal year. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to the 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.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of appropriated funds for any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of approved budget amendments.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

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

Allowance for Estimated Uncollectible Taxes: The allowance for estimated uncollectible taxes is based upon a historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. The portion of taxes receivable which is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as delinquent property taxes. All other amounts in taxes receivable are written off as estimated uncollectible taxes.

Inventories: Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2021. The inventory consisted of government-donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both of which were valued at cost using the first-in, first-out (FIFO) method. The District has adopted an inventory recordkeeping system which distinguishes between donated and purchased commodities. Accordingly, unearned revenue for donated commodities has been recorded.

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

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Per School Board Policy, capital assets with an original individual cost of \$4,000 or greater are capitalized, unless the assets are acquired by debt proceeds, in which case the assets must be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extent to which the assets are part of larger capital projects. The District's capital assets include library books, classroom texts, computer equipment, classroom furniture, and other instructional equipment, subject to the on-going discretion of management. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' lives are not capitalized.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets and Depreciation (Continued):

Depreciation is provided for capital assets on the straight-line method over the estimated useful lives of the assets or groups of assets as determined by management.

Government-wide Statements: In the government-wide financial statements, depreciation of all exhaustible capital assets is recorded as a direct expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the applicable governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as capital assets which are presented in the government-wide statements.

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

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

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-Term Obligations: In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond insurance is deferred as a prepaid expense and amortized over the lives of the bonds. Other issuance costs are expensed at the time the debt is issued.

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

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues certain accumulated employee benefits, such as unpaid vacation and sick pay. Calculation of this amount is determined by the appropriate vacation, sick, and retirement lump-sum payments which would be available to employees if they left or retired from the District. This calculation is adjusted for expected employee turnover rates. Accrued-benefit days, multiplied by appropriate salary amounts, are reflected as a long-term liability unless retirements are likely within the upcoming fiscal year. Those costs determined to be current year costs are reflected as a liability of the General Fund.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits. The District provides retiree health, vision, dental and prescription drug coverage to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Post-Employment Benefits (Continued):

The balances of the District's OPEB obligations and deferred outflow/inflow of resources at June 30, 2021, are as follows:

	Governmental Activities	Business- Type Activities	Total
OPEB Obligations			
PSERS Cost Sharing Plan - OPEB Liabilities (note 12)	\$ 983,000	\$ 33,000	\$1,016,000
District Plan - OPEB Liabilities (note 11)	2,190,806	-	2,190,806
Total	<u>\$ 3,173,806</u>	<u>\$ 33,000</u>	<u>\$3,206,806</u>
Deferred Outflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 128,000	\$ 3,000	\$ 131,000
District OPEB Plan Liability	673,794	-	673,794
Total	<u>\$ 801,794</u>	<u>\$ 3,000</u>	<u>\$ 804,794</u>
Deferred Inflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 60,000	\$ 2,000	\$ 62,000
District OPEB Plan Liability	649,231	-	649,231
Total	<u>\$ 709,231</u>	<u>\$ 2,000</u>	<u>\$ 711,231</u>

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayments are expected, the advances are accounted for through the various “due from” and “due to” accounts.

On fund financial statements, short-term, interfund loans are classified as interfund balances. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Deferred Inflows of Resources - Pensions: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between projected earnings and actual investments of their plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes property tax revenues when they become available. Available includes those taxes expected to be collected within 60 days after year-end. Those property taxes expected to be collected 60 days after year end are shown as deferred revenue in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Assigned: Represents fund balance amounts that are constrained by the government's intent to use them for specific purposes but are neither restricted nor committed. Through Board policy, the Board has delegated the authority to express intent to the District's Business Manager.

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

The District has a Board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned General Fund balance of not less than 5% and not more than 8 % of the budgeted expenditures for that fiscal year.

F. Other

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other (Continued)

Restatement of Net Position: As of July 1, 2020, the District implemented Governmental Accounting Standards Board Statement GASB No. 84, Fiduciary Activities. The implementation of GASB 84 resulted in changing the presentation of the financial statements by including additions, deductions, and ending net position for custodial funds not previous required. Beginning net position has been restated to reflect the change.

	Scholarship Trust Funds	Activity Funds	Totals
Net position as previously reported at June 30, 2020	\$ 37,424	\$ -	\$ 37,424
Agency fund reclassification (GASB 84)	-	96,496	96,496
Net position as restated at June 30, 2020	<u>\$ 37,424</u>	<u>\$ 96,496</u>	<u>\$ 133,920</u>

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosures through November 19, 2021, the date the financial statements were available to be issued.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

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

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

Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits, which include certificates of deposit, at June 30, 2021, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC Insured	\$ 250,000	\$ 250,000	Community State Bank
FDIC Insured	250,000	250,000	F&M Trust
Uninsured and collateralized by assets maintained in conformity with Act 72	862,262	999,974	Community State Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	1,380,513	1,380,513	F&M Trust
	<u>\$ 2,742,775</u>	<u>\$ 2,880,487</u>	

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

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

Investments	Credit Rating	Weighted- Average Maturities	Fair Values
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class Shares	AAAm	51 days	\$ 4,127,580
PLGIT PRIME	AAAm	54 days	2,922,980
			<u>\$ 7,050,560</u>

Portfolio Assets

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

The PLGIT fund invests primarily in U.S. Treasury and Federal-agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund maintains a weighted-average maturity to reset of 60 days or less.

The PLGIT - Class Shares is a flexible option, within the PLGIT fund, which requires no minimum balances, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

The PLGIT/PLUS - Class Shares is an option, within the PLGIT fund, which requires a minimum investment of \$50,000, a minimum investment period of thirty (30 days) and has a premature withdrawal penalty. Dividends are paid quarterly.

The PLGIT/I - Class Shares is an option, within the PLGIT fund, in which the shares are invested and redeemed by the Investor only through PLGIT's Easy Online Network ("EON"), the Trusts' online account access system. This option requires a minimum initial investment of \$50,000 and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

PLGIT/PRIME is a variable rate investment portfolio. This fund web-based option requires a minimum initial investment of \$50,000, and limits redemptions or exchanges to two per calendar month.

Weighted-Average Maturity

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

Interest-Rate Risk

The District 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

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

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments in Pennsylvania Local Government Investment Trust (PLGIT) represent 100% of the District's total investments.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Taxes Receivable, Deferred Inflows of Resources, and Unearned Revenues

A summary of taxes receivable and related accounts at June 30, 2021, is as follows:

	Amount
Taxes Receivable	\$ 567,272
Allowance for uncollectible taxes	(6,861)
Taxes Receivable - Net	<u>\$ 560,411</u>
Taxes to be collected within 60 days	\$ 239,069
Deferred inflows of resources - delinquent property taxes	321,342
Taxes Receivable - Net	<u>\$ 560,411</u>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	\$ 321,342
	<u>\$ 321,342</u>
Unearned Revenues - General Fund	
Federal Programs	\$ 4,138
Unearned Revenues - Food Service Fund	
Student deposits	\$ 11,412
Donated commodities	9,931
	<u>\$ 21,343</u>

Note 4. Property Taxes

Based upon assessed valuations provided by the County, elected, municipal tax collectors bill and collect property taxes on behalf of the District. Property taxes are levied on July 1st. Taxes are collected at a 2% discount until August 31st; at their face amounts from September 1st until October 31st; and include a 10% penalty thereafter. The County of Huntingdon collects delinquent real estate taxes for the District.

The District's tax rates for all purposes in 2020-2021 were 40.26 mills (\$40.26 per \$1,000 assessed valuation). Refunds on payments of prior-year taxes are classified as other debt-service items under the Commonwealth of Pennsylvania accounting system. Current tax collections for the District were approximately 89.67% of the total taxes levied.

As of June 30, 2021, the District does not offer any tax abatement programs.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2021, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 194,531	\$ -
Food Service	-	194,531
	<u>\$ 194,531</u>	<u>\$ 194,531</u>

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. It is not expected that the amount due from the cafeteria to the general fund will be paid within one year, thus the amount is reflected as non-spendable fund balance in the general fund.

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

There were no transfers in the year ended June 30, 2021.

Note 6. Food Service Fund Inventories

The composition of Food Service Fund inventories at June 30, 2021, is as follows:

	Amount
Materials and supplies	\$ 7,382
Purchased food	6,046
Donated food	9,931
	<u>\$ 23,359</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

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

	July 1, 2020	Increases	Decreases	June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 269,649	\$ -	\$ -	\$ 269,649
Construction-in-progress	772,084	394,991	-	1,167,075
Total capital assets not being depreciated	1,041,733	394,991	-	1,436,724
Capital assets, being depreciated				
Site improvements	1,021,419	-	-	1,021,419
Buildings and improvements	19,133,822	91,942	-	19,225,764
Furniture and equipment	3,789,410	8,985	-	3,798,395
Total capital assets being depreciated	23,944,651	100,927	-	24,045,578
Less accumulated depreciation				
Site improvements	730,784	28,836	-	759,620
Buildings and improvements	9,051,935	451,522	-	9,503,457
Furniture and equipment	3,349,308	145,865	-	3,495,173
Total accumulated depreciation	13,132,027	626,223	-	13,758,250
Total net capital assets being depreciated	10,812,624	(525,296)	-	10,287,328
Governmental Activities, Capital Assets - Net	\$ 11,854,357	\$ (130,305)	\$ -	\$ 11,724,052
Business-Type Activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 247,827	\$ 27,383	\$ -	\$ 275,210
Less accumulated depreciation	(232,438)	(2,255)	-	(234,693)
Total Business-Type Activities, Capital Assets - Net	\$ 15,389	\$ 25,128	\$ -	\$ 40,517

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 454,803
Instructional student support	52,959
Administration and financial support	71,500
Operation and maintenance of plant services	32,852
Student activities	14,109
Total governmental activities	<u>626,223</u>
Business-Type Activities	
Food service	2,255
Total District	<u><u>\$ 628,478</u></u>

Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2021, consist of the following:

	Amount
Accrued salaries	\$ 500,608
Retirement	844,792
Social security	37,774
	<u><u>\$ 1,383,174</u></u>

Accrued salaries represent teachers' salaries earned during the 2020-2021 school year which will be paid subsequent to June 30, 2021. Accrued retirement represents the Public School Employees' Retirement contribution for the second quarter of calendar year 2021, including the portion pertaining to accrued salaries at June 30, 2021. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2021.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations

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

	July 1, 2020	Increase	Decrease	June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Notes -					
Series of 2015	\$ 1,625,000	\$ -	\$ 805,000	\$ 820,000	\$ 820,000
Compensated absences	235,622	93,074	-	328,696	-
Net pension liability	21,762,594	663,000	-	22,425,594	-
Other post-employment benefits	3,183,273	-	9,467	3,173,806	-
Total Long-Term Obligations	<u>\$ 26,806,489</u>	<u>\$ 756,074</u>	<u>\$ 814,467</u>	<u>\$ 26,748,096</u>	<u>\$ 820,000</u>
Business-Type Activities					
Compensated absences	\$ 950	\$ 425	\$ -	\$ 1,375	\$ -
Net pension liability	693,406	23,000	-	716,406	-
Other post-employment benefits	33,000	-	-	33,000	-
Total Long-Term Obligations	<u>\$ 727,356</u>	<u>\$ 23,425</u>	<u>\$ -</u>	<u>\$ 750,781</u>	<u>\$ -</u>

General Obligation Note - Series of 2015 - On July 7, 2015, the District issued General Obligation Note in the principal amount of \$5,315,000. The proceeds were used to currently refund the District's General Obligation Bonds - Series of 2010 and to pay the costs and expenses related to the issuance of the 2015 Note. The economic gain on the current refunding of the 2010 bonds was \$146,795. The Note bears annual interest at 1.89%. Interest is payable semi-annually on April 1 and October 1, and the note matures serially in amounts ranging from \$670,000 to \$820,000, through October 1, 2021. Total interest paid on the Series of 2015 Note for the year ended June 30, 2021, was \$22,725.

The District is currently in compliance with all debt covenants of the outstanding bond issue. Those covenants include the following: The District shall include the annual debt service in its budget for the fiscal year, shall appropriate said annual debt service from its general revenues, and shall punctually cause the payment of the principal and interest of each of the bonds.

Maturities of long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	<u>\$ 820,000</u>	<u>\$ 7,749</u>	<u>\$ 827,749</u>

Compensated Absences - Under the terms of the District's employment policies, employees are granted sick and personal days per school year, and any unused sick and personal days are permitted to be carried over to future years. Upon retirement from the District, employees having completed ten years of service with the District are reimbursed for accumulated sick and personal days equal to the number of unused days multiplied by an amount per the employment contract. The total liability for accrued sick and personal leave and retirement bonuses has been reflected in the Statement of Net Position.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public-school employees of the Commonwealth of Pennsylvania. 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.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% 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.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

Contribution Rates

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 34.51% 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. The 34.51% rate is composed of a pension contribution rate of 33.51% for pension benefits, 0.18% for Act 5 defined contributions and 0.82% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the year ended June 30, 2021, was \$2,153,000, and is equal to the required contributions for the year. For the year ended June 30, 2021, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$1,388,370.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2021, the District reported a liability of \$23,142,000, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0470%, which decreased from its proportion measured as of June 30, 2020 which was 0.0480%.

For the year ended June 30, 2021, the District recognized pension expense of \$2,070,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental and proprietary funds:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,000	\$ 555,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	1,017,000	-
Changes in proportions	254,000	545,000
Difference between employer contributions and proportionate share of total contributions	-	7,000
Contributions subsequent to the measurement date	2,153,000	-
	<u>\$ 3,485,000</u>	<u>\$ 1,107,000</u>

\$2,153,000, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2022	\$ (174,000)
2023	(82,000)
2024	180,000
2025	304,000
Thereafter	(3,000)
	<u>\$ 225,000</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2021, was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurements:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.6%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Alternative investments	15.0%	7.2%
Cash	6.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<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.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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 District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 28,632,000	\$ 23,142,000	\$ 18,492,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2021, the District has payables to the PSERS pension plan of \$770,105, which is comprised of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions for the second quarter 2021.

Pension Reform

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Single Employer District Plan

Plan Description - Southern Huntingdon County School District administers a single-employer, defined-benefit healthcare plan. The plan provides medical benefits to eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through retirement-incentive negotiations between the District and the union representing District instructional staff employees. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group-health plan until the retired employees reach Medicare age. Employees are eligible upon retirement with 30 years of PSERS service or upon superannuation retirement (PSERS members prior to July 1, 2011, who are age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age. PSERS members after July 1, 2011, who are age 65 with three years of service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of service). As of the last valuation date, the plan has 109 active participants and 16 retired participants. The plan does not issue a publicly available financial report.

Funding Policy - Contribution requirements are negotiated between the District and the union representing instructional-staff employees. Retired employees are responsible for payments equal to the premium determined by the District plan. The District funds the plan on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

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

At June 30, 2021, the District reported a liability of \$2,190,806 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,195,273
Service cost	63,198
Interest	75,436
Differences between expected and actual experience	-
Changes of assumptions	-
Estimated Benefit payments	(143,101)
Net changes	(4,467)
Total OPEB Liability, ending	<u><u>\$ 2,190,806</u></u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)

For the year ended June 30, 2021, the District recognized OPEB expense of \$148,935. At June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 608,348
Changes in assumptions	516,743	40,883
Benefit payments subsequent to the measurement date	157,051	-
	<u>\$ 673,794</u>	<u>\$ 649,231</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$157,051, resulting from District benefit payments subsequent to the measurement date, and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2022	\$ 13,069
2023	13,069
2024	13,069
2025	13,069
2026	13,069
Thereafter	(197,833)
	<u>\$ (132,488)</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- General Inflation Rate - 3% less than the ultimate healthcare trend rate
- Salary Increases - An annual rate of 2.5%.
- Investment rate of return - 3.5%. Based on 20-year High-Grade Municipal Rate Index; previously 3% was assumed.
- Health care cost trend rate - 5.5% in 2019, and 5.4% in 2020-2021. Rates gradually decrease from 5.3% in 2022 to 4.7% in 2056 and later based on the Society of Actuaries Long-Term Health Cost Trend Model.
- Actuarial value of assets - Equal to the market value of assets.
- Retirees' Share of Benefit-Related Costs - Retirees pay the average projected premium for the entire group of retirees.

Mortality rates were separate as pre-retirement mortality and post-retirement mortality. Pre-retirement mortality rates are based on Pub T.H.2000 Employee, as published by the Society of Actuaries. Post-retirement mortality rates are based on the T.H.2000 Healthy Annuitant, as published by the Society of Actuaries. Mortality Improvement adjustments are based on Scale MP-2018, as published by the Society of Actuaries.

Sensitivity of the District's Total OPEB liability to Changes in Discount Rate and Health Care Trend Rate

The following presents the total OPEB liability of the District calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
District's proportionate share of the total OPEB liability	\$ 2,386,618	\$ 2,190,806	\$ 2,014,425

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Single Employer District Plan (Continued)

The following presents the total OPEB liability of the District calculated using the health care cost trend rate (5.40% in 2020 decreasing to 4.70% in 2055), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage point higher than the current rate:

	Health Care Cost Trend Rates		
	1% Decrease (4.40% decreasing to 3.70%)	(5.40% decreasing to 4.70%)	1% Increase (6.40% decreasing to 5.70%)
District's proportionate share of the total OPEB liability	\$ 1,969,132	\$ 2,190,806	\$ 2,451,209

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 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.

Employer Contributions

The 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 \$53,000, for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,016,000, 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 .0470%, which decreased from its proportion measured as of June 30, 2020, which was .0480%.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

For the year ended June 30, 2021, the District recognized OPEB expense of \$53,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,000	\$ -
Changes in assumptions	41,000	22,000
Changes in proportion	26,000	38,000
Net difference between projected and actual investment earnings	2,000	-
Difference between employer contributions and proportionate share of total contributions	-	2,000
Contributions subsequent to the measurement date	53,000	-
	<u>\$ 131,000</u>	<u>\$ 62,000</u>

\$53,000, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Total
2022	\$ 4,000
2023	4,000
2024	3,000
2025	2,000
2026	4,000
Thereafter	(1,000)
	<u>\$ 16,000</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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%, 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 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.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Investments

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

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

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

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability for June 30, 2020, calculated using the discount rate of 2.66%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current discount rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ 1,158,000	\$ 1,016,000	\$ 898,000

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

The following presents the District's proportionate share of the net OPEB liability for June 30, 2020, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 4% to 7.5%) that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 1,015,000	\$ 1,016,000	\$ 1,016,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2021, the District has payables to the OPEB plan of \$18,744.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Affiliates

The District is affiliated with the Tuscarora Intermediate Unit #11 (TIU#11) and Huntingdon County Career and Technology Center (HCCTC). The member school districts participate in providing oversight responsibility to the TIU#11 and HCCTC through appointment of Board members who are also Board members of the participating school districts and approval and funding of operating budgets.

Southern Huntingdon County School District is a member of the Tuscarora Intermediate Unit #11. The Tuscarora Intermediate Unit #11 Board members consist of nine members from nine school districts in the region. The members are appointed to the TIU #11 Board by the member districts' Board of School Directors. Through this membership, the District is able to secure various special services, including special education, curriculum development, technology services, and certain internal-service functions. The District paid \$149,283, to the Tuscarora Intermediate Unit #11 for the year 2020-2021.

Southern Huntingdon County School District is served by the Huntingdon County Career and Technology Center (HCCTC). The District is one of four member School Districts participating in the operation of HCCTC. HCCTC is operated, administered, and managed by a joint-operating committee consisting of board members from the four member School Districts. Students of the District are offered courses and curriculums at the Center that are related to various technical-training fields. Costs of the Center are shared with other local School Districts. The District paid \$581,896 as its share to the Huntingdon County Career and Technology Center for the year 2020-2021.

Complete financial statements for each of the entities listed above can be obtained from their respective administrative offices.

Note 14. Participation in the Huntingdon County Schools' Insurance Trust

Southern Huntingdon County School District participates in an insurance trust, which was established to purchase health and medical insurance coverage and dental and vision coverage from Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield. Dental and vision coverage is purchased on a cost-plus plan in an effort to contain and limit the cost of such coverage, while establishing a Premium Stabilization Fund which will be used to pay settlement charges, and ultimately, to contain such coverage costs. Since charges are currently being levied and paid by Southern Huntingdon County School District, no receivable or payable to the Trust has been reflected in these financial statements. As a result, Southern Huntingdon County School District has expensed all premiums paid through June 30, 2021.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years. During the year ended June 30, 2021, the District did not incur any significant losses that were not covered by insurance.

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

Note 16. Commitments

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

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED
RATIOS - DISTRICT SINGLE EMPLOYER PLAN**

Years Ended June 30,	2021	2020	2019	2018
Service cost	\$ 63,198	\$ 97,694	\$ 106,959	\$ 92,519
Interest	75,436	83,534	83,065	84,679
Difference between Expected and Actual Experience	-	(578,132)	-	(268,540)
Changes in assumptions	-	(51,219)	-	944,691
Benefit payments	(143,101)	(184,468)	(155,079)	(169,761)
Net changes	(4,467)	(632,591)	34,945	683,588
Total OPEB Liability - Beginning	2,195,273	2,827,865	2,792,922	2,109,334
Total OPEB Liability - Ending	<u>\$ 2,190,806</u>	<u>\$ 2,195,274</u>	<u>\$ 2,827,867</u>	<u>2,792,922</u>
District's Covered-Employee Payroll	<u>\$ 5,362,637</u>	<u>\$ 5,231,841</u>	<u>\$ 5,985,520</u>	<u>5,839,532</u>
Total OPEB Liability as a % of Covered-Employee Payroll	40.85%	41.96%	47.25%	47.83%

Note to Schedule:

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY - PSERS COST SHARING PLAN**

Years Ended June 30,	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0470%	0.0480%	0.0480%	0.0496%
District's proportionate share of the net OPEB liability	<u>\$ 1,016,000</u>	<u>\$ 1,021,000</u>	<u>\$1,001,000</u>	<u>\$ 1,011,000</u>
District's covered employee payroll	<u>\$ 6,596,188</u>	<u>\$ 6,616,379</u>	<u>\$6,466,592</u>	<u>\$ 6,601,057</u>
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	15.40%	15.43%	15.48%	15.32%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

Note to Schedule:

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

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

Years Ended June 30,	2021	2020	2019	2018
Contractually required contribution	\$ 52,679	\$ 55,264	\$ 54,639	\$ 53,280
Contributions in relation to the contractually required contribution	(52,679)	(55,264)	(54,639)	(53,280)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 6,596,188	\$ 6,616,379	\$ 6,466,592	\$ 6,601,057
Contributions as a percentage of covered employee payroll	0.80%	0.84%	0.84%	0.81%

Note to Schedule:

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Years Ended June 30,	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0470%	0.0480%	0.0480%	0.0496%	0.0468%	0.0490%	0.0490%
District's proportionate share of the net pension liability	\$ 23,142,000	\$ 22,456,000	\$ 23,042,000	\$ 24,497,000	\$ 23,193,000	\$ 21,224,000	\$ 21,224,000
District's covered-employee payroll	\$ 6,596,188	\$ 6,616,379	\$ 6,466,592	\$ 6,601,057	\$ 6,064,133	\$ 6,307,703	\$ 6,307,703
District's proportionate share of net pension liability as a percentage of its covered employee payroll	350.84%	339.40%	356.32%	371.11%	382.46%	336.48%	336.48%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	51.84%	50.14%	54.36%	54.36%	54.36%

Note to Schedule:

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

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

Years Ended June 30,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,153,069	\$ 2,194,766	\$ 2,146,069	\$ 2,037,464	\$ 1,885,863	\$ 1,524,302	\$ 1,524,302
Contributions in relation to the contractually required contribution	(2,153,069)	(2,194,766)	(2,146,069)	(2,037,464)	(1,885,863)	(1,524,302)	(1,524,302)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 6,596,188</u>	<u>\$ 6,616,379</u>	<u>\$ 6,466,592</u>	<u>\$ 6,601,057</u>	<u>\$ 6,599,623</u>	<u>\$ 6,045,074</u>	<u>\$ 6,045,074</u>
Contributions as a percentage of covered-employee payroll	32.64%	33.17%	33.19%	30.87%	28.58%	25.22%	5.22%

Note to Schedule:

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

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Southern Huntingdon County School District
Three Springs, 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 activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Southern Huntingdon County School District's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Boyer & Fitter". The signature is written in a cursive, flowing style with a large loop at the end of the word "Fitter".

State College, Pennsylvania
November 19, 2021

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

Board of School Directors
Southern Huntingdon County School District
Three Springs, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Southern Huntingdon County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southern Huntingdon County School District's major Federal programs for the year ended June 30, 2021. Southern Huntingdon County School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Southern Huntingdon County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001. Our opinion on each major program is not modified with respect to the matter.

Southern Huntingdon County School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and/or Corrective Action Plan. Southern Huntingdon County School District's response was not subject 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

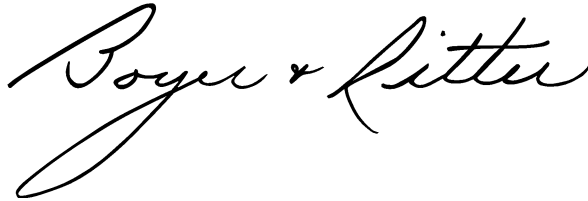
Management of Southern Huntingdon County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Huntingdon County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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Southern Huntingdon County School 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 and/or corrective action plan. Southern Huntingdon County School District's response was not subject 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.

A handwritten signature in cursive script, reading "Boyer & Ritten". The signature is written in black ink and is positioned in the center of the page.

State College, Pennsylvania
November 19, 2021

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiencies? Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies? X Yes None reported

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

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

Identification of the major program:

C.F.D.A. Numbers	Name of Federal Program
84.010	Title I
84.027, 84.173	Special Education Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II – Financial Statement Findings

A. Significant Deficiencies in Internal Control

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

B. Compliance Findings

There were no findings relating to the Financial Statement audit required to be reported.

Section III -- Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Internal Control

Special Education Cluster

CFDA # 84.027 and 84.173

Grant Period: 2020-21

U.S. Department of Education

Pass-Through Entity: Tuscarora Intermediate Unit #11

Finding 2021-001 - Allowable Costs/Cost Principles

Criteria: If a school operating a schoolwide program does not consolidate federal funds with state and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a federal program or cost objective must document time and effort as follows:

For an employee who works on multiple activities or cost objectives (e.g., in part on a federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:

- (i) The federal program or cost objective; and
- (ii) Each other program or cost objective supported by consolidated federal funds or other revenue sources.

Condition: A sample of nine payroll transactions were selected for testing. One staff member's pay was charged 80% to federal IDEA funds and 20% to state and local funds. There was no time and effort distribution records maintained to support the portion of time and effort dedicated to each funding source.

See Section III.B. Compliance Findings for further details.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section III -- Findings and Questioned Costs for Federal Awards

B. Compliance Findings

Special Education Cluster

CFDA # 84.027 and 84.173

Grant Period: 2020-21

U.S. Department of Education

Pass-Through Entity: Tuscarora Intermediate Unit #11

Finding 2021-001 - Allowable Costs/Cost Principles

Criteria: If a school operating a schoolwide program does not consolidate federal funds with state and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a federal program or cost objective must document time and effort as follows:

For an employee who works on multiple activities or cost objectives (e.g., in part on a federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:

- (i) The federal program or cost objective; and
- (ii) Each other program or cost objective supported by consolidated federal funds or other revenue sources.

Condition: A sample of nine payroll transactions were selected for testing. One staff member's pay was charged 80% to federal IDEA funds and 20% to state and local funds. There was no time and effort distribution records maintained to support the portion of time and effort dedicated to each funding source.

Cause: Due to staff turnover during the year, the district neglected to maintain the required documentation.

Effect: The district receives federal funding based on allowable costs charged to the program. If documentation is not maintained to support the allowability of costs charged to the program, the district may be utilizing the funds for expenses which are unallowable. This may result in the return of federal funds to the funding agency for the unallowable costs, if deemed appropriate.

Questioned Costs: Salary and benefits of employee - \$65,674 *80% = \$52,529.

Repeat Finding: No

Context: Lack of time and effort distribution records.

Recommendations: We recommend that controls be reviewed and revised to ensure that time and effort distribution records are prepared for staff who are charged to federal programs. These records should also be reviewed, approved, and maintained by administrative personnel.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section III -- Findings and Questioned Costs for Federal Awards

B. Compliance Findings (Continued)

Views of responsible officials and planned corrective actions: Hillary Lamber, Business Manager is the responsible official for the Special Education IDEA grant. She was unaware of the required time and effort documentation that was needed to support employee's payroll allocation.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U. S. Department of Education					
Passed through Pennsylvania Department of Education					
Title I - Improving Basic Programs	I	84.010	013-20-0406	19-20	\$ 273,233
Title I - Improving Basic Programs	I	84.010	013-21-0406	20-21	\$ 316,670
 Title II - Improving Teacher Quality	 I	 84.367	 020-20-0406	 19-20	 \$ 52,100
Title II - Improving Teacher Quality	I	85.367	020-21-0406	20-21	\$ 44,423
Title II - Improving Teacher Quality (TIWP)	I	84.367	220-20-0406	19-20	\$ 25,000
 Title IV - Student Support and Academic Enrichment Grant	 I	 84.424	 144-21-0406	 20-21	 \$ 19,995
 COVID -19 Elementary and Secondary School Emergency Relief I	 I	 84.425D	 200-20-0406	 19-20	 \$ 216,550
COVID-19 Elementary and Secondary School Emergency Relief II	I	84.425D	200-21-0406	20-21	\$ 1,133,987
COVID -19 Governor's Emergency Education Relief Fund (CEEG)	I	84.425C	253-20-0406	19-20	\$ 15,000
COVID-19 Governor's Emergency Education Relief Fund (aTSI)		84.425C	254-20-0406	19-20	\$ 36,855
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund III	I	84.425U	223-21-0406	20-21	\$ 2,293,728
 COVID-19 Impact Mitigation Grant (SECIM)	 I	 84.027	 252-20-0406	 19-20	 \$ 5,000
 Total passed through the Pennsylvania Department of Education					
Passed through Pennsylvania Commission on Crime and Delinquency					
COVID-19 Elementary and Secondary Emergency Relief (SHS)		84.425D	35426	20-21	\$ 30,507
 Passed through Mount Union School District					
21st Century Community Learning Centers	I	84.287	NA	19-20	\$ 44,819

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2021	Amount Passed Through to Subrecipients
\$ 54,633	\$ 53,395	\$ 1,238	\$ 1,238	\$ -	\$ -
255,762	-	312,833	312,833	57,071	-
310,394	53,395	314,071	314,071	57,071	-
10,397	10,397	-	-	-	-
45,325	-	44,423	44,423	(902)	-
(4,545)	(4,545)	-	-	-	-
51,177	5,852	44,423	44,423	(902)	-
19,995	-	19,995	19,995	-	-
19,995	-	19,995	19,995	-	-
216,550	1,375	215,175	215,175	-	-
-	-	39,000	39,000	39,000	-
15,000	-	15,000	15,000	-	-
32,976	-	29,571	29,571	(3,405)	-
-	-	54,489	54,489	54,489	-
264,526	1,375	353,235	353,235	90,085	-
3,333	-	2,600	2,600	(733)	-
3,333	-	2,600	2,600	(733)	-
649,425	60,622	734,324	734,324	145,521	-
23,352	-	30,507	30,507	7,155	-
23,352	-	30,507	30,507	7,155	-
3,494	3,494	-	-	-	-
3,494	3,494	-	-	-	-

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2021

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U. S. Department of Education (Continued)					
Passed through Tuscarora Intermediate Unit #11					
Special Education - Grants to States	I	84.027	062-21-0011	20-21	\$ 219,565
Special Education - Preschool Grants	I	84.173	H173A210090	20-21	\$ 4,032
Total passed through Tuscarora Intermediate Unit #11					
Passed through Pennsylvania Department of Health					
Title XIX - Medical Assistance Program	I	93.778	NA	19-20	\$ 2,508
Total U. S. Department of Education					
U.S. Department of Treasury					
Passed through Pennsylvania Commission on Crime and Delinquency					
COVID-19 CARES School Health and Safety Grant	I	21.019	34252	20-21	\$ 167,003
Total U. S. Department of Treasury					
U. S. Department of Agriculture					
Passed through Pennsylvania Department of Education					
National School Lunch Program	I	10.555	N/A	19-20	N/A
National School Lunch Program	I	10.555	N/A	20-21	N/A
School Breakfast Program	I	10.553	N/A	19-20	N/A
School Breakfast Program	I	10.553	N/A	20-21	N/A
Food Service Equipment Grant		10.579	FSE-20-0037	20-21	\$ 17,888
Passed through Pennsylvania Department of Agriculture - Food Donation	I	10.555	2-05-31-750	20-21	N/A
Total U. S. Department of Agriculture					

Total Expenditures of Federal Awards

Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, and 10.579)

Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)

Education Stabilization Fund (Assistance Listing Numbers 84.425)

Source Codes:

D - Direct Funding

I - Indirect Funding

See Notes to Schedule of Expenditures of Federal Awards.

<u>Total Received (Refunded) in Fiscal Year</u>	<u>Accrued (Deferred) Revenue at 7/1/2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at 6/30/2021</u>	<u>Amount Passed Through to Subrecipients</u>
219,565	-	219,565	219,565	-	-
4,032	-	4,032	4,032	-	-
223,597	-	223,597	223,597	-	-
2,508	-	2,508	2,508	-	-
2,508	-	2,508	2,508	-	-
902,376	64,116	990,936	990,936	152,676	-
167,003	18,142	148,861	148,861	-	-
167,003	18,142	148,861	148,861	-	-
59,219	59,219	-	-	-	-
305,870	-	317,601	317,601	11,732	-
365,089	59,219	317,601	317,601	11,732	-
34,803	34,803	-	-	-	-
124,627	-	131,635	131,635	7,008	-
159,430	34,803	131,635	131,635	7,008	-
-	-	17,888	17,888	17,888	-
33,271	(3,362)	26,702	26,702	(9,931)	-
557,789	90,660	493,826	493,826	26,697	-
\$ 1,627,168	\$ 172,918	\$ 1,633,623	\$ 1,633,623	\$ 179,373	\$ -
\$ 557,789	\$ 90,660	\$ 493,826	\$ 493,826	\$ 26,697	\$ -
\$ 226,931	\$ -	\$ 226,197	\$ 226,197	\$ (733)	\$ -
\$ 287,877	\$ 1,375	\$ 383,742	\$ 383,742	\$ 97,240	\$ -

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of Southern Huntingdon County School District under programs of the Federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southern Huntingdon County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southern Huntingdon County School District.

Note 2. Significant Accounting Policies

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

Note 3. Sub-recipients

With respect to the Federal expenditures presented in the Schedule, Southern Huntingdon County School District did not provide any Federal awards to sub-recipients.

Note 4. Indirect Cost

Southern Huntingdon County School District has not elected to use the ten percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2021

Southern Huntingdon County School District

10339 Pogue Road • Three Springs, PA 17264-9730
(814) 447-5529 • FAX (814) 447-3967



Summary Schedule of Prior Audit Findings Year Ended June 30, 2021

Finding 2020-001 – Reporting

Audit Finding:

A child's eligibility for free or reduced-price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. Annual eligibility determinations may also be based on the child's household receiving benefits under the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), the Head Start Program (CFDA 93.600) (42 USC 1758(b)(6)(A)), or, under most circumstances, the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558) (42 USC 1758(b)). A household may furnish documentation of its participation in one of these programs; or the school, institution, or sponsor may obtain the information directly from the state or local agency that administers these programs. Certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts (42 USC 1758(b)(5); 7 CFR section 245.6(b)).

A statistically valid sample of 66 students from a total population of 534 students listed on the free and reduced lunch roster were tested to verify eligibility documentation. There was no eligibility documentation for two students selected for testing.

Corrective Action Taken:

The employee in charge of verification of free and reduced lunch applications retired at the end of the 2019-2020 school year. This task has been reassigned to Hillary Lambert, Business Manager. She has reviewed and updated the controls in place to ensure proper documentation exists to support eligibility requirements.

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Southern Huntingdon County School District

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**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

Southern Huntingdon County School District submits the following corrective action plan in response to the finding listed in Section III of the Schedule of Findings and Questioned Costs for Federal Awards for the year ended June 30, 2021:

Significant Deficiency in Internal Control and Compliance Finding:

Finding 2021-001 – Allowable Costs/Cost Principles

Condition: Lack of time and effort distribution records for payroll expense charged to IDEA

Views of Responsible Officials: Hillary Lambert, Business Manager is the Responsible Official for the Special Education IDEA grant. She was unaware of the required time and effort documentation that was needed to support the employee's payroll allocation.

Planned corrective action: A time and effort certification has been completed for the first marking period of the 21-22 school year for the Special Education IDEA grant. Procedures have been put into place to ensure time and effort certifications are part of the grant paperwork that is completed at the beginning of every fiscal year.

Person Responsible for Corrective Action Plan: Hillary Lambert, Business Manager

Anticipated Completion Date: November 15, 2021

Sincerely,

Hillary Lambert

"An Equal Rights and Opportunities School District"